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MEASURING GENDER DIFFERENCES ON BOARD OF DIRECTORS OF COMPANIES LISTED ON THE ZIMBABWE STOCK EXCHANGE

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ABSTRACT: *The primary purpose of the study was to explore the gender differences on board of directors of public companies listed on the Zimbabwe Stock Exchange. Both quantitative and qualitative data collection techniques were used. The study used archival data as the data contained the information relevant to the research area and were sufficient to meet the requirements of the original research. Qualitative data were collected through in-depth interviews with key informants within the Zimbabwe Stock Exchange, observations and document reviews. Quantitative data were analysed using descriptive statistics while thematic analysis was used to analyse qualitative data. The study showed that corporate Zimbabwe had fewer female seats on the board of directors and the pipeline of future women leaders was alarmingly thin. The low representation of women on the boards of directors was attributed to male-domination of the nominating committees and corporate leadership groups; lack of qualified women directors; systematic sex-based bias against women and women's inability to develop strong networks. To create change in the representation and status of women on company boards required individual initiative by women and changes in both government policy and policy and procedures of companies when recruiting directors. The study recommended that the government should introduce a mandatory quota representation for each sex in non-executive board positions for companies listed on the Zimbabwe Stock Exchange.*

KEYWORDS: Board of Directors; Gender; Public Limited Company; Zimbabwe Stock Exchange

INTRODUCTION

Although there is now substantial body of research on the nature of gender pay gap, the factors contributing to it and its deleterious economic and social effects (Todd and Eveline, 2004), research on women directors of boards was only first documented in 1977(Burson-Marsteller, 1977 cited in Burgess and Tharenou, 2002). Two statistics about women's board representation are commonly reported: the percentage of board seats held by women and the percentage of organisations that have one or more women on their boards (Burgess and Tharenou, 2002). Meanwhile, very little is known about the effect of fewer women in senior positions and the factors perpetuating gender disparity in boardrooms. Pay differentials between men and women are reflected in the absence of women in company boardrooms. Very few women sit on company board of directors (Burke and Mattis, 2000; Catalyst, 1998 cited in Burgess and Theranou, 2002) and this should be an area of concern to women, governments and companies. Women held 25

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percent of the board seats at the UK's largest public companies in May 2015 (Gordon, 2015). In 2012, women held only 14 percent of the board seats at companies on the S&P Composite 1500 Index (Ernst & Young cited by Nobel, 2013).

Gender diversity represents differences in perspectives that individuals bring to their work situations or environment (Adams and Ferreira, 2009). In a boardroom, appointing women directors can provide different points of view and problem-solving attributes to board discussions and supervision (Letendre, 2004); lower excessive risk taking in strategic decisions (Eckel and Grossman, 2008); reduce overconfidence in decision-making (Barber and Odean, 2001) and provide additional board monitoring (Sitthipongpanich and Polsiri, 2013). The positive impact of female directors on firm performance and value has been well documented (Carter, Simkins and Simpson, 2003; Campbell and Minguez-Vera, 2008).

Meanwhile companies said that they found it difficult to appoint more women to their boards due to the lack of a 'pipeline' of suitably qualified candidates (Gordon, 2015). In the USA, Groysberg and Bell (2013) discovered that female board members actually had far more operational experience on their resumes than male board members on average. They also found that the majority of female board members reported having actively sought their board seats while the same was not true of male board members.

A number of countries including Belgium, France, Iceland, Spain and the Netherlands introduced a quota system in order to increase the representation of women in corporate boards (Groysberg and Bell, 2013). For example, in 2005, Norway mandated a 40 percent quota for female board participation while Finland used shame tactics which required companies without women on their boards to disclose the reason(s) in their annual reports (Nobel, 2013). An analysis of 6,000 companies across 45 countries by GMI Ratings in 2013 showed that a quota system had made a clear impact in countries where it had been adopted. In France, where it became mandatory in 2014 for a fifth of board directors to be female, the number of women directors rose in 2013 to just over 18 per cent. In Italy, the proportion of women on boards rose by nearly 4 percentage points between 2011 and 2013, after Italy adopted a law requiring 20 percent female representation in new board nominees. In the Nordics, women now account for nearly a third of seats on all corporate boards. But do quotas have a positive effect on board and company performance? The effect of quotas is not yet known and would require further investigation.

