Gender and the Composition of Corporate Boards: A Ghanaian Study

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This article examines the gender composition of corporate boards of listed companies in Ghana. Results indicate that women were insignificantly represented and that younger firms had more women on their boards than firms established four decades ago. In addition, the study found that it is only after the initial listing that companies found it necessary to appoint women directors. As firms expand, they tend to employ fewer women on their corporate boards. Also, women were engaged more in the service and financial sectors than the manufacturing and construction industries. Interestingly, local companies appointed relatively more women as board members than their multinational counterparts.

Introduction

The issue of corporate governance has been a corollary of the emergence of public limited liability companies in the 19th century in the Western world. These new commercial institutions separated corporate owners from hired corporate management teams. The former group has since then demanded good stewardship from the latter. Corporate governance refers to the manner in which the power of a corporation is exercised in the stewardship of a

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corporation's total portion of assets and resources with the objective of maintaining and increasing shareholders' value with the satisfaction of other stakeholders in the context of its corporate mission. It is concerned with creating a balance between economic and social goals, and individual and communal goals. It also ensures efficient use of resources, accountability in the use of power and stewardship, and as far as possible aligns the interests of individuals, corporation and society. Corporate governance essentially describes how companies ought to be run, directed and controlled. It is about supervising and holding to account those who direct and control the management.

Different authors have come up with different definitions of corporate governance. Mayer (1997) defined it as a set of ways to bring the interests of investors and managers into line, ensuring that firms are run for the benefit of investors. According to Deakin and Hughes (1997), corporate governance is concerned with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability. Corporate governance is seen as the whole set of measures taken within the social entity for economic agents to take part in the productive process, in order to generate some organisational surplus, and to ensure a fair distribution between the partners, taking into consideration what they have brought to the organisation (Maati 1999). It has also been defined by Keasey et al. (1997) to include the structures, processes, cultures and systems that engender the successful operation of the organisations.

We can, therefore, infer from these definitions that different systems of corporate governance will embody what are considered to be legitimate lines of accountability. Corporate governance systems may be thought of as mechanisms for establishing the nature of ownership and control of organisations within an economy. In this context, 'corporate governance mechanisms are economic and legal institutions that can be altered through the political process—sometimes for the better' (Shleifer and Vishny 1997). Company law, along with other forms of regulation (including stock exchange listing rules and accounting standards), both shape and is shaped by prevailing systems. The impact of regulation on corporate governance occurs through its effect on 'the way in which companies are owned, the form in which they are controlled and the process by which changes in ownership and control take place (Jenkinson and Mayer 1992). According to Deakin and Slinger (1997), ownership is established by company law, which defines property rights and income streams of those with interests in or against the business enterprise.

Corporate governance has become an issue of global significance. The improvement of corporate governance practices is widely recognised as one of the essential elements in strengthening the foundation for the long-term economic performance of countries and corporations. Following the Asian financial crises in the later part of the 1990s, this issue has risen to the top of the international agenda as an important component of the global financial structure. While the issues and challenges that corporate governance has to contend with are in the main similar across the globe, there are nonetheless unique and subtle differences between continents, regions and countries. This is often caused by geographical position, historical circumstances, national and cultural characteristics, and other events or circumstances that warrant careful consideration. Africa is a continent that features almost all these aspects. The challenges of corporate governance are enormous, particularly for Africa, where most of the countries are in transition from a state-controlled economy to private sector management in national development. Those who are entrusted with the task of ensuring that corporations are managed in accordance with the rules and regulations of the corporation are the board of directors, and a study the effectiveness of such boards is more critical than ever.

The composition of corporate boards, particularly with respect to gender, is a growing area of study (see Catalyst 2001; Fagenson and Jackson 1994; Heidrick and Struggles, Inc. 1977; Sheridan 2001). Reasons for the increased awareness of this issue include greater attention to diversity in organisations and the realisation of the competitive advantage that may result from having women on corporate boards (Burke 1994). Gutner (2001) asserts that recruiting more women directors is a growing concern for organisations. While public corporations appear to be committed to providing their products and services to diverse constituents and to hiring practices that are based initially in allegiance to multicultural policies, many companies fall short of full gender equality in filling corporate board seats. Previous studies focusing on advanced economies have shown that women remain largely underrepresented on corporate boards (Catalyst 2001; Duff et al. 1999; Kanter 1977; Kitchen 2001; Marcellino and Hyland 2002; Njoya 1999). However, these studies were limited to the study of a few structural factors, mainly organisation size and industry.

The Gender Issue

Previous studies on women's entry into various management positions have found that the greater the representation of women in the existing managerial hierarchy, the more women advance into management (Pfeffer et al. 1995; Tharenou 2001). Underrepresentation has acted as a hindrance to career advancement for women (Salopek 1999). Qualified women's appointment to board positions would increase if their efforts are geared towards corporations that are more likely to choose women directors. Networking among contact groups normally produce meaningful results. Burke (1994) found that the most common ways in which chief executive officers (CEOs) found qualified women directors were through another board member and by the CEO's personal knowledge of the woman. This explains the kinds of establishments aspiring women board members should target in their business networking interactions.

