

Effect of Female Leadership, Gender Equality, and Male Dominated Industry on BOD Gender Diversity

Yoomeidinar, Doctor of Research in Management, Binus University, Indonesia.

Article Info

Volume 83

Page Number: 22299 – 22303

Publication Issue:

March - April 2020

Abstract:

Gender Diversity in Board of Director is an issue faced by many countries in the world, as most countries found women lack representatives in Board of Director. In Indonesia, this is also an issue in need of solution especially in male dominated industries. This research try to find solution for this issue by analyzing effect of female leadership, gender equality, and male dominated industry on Board of Director (BOD) Gender Diversity. Quantitative method performed in this research by gathering 102 respondents of Director level from listed companies. Data analyzed using Structural Equation Modelling to test the hypotheses. Result shows female leadership and gender equality have positive effect on BOD Gender Diversity. Female leadership gives positive effect on women's career in the company and positively influencing their career progression to reach Director level. Gender equality also boost women's career chance helping them in reaching Director level. These findings showed two important factors in increasing women's representation in BOD level.

Article History

Article Received: 19 October 2019

Revised: 27 December 2019

Accepted: 29 March 2020

Publication: 30 April 2020

Keywords: gender diversity, female leadership, gender equality, male dominated industry.

Introduction

Board of Director holds important position in a company shaping strategies and making strategic decisions. In this era where changes happen rapidly and disruptions occur in business, executives in company must be able to exploit opportunities timely (McGrath, 2013). Decision making ability determines success of a company in facing challenges. Ararat, et al. (2015) found that gender diversity in Board of Director can increase performance due to better decision making. This finding is further supported by Hassan & Marimuthu (2017) showing positive effect in performance by having gender diversity on Board of Director.

With positive impact of having woman on board, current situation shows women are still underrepresented on board. Data from Catalyst (2018) showed percentage of women in Director position on 2017 are 28.7% in Australia, 25.8% in

Canada, 20.9% in Germany, 13.8% in India, and 5.3% in Japan. These numbers show women are still underrepresented in Board of Director. In Western countries or Eastern countries, majority of Directors are males and females are still minorities. Though gender diversity in Board of Director provides positive effect on company's performance, this advantage can not be fully realized when the diversity is lacking. In order to solve this problem, gender diversity in Board of Director must be promoted.

Cook & Glass (2014) found that female leadership can boost female workers career in a company. Female leadership can improve female's careers and provide positive effect on other female workers increasing career promotions and ability to be promoted till Director level. Flabbi, et al. (2019) also found that female leadership motivates female workers in achieving better performance and provide better chance for promotion. These evidences show female leadership is a factor that

can boost female career in a company and increase the chance of having women promoted to Director level.

There is evidence that female career is more restricted in male dominated industry because of patriarchal structure and culture (Sidani, Konrad, & Karam, 2015). Another evidence also shows that women who are successful in male dominated industry is very small in number (Struthers & Strachan, 2019). These findings show that there is a different effect on women career when working in male dominated industry and non-male dominated industry. With limited chance of success for women, the gender diversity on Board of Director will also be affected.

Gender equality is also an important factor for women's career. Galea, et al. (2015) found that the lack of gender equality in company can prevent female workers from optimally realizing their potential and their career progression will be affected. In some industries, female workers are getting lower support compared to male workers and this condition leads to slower female career progression. Friedman (2015) also found that career opportunity for women are lacking compared to men, this result in slower women career progression. These findings show that gender equality is important for female career in a company because when female career progression is slower, the number of women in Board of Director will also be limited.

To increase women representative on Board of Director, it is important to understand factors that influence women career. Female leadership, male dominated industry, and gender equality are three important factors affecting women career thus influencing women representation on Board of Director. This research tests these factors to find most important factors that can boost women representation on Board of Director.

Literature Review

Frankel (2007) found that women are better in decision making compared to men because women perform better planning before making decision. This is one of the characteristic that differentiate female leader and male leader. Bradberry & Graves (2006) also found that while Intelligence Quotient of males and females are relatively equal, females possess more Emotional Quotient (EQ) than males. With more emotional quotient, females are more sensitive, flexible, and understanding compared to males. This characteristic helps female leaders in maintaining harmonious workplace and performing better relationship building compared to male leaders. Another advantageous trait of female leaders is more understanding towards female workers. Female leaders can understand female workers' working pattern and more understanding towards subordinate compared to male leaders who are more dominant (Flabbi, et al., 2019). These characteristics differentiate female leaders with male leaders shaping a different kind of leadership that is more harmonious, more understanding.

Gender equality means equal treatment and opportunity for male or female workers in a company. Friedman (2015) found that gender equality is still lacking and the result is slower career progression for female workers. Opportunities for women are lacking compared to men, female workers are facing harder recognition than their male counterparts. Galea, et al. (2015) also found that gender equality especially in male dominated industry is still lacking resulting in lower women performance and promotion opportunity.