The greatest diversity challenge facing public companies listed on the Zimbabwe Stock Exchange was the chronic lack of women on boards. How can more women be appointed to company boards? What actions should companies, government and women take to help increase the representation of women on corporate boards? These were the overarching issues addressed in this study. The primary purpose of the study was to explore the gender differences on board of directors of public companies listed on the Zimbabwe Stock Exchange. The findings of the study provided insights into the factors that explained the propensity of the gender differentials in corporate governance and power in Zimbabwe and consequently proffered suggestions on how more women could be appointed to company boards.

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Research Objectives

- To evaluate the current state of women's representation on the board of directors of public companies listed on the Zimbabwe Stock Exchange.
- To identify the characteristics of women that have succeeded in becoming board members of public companies listed on the Zimbabwe Stock Exchange.
- To identify factors that hinder more women from taking up board seats on public companies listed on the Zimbabwe Stock Exchange.

Research Questions

- What is the current state of women's representation on the board of directors of public companies listed on the Zimbabwe Stock exchange?
- What are the characteristics of women that have succeeded in becoming board members of companies listed on the Zimbabwe Stock Exchange?
- Why are very few women appointed to corporate boards of public companies listed on the Zimbabwe Stock Exchange?

RESEARCH METHODOLOGY AND DESIGN

The research was cross sectional in nature and had both qualitative and quantitative aspects (Creswell, 2009). It was carried out at the Zimbabwe Stock Exchange. The study used large sample analysis where all public companies that fell within the inclusion criteria without any characteristics excluding them from the study were chosen for the quantitative study. This was to ensure that all business sectors were included in the analysis. The sources of quantitative data were existing records (archival data) in the form of profiles of public companies. The archival data contained the information relevant to the research area and were sufficient to meet the requirements of the original research. However, the major weakness of archival data was that some companies took time to update their profiles or to inform the Zimbabwe Stock Exchange on changes within their boards. Members of the Zimbabwe Stock Exchange were purposively chosen for the qualitative study. In the qualitative arm, key informants were stockbrokers and employees of the Zimbabwe Stock Exchange.

Presentation and Discussion of Research Findings

Zimbabwe Stock Exchange is the official stock exchange of Zimbabwe. It was established in 1896 and was opened to foreign investment in 1993. The Zimbabwe Stock Exchange (ZSE) had 64 listed companies with a market capitalisation of about US$4.5 billion. Four of the companies were suspended from the ZSE for various reasons such as failure to meet continuing obligations, voluntary delisting and prolonged inactivity. These companies included Celsys Ltd, COTTCO Holdings Ltd, PG Industries (Zimbabwe) Ltd and Phoenix Consolidated Industries Ltd. Thus, 60 listed public companies were the subject of analysis in the study. The companies listed on ZSE

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were in various economic sectors. The most predominant sectors were, agricultural (11.7 percent), industrial holdings (10 percent), building/construction (10 percent), insurance (8.3 percent) and banking and financial (8.3 percent). The major market players at the ZSE included local and foreign institutional investors, pension funds, insurance firms, asset managers, stock broking firms, custodians, investment advisors and commercial banks. The discussion of research findings are presented under the following headings: selection of the board of directors, measuring gender disparity on corporate boards of companies listed on the ZSE, characteristics of women directors and reasons for fewer women on the boards of directors.

Selection of the Board of Directors

The Companies Act (Chapter 24.02) of Zimbabwe requires that a board should have at least two members. A company can set the appropriate board size in its articles of association. The Zimbabwe Stock exchange has been promoting good corporate governance for listed companies. In April 2015, the Government of Zimbabwe launched a National Code of Good Corporate Governance, Zimbabwe that gave guidelines on board appointments, structure, roles, duties and responsibilities of boards, directors' term limits, corporate conflict resolution and settlement. However, the National Code of Good Governance, Zimbabwe was silent on demographic and gender composition of the boards. Instead, individual companies, through their chairpersons were left to decide on the composition of the boards.