Two theories that have addressed factors influencing the underrepresentation of women are the dual labour market theory and the organisational structure perspective. While Thurow (1969) looked into the dual labour market, Kanter (1977) studied the latter. The dual labour market theory suggests that there is limited mobility between better primary jobs and less desirable secondary jobs. Morrison and Von Glinow (1990) assert that most women's jobs are in the secondary labour market in lower levels and staff (rather than managerial) positions. This theory suggests that individuals in secondary jobs are unlikely to move into top management positions. Kanter's theory proposes that women's lack of power and opportunity in organisations explains the barriers that face them. He added that serving as a 'token' woman attracts attention, limits performance and causes differences to be exaggerated. Both theories provide a basis for examining the composition of corporate boards and the dimensions of organisational structures.

Size of Organisation

Previous studies on the relationship between organisation size and the composition of women have found conflicting results. Bertrand and Hallock (2001) found that organisations where executive women worked were 35 to 45 per cent smaller than organisations where only men worked. As firms grow, they tend to employ men as corporate directors. This assertion was confirmed by Andre (1995), who found that men were significantly more likely to represent large companies than women. However, Harrigan (1981) and Heidrick and Struggles, Inc. (1977) found a positive relationship between organisation size and the presence of women on the board. Catalyst (2001) also found that women directors are more prevalent in large companies. In addition, recent efforts at improving diversity have been embraced by large companies (Lippman 1999).

Type of Industry

The industry in which the firm operates may also affect the number of men and women on the board. Some industries such as mining, construction and manufacturing have been traditionally dominated by men, while women are more likely to be employed in services and trade (Brewer 2001). This has led some governments to regulate the entrance of women in male-dominated professions such as business, accounting, finance and banking (Renzetti and Curren 1992). Harrigan's (1981) study revealed that there is a significant presence of women directors in technological, service and financial companies. According to Forbes et al. (1988), despite some government intervention to regulate the entrance of women, they were more highly represented in the boards of companies dealing with services, finance and real estate than manufacturing. However, the most challenging issue is to predict the industries that will offer the best opportunities for women board candidates.

Objectives and Methodology of the Study

The purpose of this paper is to present new empirical evidence on the composition of corporate boards in the context of a developing country, Ghana, by including more firm variables apart from size and industry effects. The following sections review the literature on the subject, present the research methodology and discuss the findings.

This study specifically examined the number of women and men on the boards of listed companies in Ghana. The sample consisted of all the companies listed on the Ghana Stock Exchange (GSE). The study also attempted to look at the relationship between certain characteristics (like age, years of listing, size, industry, types and ownership) and the composition of the board. Age was defined as the number of years in business. Years of listing was defined in terms of how long the company has been listed on the GSE. Size of the firm was measured in terms of turnover. The Sem Industry Classification was used in classifying the firms. We also considered ownership in terms of local and multinational firms. Local firms are companies that have their headquarters in Ghana, whilst multinational firms are subsidiaries of companies with their headquarters outside the country.

The research made use of both primary and secondary data. Secondary data was mainly from the companies' annual reports and the GSE Fact Book. These were used in identifying the year of establishment, year of listing, type of industry, as well as the gender of board members. When a name did not clearly identify gender, we called either the human resource or finance department of the organisation for clarification. Primary data was collected through the administration of a questionnaire. We employed descriptive statistics in the presentation and analysis of the empirical results.

Presentation and Discussion of Results

Profile of Listed Firms

Table 1 shows industries represented by the firms listed on the GSE. Thirteen (representing 45 per cent) were manufacturing firms, seven (25 per cent) were in the financial industry, three firms (11 per cent) were in trading and two (7 per cent) in the printing and publishing industry. One firm (3 per cent) each were in mining, auto, information technology and pharmaceutical industries. Table 2 shows the ownership of the listed company on the GSE. Out of the 29 listed firms, 16 (55 per cent) were Ghanaian firms and the remaining 13 (45 per cent) multinational.

Table 1
Industries Represented by Firms

Industry	*Frequency*	*Percentage*
Manufacturing	13	45
Mining	1	3
Financial	7	25
Automobile	1	3
Information technology	1	3
Trading	3	11
Pharmaceuticals	1	3
Printing and publishing	2	7
Total	29	100

Table 2
Ownership of Firms

Ownership	*Frequency*	*Percentage*
Local	16	55
Multinational	13	45
Total	29	100

Table 3 provides a summary of the mean values of the other firm variables (age, size and year of listing). The average age of the firm was given as 38 years and the average number of years for which the companies had been listed on the GSE was eight years. The oldest company was 108 years and the youngest was 12. The average turnover of the firms was ¢487 billion (Ghanaian cedis). The maximum and the minimum turnover were ¢4,112 billion and ¢2 billion respectively. The first firm to be listed was 14 years ago and the most recent listing was just last year.

Table 3
Other Characteristics

Variable	*Observation*	*Mean*	*Minimum*	*Maximum*
Age of firm	29	38	12	108
Years of listing	29	8	1	14
Firm size (¢billion)	29	487	2	4,112

Note: ¢ = Ghanaian cedis; US$ 1 = ¢9,172.

