Women on managing boards – are companies more responsible when women share the power?

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Abstract: Gender equality, also known as gender egalitarianism, is the view that each and every one should receive identical treatment and not be discriminated against based on their gender. This is one of the purposes of the United Nations Universal Declaration of Human Rights, which seeks to create equality in law and in social situations, such as in democratic activities and securing equal pay for equal work.

Lately more and more companies adapt conception of gender equality as a part of responsible business in their activity that is shown in different indexes, statistics and reports. One of them is RobecoSAM Sustainability Yearbook that includes the world’s largest companies invited to participate in the Corporate Sustainability Assessment. From this report we took Industry Movers as our research sample, that next is compared to the biggest companies in Poland. We want to prove that presence of women at managing boards of “industry movers” essentially differs them from other boards and influences their philosophy on the market.

To conduct this research we use comparative analysis method, as well statistical diversity indexes, that is supported by research on roles of management board, masculine and feminine styles of management and political and social background of women’s situation on labour market in Poland. The article shows a work in progress, but first results proves that Industry Movers companies differ significantly from Polish companies if number of women on managing boards is considered.

Keywords: managing boards, business responsibility, women

Introduction

In 2015, the General Assembly of the United Nations adopted a resolution named ‘Transforming our world: the 2030 Agenda for Sustainable Development’. That agenda, being continuation of millennial goals, included 17 sustainable development goals, which sought – amongst others – to fulfill the human rights of all and to achieve gender equality and the empowerment of all women and girls.

Gender equality, also known as sex equality, gender egalitarianism, sexual equality, or equality of genders, is a belief that each and every one should receive identical treatment and not be discriminated against based on their gender. That was one of purposes of the United Nations’ Universal Declaration of Human Rights, which sought to create equality in law and social situations, such as in democratic activities and securing equal pay for equal work.
Responsible (sustainable) business is defined as one which combines financial, social and environmental elements. These three factors are sometimes referred to as ‘Profits, People & Planet’ (Financial Times Lexicon). Therefore, sustainable activity requires companies to adhere to values of sustainable development, i.e. economic efficiency, social equality, and environmental accountability. In this regard, one may point out a number of best practices that foster business sustainability, and help organizations move along the path ‘from laggards to leaders’ (Financial Times Lexicon); these include engaging stakeholders, including the closest environment, minimizing negative environmental impact, and transparency of activities. Involvement of stakeholders can be associated with guidelines of 2030 Agenda for Sustainable Development: responsible business should take into account equal opportunities for women and men. The idea of responsible business should be combined with the concept of corporate social responsibility – a belief that business is responsible for its impact on the society (European Commission). It means that companies are responsible for integrating various concerns (social, environmental, ethical, consumer, and human rights) into their business strategies and operations.

Lately more and more companies adapt conception of gender equality as a part of responsible business in their activity, which is noticeable in various indexes, statistics and reports. One of them is the ‘RobecoSAM Sustainability Yearbook’, which includes over 3,000 of the world’s largest companies invited to participate in the Corporate Sustainability Assessment. In the Yearbook, RobecoSAM creates a list for each of 59 industries with companies with the highest score – these are named ‘Industry Leaders’. The title means that these businesses are best prepared to seize opportunities and manage risks associated with economic, environmental and social developments. Within the top 15% of each industry, companies which achieved the largest proportional improvement in its sustainability performance (compared to previous year) are named the RobecoSAM ‘Industry Movers’. It is precisely that group of fast-improving companies which will be analyzed in this paper. This article will 1) determine features of managing boards in the Industry Movers group, especially in terms of women’s presence, 2) determine features of managing boards of the biggest companies in Poland which were not included in the RobecoSAM Sustainability Yearbook, 3) prove that presence of women on managing boards of Industry Movers differentiates them essentially from other boards. To conduct the research, a comparative analysis method was used. The analysis was supported by a study on roles of management boards, masculine and feminine styles of management, as well as political and social background in Poland in terms of women’s situation on the labor market. The authors wanted to go beyond studies from the Anglo-Saxons corporate governance systems, therefore – except for West Europe – managing boards from Americas, Australia and Central Europe (especially Poland), were analyzed.

Literature review
Roles of managing boards
A managing board is a specific body of the company, which determines its present and future direction. Statements which read that ‘company X decided to expand’ or ‘company Y implemented savings’ are simplified, as such decisions are always taken by the company's board. The main role of each board of a commercial organization is to achieve economic efficiency. Therefore, all board decisions should be aimed at improving company’s economic situation. This does not necessarily involve direct profit, but a better economic efficiency is always on the horizon – either in short or long run. Another function of boards is managing objectives: a board is the body that sets short-term and strategic objectives for the entire enterprise. This means that board decisions change company resources into economic, market or social benefits. Finally, the board deals with managing managers who – in turn – communicate board’s vision to the lower level employees and help them achieve goals. Thus,
decisions of the board influence the management of each employee and their time, i.e. tasks to achieve now and in the future. One may distinguish three functions of each board: management of company objectives, management of people, and management of time. They are intertwined with each other and carried out simultaneously. Companies state increasingly often that ‘sustainable development’ as amongst their objectives.