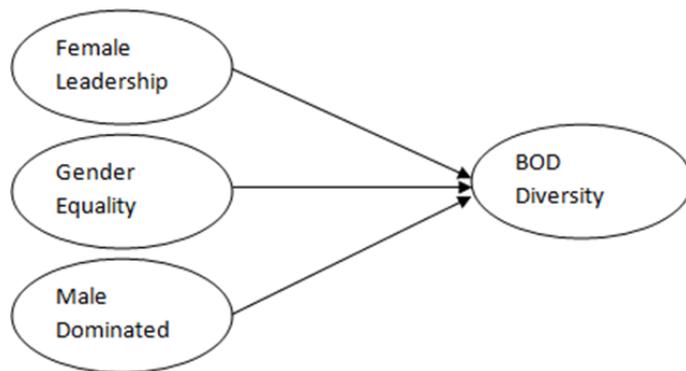
Male dominated industry is industry where male workers are generally more dominant in numbers compared to female workers. Such industry is more patriarchal and less flexible towards female workers. Martin & Barnard (2013) found that female workers get less support in male dominated industry because the industry system is more favorable to male workers. Female's role as a

mother is not fully supported by the industry. Mayes & Pini (2014) also found that female workers in male dominated industry must adjust themselves to the system that are more favorable towards male workers. This cause discomfort and female workers can not realize their full potential. Because of that, female workers are less attracted to work in male dominated industry. With less female workers, Struthers & Strachan (2019) found that the number of female workers that are successful in male dominated industry is very small.

Previous studies and researches found factors that can influence gender diversity in Board of Director. Researches linking the factors directly to gender diversity in Board of Director is very scarce. From reviewing previous researches, it is obvious that female leadership, male dominated industry, and gender equality are related to gender diversity in board of director. But, there is still no research studying these factors as antecedent of gender diversity in board of director. This research fill in the gap by proposing female leadership, gender equality, and male dominated industry as antecedents of gender diversity in board of director.

Methodology

This research is conducted using quantitative method gathering data through questionnaires to Directors in listed companies in Indonesia. Research model is build after synthesizing previous researches with the purpose to fill the gap and provide solution for industry.



Hypotheses for this research:

- Hypothesis 1: Female Leadership is significantly related to BOD Diversity
- Hypothesis 2: Gender Equality is significantly related to BOD Diversity
- Hypothesis 3: Male Dominated is significantly related to BOD Diversity

Samples for this research are Directors from listed companies in Indonesia chosen randomly. Data gathered and analyzed using Partial Least Square showing relationship between variables.

Result

102 samples are gathered for this research, 64 of the samples are males and 38 are females. All samples are Directors from listed companies with experience ranging from 2 to more than 5 years as Director in the company. Partial Least Square was used to analyze data and perform statistical analysis using two tails. Result shows:

Relationship	Total Effect	T statistics	P value
Female Leadership – BOD Diversity	0,287	2,933	0,004
Gender Equality – BOD Diversity	0,421	4,400	0,000
Male Dominated – BOD Diversity	0,139	1,560	0,119

Hypothesis 1 is accepted, female leadership is significantly related to BOD Diversity. This result

renew results from Cook & Glass (2014) and Flabbi, et al. (2019) for Indonesia’s context. In Indonesia,

female leadership significantly related to BOD Diversity. This means that female leadership is an important factor for female's career helping female workers to perform and gain promotion till Director level. Female leadership should be promoted in Indonesia's company because it can help female workers in performing better and achieving optimal career level.

Hypothesis 2 is accepted, gender equality is significantly related to BOD Diversity. This result completes the findings of Galea, et al. (2015) and Friedman (2015). Previous findings do not relate gender equality directly to BOD Diversity but, this research completes previous findings by relating the effect to BOD Diversity. Result shows that gender equality is really important in helping female workers perform and achieve better career progression. With gender equality, female workers are getting equal chance compared to male co-workers.

Hypothesis 3 can not be accepted, male dominated is not significantly related to BOD Diversity. This result is contrary to findings from Sidani, Konrad, & Karam (2015), Struthers & Strachan (2019), Mayes & Pini (2014). This research shows that in Indonesia, male dominated industry does not affect women's career progression to Director level, different with findings from other countries. In Indonesia, male dominated industry does not hinder women from having career progression till Director level meaning that in Indonesia there is no discouragement for women to work and develop career in male dominated industry.

Conclusion

The novelty of this research is finding antecedents for BOD Diversity findings most important factors affecting women career progression. Female leadership and gender equality are two important and significant factors that can affect gender diversity in BOD. In order to gain advantages from gender diversity in BOD,

companies in Indonesia must ensure their female workers' career progression. In order to do that, female leadership must be promoted because female leadership is more harmonious, more understanding, and better at relationship building. Another factor is to impose gender equality in workplace, female workers must be given equal chance and better support.

Another important finding from this research is male dominated industry is not significantly related to BOD diversity. This is different from previous findings, showing that in Indonesia there is no disadvantages for women to work in male dominated industry. This finding should encourage women to work in male dominated industry in Indonesia because there is no additional barrier for women's career progression. Women should not be afraid of working in male dominated industry and they can also pursue their career in such industry.

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