A board of directors is one effective governance mechanism of a company. The board of directors is appointed to act on behalf of the shareholders to run the day-to-day affairs of the business. It is charged with hiring, monitoring, evaluating, replacing and advising management to ensure that all managerial decisions maximise shareholder value. People who constitute the board of directors have a great deal of influence over decision-making process of a company. This implies that shareholders (and potential investors) need to be aware of and understand the various characteristics of the individuals who make up the board. Generally, because shareholders have invested in the company they ultimately have keen interest in the selection of the board of directors. The maximum number of directors is specified by the company's articles of association. According to UK Corporate Governance Code, the board and its committees should consist of directors with the appropriate balance of skills, experience, independence and knowledge of the company to enable it to discharge its duties and responsibilities. The board of directors is led by a chairman. According to the Institute of Directors (2010), the primary role of a chairman is to ensure that the board is effective in its tasks of setting and implementing the company's direction and strategy. The chairman is appointed by the board and the position may be full time or part-time. For small companies, the role of the chairman is often combined with that of managing director. The joint role however, is not recommended for public companies listed on the stock exchange (Institute of Directors, 2010). Among other essential tasks of a chairman include providing leadership to the board and taking responsibility for the board's composition and development. The company's articles of association would generally define any reserved rights or duties for the chairman.

For companies listed on the ZSE, there were two classes of company directors, namely, executive and non-executive directors (and each being appointed in different ways). Executive directors were senior company executives who gained their positions through normal career progression rising to the position of chief executive officers or managing directors. The chief executive officer's

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fundamental responsibility was the general direction and management of the business and affairs of the company in accordance with the corporate strategy and objectives approved by the board of directors within the authority limitations delegated by the board. The chief executive officer was the main interface between the board of directors and corporate operations. He/she often had a position on the board and in some cases even the chair. On the other hand, non-executive directors held a position on the board because of their professional experience or industry contacts and their primary employment was external to the organisation. Non-executive directors were appointed by invitation of the board chairperson or nominating committee. Burgess and Theranou (2002) observed that non-executive directorships were attractive to women as a means of obtaining board directorships in order to bypass the traditional hurdle of becoming a chief executive officer before being nominated to a board position.

Measuring Gender Differences of Board of Directors

Out of the 406 directors of listed public companies on the ZSE, only 40 (or 10 percent) were female. This demonstrated that although women gained board seats, they were a numerical minority which consequently reduced their influence on corporate decisions. Table 3.1shows the percentage of board seats held by women by business/economic sector. Information, communication and technology sector (42.9 percent) was an outlier with the highest female board representation followed by insurance (16.2 percent) and retail sector (13.8 percent). Female directors were not found in three business sectors namely, paper and packaging, agricultural-industrial and tourism sectors. Meanwhile, 27 (or 45 percent) of the listed companies had one or more women on their boards. Only three companies (Econet Wireless Zimbabwe Ltd, NICOZ Diamond Insurance Ltd and Pelhams Ltd) had three female board members while a majority had two or less. More than half (58.3 percent) of the companies listed on the ZSE did not have a female board member. This should be a shocking result with all the attention the issue is obtaining one would think that companies were doing better to promote gender equality in their boardrooms. The small number of women directors demonstrated that the various corporate leadership groups had not yet embraced diversity in their boards.

Table: 3.1: Gender Segregation of Listed Companies

Business Sector	**Women Directors, %**
Printing &Publishing	12.5
Paper &Packaging	0
Building&Associate	10
Agric-Industrial	0
Insurance	20
Pharmaceuticals	0
Industrial Holdings	0
Beverages	5.9
Tourism	0
Agricultural	12.8
Banking & Financial	11.6
Mining	7.4
Engineering	12.5

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Food	4.8
Property	9.5
ICT	42.9
Retail	13.8

Sources: Various Company Profiles

The key informants at the Zimbabwe Stock Exchange revealed that the selection of company directors was informal through personal recommendations and social networks. Given that all board chairpersons were male and the nominating committees were dominated by males, the boardroom became an "old boys club" where selection was based on social networks and self-cloning. The selection of male board chairpersons only reflected male-domination of the nominating committees and corporate leadership groups. Female directors were merely for window-dressing and were mostly drawn from the same pool. The situation was exacerbated by the companies' preference for candidates who had already sat on a corporate board, meaning that positions were often fed from the same small pool of experienced women. Further investigation of this small group of women directors revealed that a majority of them sat on more than one company board. Probably, in order to change the status quo, it should be mandatory for nominating committees to explain in proxies that they discuss and promote diversity when selecting new board members.