Managing styles
All company board decisions are associated with a management style. A management style may be defined in different ways. For example, A. Fox (1971) says that it is a mode of behavior of a manager, i.e. the way he/she conducts social relations with colleagues and subordinates. In a broader context, it is the way of making fundamental decisions, which designs and realizes the functioning of an organization. Among these key decisions, there are those related to managing people, as it is people who are able to develop their skills and dedicate them to the company (Stamp, 2006). Literature often lists six management styles developed by D. Goleman (Goleman, 2011; Mullen et al., 1987). These are:

1) democratic style, which considers opinion of each employee;
2) affiliative style, in which the manager focuses on building harmony and understanding within a team;
3) visionary style, where an authoritarian leader says what target should be achieved but does not indicate how to do it; this helps people feel important;
4) coaching style, in which a leader focuses on the strengths and weaknesses of each team member, and delegates tasks, depending on the predispositions of an employee;
5) commanding style, which involves continuous monitoring and inspections, and giving commands without a dialogue;
6) process-oriented management style, in which the leader is focused on standards and procedures developed by the organization.

Apart from the styles mentioned above, one may encounter styles associated with various cultures of different regions. For example, J. Wellens (1980) mentions the American management style (style A) and the Japanese management style (J), and proposes a combination of these two to create a ‘Z style’, which would include the best of both worlds. Burke and Collins (2001) talk about ‘transformational leadership’, which they understand as changes in the management style towards greater interaction between managers and employees, which is typical for feminine management style.

Feminine style of management
Differences between masculine and feminine management styles led to a number of publications. For example, Davidson and Ferrario (1992) pointed out that there were many differences between management types associated with particular sexes. Hence, one may talk about ‘feminine’ style (called ‘transcendental’), whose characteristic feature is focus on good relations within the company, as well as customer satisfaction. The financial results take third place in the feminine management style’s hierarchy. It turns out that the transcendental management style works well when frequent contacts with customers who expect more interaction are required (Burke & Collins, 2001). The literature also states that the democratic style is more typical of women than men (Savery, 1991). Men, says Park (1996), focus on delegating tasks, analytical thinking and effectiveness of tasks. They are less interested in relationships and atmosphere at work. Existence of distinct management styles confirms there tendencies. Interestingly, Park’s research showed that the democratic management style – typical of women – is necessary to increase job satisfaction, reduce absenteeism, increase productivity, and even reduce labor turnover.
It is worth noting that often there is a positive correlation between financial results of a company and presence of women on the board, both in short and long term. However, as Konrad and Kramer claimed, the strength of women’s influence on decision-making becomes significant when there are at least 3 of them. This means that one woman on a board tends to be marginalized (Konrad, Kramer, 2006). It is justified to state that effective management does not so much depend on the presence of women, but also on other factors, such as number of people on the board, frequency of board meetings, age of board members, division of responsibilities – all this can have a positive or negative impact on the company management (Campbell, Minguez-Vera, 2010). However, in terms of sustainability, one of key categories is presence of women on management boards, and their ability to influence company decisions.

Women on the labor market – political and social background in Poland

Most studies which show the situation of women on the labor market relate to the developed and Anglo-Saxon countries. This paper aims at presenting another country – one shaped by the post-war philosophy of communism and Christianity. Poland has 38 million citizens; the average age of women is 42, and of men 38.6. 48.5% of Polish women are active professionally, so as 64.7% of men. Unemployment among women amounts to 11.2% (while among men 9.8%); it is slightly higher than the EU average (9.8%). In Poland after World War II, gender equality was predominant: everyone was a citizen, had their duties to the state and the party, and had to work towards a better future. However, after 1989, anti-feminism grew in force, which was common in all post-communist parts of Europe, mainly due to aversion to gender equality policy, which was part of the socialist state policy and the official propaganda. Thus, when Poland transformed towards democracy and a competitive market, the country did not experience any improvement in gender equality. On the contrary, the country started to be dominated by paternalistic and ultra-Christian model of society.

The European Commission data says that in Poland only 10.3% of large companies have women on their managing boards, which is below the EU average (16.6%) and only 7% of women are CEOs and these figures has not changed significantly over last years (European Commission, 2013). International comparisons suggest that Poles are not much more conservative than other Eastern European nations in terms of gender roles. However, in comparison with other EU member states, gender stereotypes and conservative perceptions of the family seems prevailing. According to a recent Eurobarometer survey on approach to equality, only 87% of Poles agreed with the statement that gender equality is a fundamental right (Eurobarometer – Gender Equality Report, 2015). Lower results were obtained only in Estonia (84%) and Lithuania (80%), while in other countries the result was close to 100%.