Table 4 shows the composition of the total number of corporate board members of listed companies in terms of gender. Out of a total of 249 members, 229 (93 per cent) were men while women were only 18 (7 per cent). This clearly demonstrates that women are insignificantly represented on corporate boards.

Table 4
Composition of Men and Women on Corporate Boards

Gender	*Frequency*	*Percentage*
Men	229	93
Women	18	7
Total	247	100

Firm Characteristics and Corporate Boards

This section discusses the gender composition in listed companies in terms of characteristics such as age, year of listing, size, industry and ownership. Table 5 shows how age (number of years in business) affects gender composition on corporate boards. In companies established less than 20 years ago, women constituted 11 per cent of the board. Firms between 21 and 30 years of age appointed only 7 per cent of women on their boards. Women accounted for only 7 per cent of boards in companies between 31 and 40 years of age, while those over 40 years old had just 6 per cent women board members. The results suggest that firms incorporated less than 20 years ago tend to employ more women on their boards than those incorporated over 40 years ago. This means that younger firms tend to have more women on their boards.

Table 5
Age of Firm and Composition of Board

Age of firm	*Men (%)*	*Women (%)*
< 20 years	89	11
21–30 years	93	7
31–40 years	93	7
> 40 years	94	6

Table 6 also shows how long companies have been listed on the GSE and the effect of this factor on the composition of the board of directors. Companies listed less than a year ago had only men on their boards. Firms listed between one and five years ago had 12 per cent women, while women constituted 9 per cent in companies listed for between six and nine years. Companies listed for over 10 years had only 6 per cent women board members.

Table 6
Years of Listing and Board Composition

Years of listing	*Men (%)*	*Women (%)*
< 1 year	100	0
1–5 years	88	12
6–9 years	91	9
> 10 years	94	6

The results suggest that it is only after a year of listing that companies find it necessary to appoint women directors. But this practice decreases as the firms mature on the stock exchange.
Table 7 reports the relationship between size and corporate board composition. Firms with less than ¢50 billion turnover appointed 9 per cent women as against 91 per cent men. Among firms with between ¢51 billion and ¢100 billion turnover, 100 per cent of board members were men. Women represented 10 per cent each in firms with a turnover between ¢101 billion and ¢150 billion, and those between ¢151 and ¢200 billion. Respondents with over ¢200 billion turnover showed that 93 per cent of board members were men and 7 per cent women. These results suggest that as firms expand, they tend to appoint fewer women. These results also support previous studies in that men rather than women are significantly more likely to represent large companies (Andre 1995; Bertrand and Hallock 2001).

Table 7
Firm Size and Composition of Board

Turnover (¢billion)	*Men (%)*	*Women (%)*
< 50	91	9
51–100	100	0
101–150	90	10
151–200	90	10
> 200	93	7

The results in Table 8 indicate that the type of industry is significant in determining the gender composition of corporate boards. Most firms gave much importance to technical know-how when appointing members. Information technology (IT) companies tend to appoint more women (20 per cent). Pharmaceutical and automobile companies did not appoint women to their corporate boards. Printing and publishing companies were the second (14 per cent) in terms of women board members, followed by financial (9 per cent), mining (7 per cent), manufacturing (7 per cent) and trading (4 per cent) firms. The results suggest that women were rather more engaged in the service and financial sectors than in the manufacturing and construction industries. This confirms an earlier study by Brewer (2001).

Table 8
Industry and Composition of Board

Industry	*Men (%)*	*Women (%)*
Manufacturing	94	6
Mining	93	7
Financial	91	9
Automobile	100	0
Information technology	80	20
Trading	96	4
Pharmaceuticals	100	0
Printing and publishing	84	14

Table 9 shows how ownership could influence the gender composition of a board of directors. The results indicate that local companies tend to appoint more women as board members than multinational firms. Ten per cent (25) women were appointed as board members by local companies. In multinationals only 5 per cent of board members were women.

Table 9
Ownership and Composition of Board

Ownership	*Men (%)*	*Women (%)*
Local	90	10
Multinational	95	5

Conclusion

It is clear that women are poorly represented on the corporate boards of listed firms in Ghana—less than 10 per cent. This gap is very wide. Younger firms tend to appoint more women than firms established four decades ago. This could be attributed to the fact that firms who have women on their boards may reap benefits in terms of having a competitive workforce and serving diverse needs. Still, it appears that it is only after the initial listing that companies found it necessary to appoint women directors. The results suggest that as firms expand, they tend to employ fewer women, and that women were present more in the service and financial sectors than in the manufacturing and construction industries. Local companies appointed relatively more women as board members than their multinational counterparts.

It is recommended that companies should review their policies with respect to board appointments. They should be required to appoint a minimum percentage of women to their boards. Special incentives could be given to companies to give 50 per cent representation to women. For instance, firms with more women on their boards could be given tax relief, easier access to financing on favourable terms, and subsidised cost of listing. Women would then be encouraged to aspire to become board members in all types of industry.

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