The archival data also showed that women were seldom appointed to chief executive officer or company secretary portfolios. These portfolios were nevertheless still male-dominated. For example, a mere two percent of the chief executive officers were female. Meanwhile, more women (22.4 percent) were appointed to the less influential company secretary portfolio. While it is difficult to force companies to hire female chief executive officers, the government can use legislation to influence the structure and gender composition of the company's board.

Characteristics of Women Directors of Listed Companies

The women directors exhibited varied characteristics. The most prominent feature exhibited by women directors was higher levels of education (both academic and professional). That is, over 56.3 percent of the women directors achieved an undergraduate degree (or higher) while 31.3 percent achieved a masters degree or PhD. Meanwhile, only 6.3 percent had professional certificate or diploma qualification while 31.3 percent did not indicate their qualifications. In addition, a majority of the female executive directors had greater managerial advancement, were mature (and hence required less human capital development), had high profiles and were publicly recognised. Because of their exquisite educational and professional experience coupled with extensive industrial experience, the small pool of women directors was well-sought after by corporate leaders and ultimately sat on two or more boards. The second characteristic o was that a majority of the women directors were married with children. This was an interesting result and was consistent with findings in other countries. However, in the USA, more female directors were divorced-suggesting that they might have incurred greater personal costs (Groysberg and Boris, 2013). The third characteristic that we observed was that a significant number of women directors (30 percent) had strong social networks including political association. This was reflected by some of the female directors (12.5 percent) sitting on two or more company boards. This trend was quite revealing for public companies where the government was the major shareholder. The fourth

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characteristic we discovered of women directors was that by and large, the women on the boards of directors worked in the public sector, either central government or public enterprise. Meanwhile, the majority of male board members worked in the private sector and occupied C-suites of private companies. The last characteristic observed was industry knowledge coupled with financial experience. Some women directors (if not a majority of them) had previously served on similar types of private and/or public sector boards.

Reasons for fewer women directors on corporate boards

The following were identified as the factors hindering more women representation on corporate board of directors:

- Male-domination of the company boards and nominating committees (and hence men were bound to appoint men).
- Lack of qualified and experienced women (at senior management level) from which to choose directors.
- Women did not have the talent.
- Most talented women preferred to stay with their employers longer than their male counterparts who changed jobs more frequently. However, staying for long on one job restricted women's network.
- Men strived more to become leaders than women.
- Women had different priorities to those of men.
- Systematic sex-based bias against women.
- Women (especially those below the board level) were not as networked as their opposite number.
- Some professional and talented women were frustrated (due to lack of recognition and movement up the corporate ladder) and got fed-up and therefore opted out of the traditional career path and started their own businesses.

CONCLUSION AND RECOMMENDATIONS

Corporate Zimbabwe had fewer females in the board of directors (including chief executive officers) and the pipeline of future women leaders was alarmingly thin. The low representation of women on the boards of directors was attributed to a number of factors including, male-domination of the nominating committees and corporate leadership groups; lack of qualified women directors; general perception that women could not cope with pressure and stressing jobs and women's inability to form strong networks. The study observed that the small number of women directors was the greatest diversity challenge facing companies listed on the Zimbabwe Stock Exchange.

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If women are missing in corporate boardrooms, what then should the government, women and corporate leaders do about the asymmetry? To create change in the representation and status of women on company boards would require individual initiative by women and changes in both government policy and policy and procedures of companies when recruiting directors. Accordingly, the recommendations emanating from the study were categorised into three, recommendations pertaining to women, government and corporate leaders.

Women

- Women should adopt a proactive approach (to company board selection) by volunteering, self-promotion and building self-confidence to take initiatives.
- Women should build strong social and business networks that would support their promotion as company directors.
- Women should build their public image through public speaking, writing articles in newspapers and participating in business and professional forums.

Government of Zimbabwe

- The government should introduce a mandatory quota representation for each sex in non-executive board positions for companies listed on the Zimbabwe Stock Exchange.

Companies

- Companies should change the definition of eligibility for the appointment of board of directors and broaden the candidate pool by considering women who have other senior management experience.
- Companies should pursue affirmative action by providing career ladders that would enable women to gain core business experience within the company.
- Companies should develop formal and standard guidelines to be used by nominating committees and hence avoid the tendency to select people based on their social networks.
- Companies should increase visibility and accessibility of the talent pool of women in senior management through women's business forums.

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