Methodology

Our study offers an insight into the role of board gender diversity on responsible business. We examined two groups of managing boards: Industry Movers (36 companies from different countries; later we use the abbreviation IM for this group), and the biggest companies in Poland (50) which were not included in RobecoSam report. We conducted a comparative analysis using nonparametric tests (Mann-Whitney and Kolmogorov-Smirnov) as well as diversity indexes (generalized mean, Shannon index and Gini-Simpson index), to prove statistical significance of calculations.

Information about the size and structure of managing boards of Polish companies were usually taken from their websites; in some cases, due to lack of information, data was taken from the National Court Register of Companies. Information about companies from the RobecoSAM Sustainability Yearbook were taken from the report and also from companies
websites, although in this case only specific group of companies was analyzed (called ‘Industry Movers’ by RobecoSAM). As mentioned before, this group is characterized by the largest proportional improvement in its sustainability performance, compared to the previous year. It may be assumed that such an improvement was caused – to some extent – by diversified managing boards. Therefore, the objective was to:

1) determine features of managing boards in the IM group in terms of presence of women – the analysis of company data included the beginning of company activity, current performance, as well as the size and structure of the supervisory board (in case of a two-tier governance) or the board of directors (in case of a unitary system). Unfortunately, it was not possible to obtain some of the data on Industry Movers. Therefore, results of the statistical analysis had to be restrained;

2) determine features of managing boards of the biggest companies in Poland which were not included in the RobecoSAM Sustainability Yearbook – the biggest Polish companies with domestic capital were analyzed (Fig. 1); the main criterion was sales revenue; collected data was similar to that of Industry Movers;

3) prove that presence of women on managing boards of IM significantly differentiated them from other boards – as mentioned already, a comparative analysis was conducted with nonparametric tests and diversity indexes.

Results and discussion
Our analysis demonstrates features of managing boards in the Industry Movers group in terms of presence of women – an average number of board members is 9.9; number of women is 1.75; an average age of a company in this group is 73 years (the oldest one was founded in 1847, the youngest – in 2013). Majority (91.4%) of these companies was founded before 1990. Characteristics of managing boards of the biggest companies in Poland are as follow: an average number of board members is 4.9; average number of women in a board is 0.38; an average age of a company is 35.4 years. The oldest company was founded in 1803, the youngest in 2013, but more than a half of the sample (56%) started its activity after 1990 (Fig. 2).

Figure 1: Industry structure of Polish companies

Figure 2: The age of surveyed companies.

(Source: own work)
Finally, our results prove that managing boards of IM companies are significantly different from Polish ones: are two times bigger and have beyond 4 times more women, and these differences are statistically significant (Table 1).

Table 1: Differences between IM and Polish companies.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average size of a company</th>
<th>Average number of women</th>
<th>Average age of a company</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM</td>
<td>9.9</td>
<td>1.75</td>
<td>73</td>
</tr>
<tr>
<td>Polish</td>
<td>4.9</td>
<td>0.38</td>
<td>35.4</td>
</tr>
</tbody>
</table>

Moreover we should mention that IM companies are much older – almost two times, so we could assume a statement that Polish companies are not mature and developed enough to realize the same philosophy or strategy of functioning, but this can be the subject of further research.

Collected data show that boards in many large companies in Poland are still dominated by men, despite the fact that in Poland and other countries regulations on gender equality have been introduced in recent years. But, problems with low activity of women on the labor market and their absence from company boards is observed not only in the European countries. In Japan, for example, despite the fact that over 40% of women are professionally active and the structure of employment faces constant changes, only 0.3% of women hold positions on company boards (Buddhapriya, 1999) – mainly due to the low mobility of women and their devotion to families. Similarly, in China and Malaysia presence of women on company boards is negligible – despite laws ensuring gender equality. It results again from low mobility of women, but also their lack of career planning.

The similar situation in so many countries stems from marriage and motherhood, geographical immobility of women (usually due to prioritization of family), lack of support of employers, limited access to information and training, and finally in some cases: the fear of success. Generally we can say that in the background there is also the patriarchal nature of a society.

It is worth of remembering that presence of women on boards can have positive ethical, social and economic results. The ethical dimension relates to the rights of every human being to personal development. The social dimension is associated with providing jobs and stable level of life to all those who want to be professionally active. The economic dimension relates to the fact that company boards should be populated by people with the best abilities, regardless of gender. Therefore, if company do not have women on boards, it may be
assumed that they have not yet appreciated the potential of women and their qualifications in terms of management.

Conclusions
In this article we underlined, that feminine style of managing is focused on good relations within the company, as well as with the milieu. That’s why managing boards with a bigger number of women are tend to implement more responsible strategies. Our analysis demonstrates that responsible companies (from IM group) have much bigger managing boards generally, and simultaneously have 4 times more women on the board than the biggest companies in Poland. That suggests that the presence of women positively influences a company’s strategy. Of course, due to small research sample (86 companies) we should draw cautious conclusions, but first results prove that IM companies have managing boards which are significantly different from the Polish ones, and the presence of women brings positive and noteworthy change, that can be a good starting point for further research and analysis of another countries.

References