



Women on Top: Diversity in Gender and Education Profiles of Top Management and Board of Directors of Philippine Publicly Traded Firms

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Abstract: Women have been making headway when it comes to occupying corporate board and senior management positions in companies all over the world, particularly in the Philippines. Stylized facts based on international reports point to the surprising prevalence of women holding leadership positions among Philippine firms. This descriptive study bridges a gap in the Philippine corporate governance literature by using data on around 250 PSE-listed firms to examine gender diversity composition and trends among CEOs, boards, and top management teams in Philippine publicly traded firms on a five-year interval (i.e. 2003, 2008, 2013) and for the most recent year (2014). Additionally, we provide information on the educational profile of CEOs of PSE-listed firms. Our study confirms the existence of a gender gap among governing and managing bodies of Philippine listed firms, but finds a gradual improvement in the representation of women in these leadership positions. We also find that most CEOs of PSE-listed firms share a common educational background in terms of undergraduate and graduate degrees received and tertiary schools attended.

Key Words: Gender diversity; PSE-listed firms; CEO; Top management; Board of directors

1. INTRODUCTION

The recent years saw the increasing importance placed upon the role of women in corporate boardrooms and top management. This suggests that gender diversity within top-level management positions may have significant implications on firm processes and outcomes. Gender diversity within the top ranks seems to draw significance upon theories of social psychology, which posit that women are more equipped to handle key positions in the firm because of their sharp interpersonal and problem-solving skills. Also, it has been posited that women leaders are more inclined to adopt harmonious, democratic, and learning-based leadership approaches (Krishnan and Park, 2005). Hence, increased female representation within

boards and top management may bring about an improved organizational climate, which may well impact firm financial performance.

Empirical findings on the matter are, however, conflicting. A significant body of literature finds a positive relationship between firm financial performance and the proportion of female directors and/or female CEOs (Khan and Vieito, 2013; Carter *et al.*, 2003). On the other hand, there are empirical studies that find a negative relationship between female representation in boards and firm performance (Ahern and Dittmar, 2012; Adams and Ferreira, 2009). Meanwhile, other studies find an insignificant link between greater board and management-level gender diversity and firm performance (Francoeur *et al.*, 2008; Rose, 2007).



Regardless, the gradual rise of women in corporate ranks in recent years cannot be ignored. Several recent studies document this widespread phenomenon (Grant Thornton International Ltd., 2014; Catalyst, 2014). For instance, the 2014 International Business Report by Grant Thornton International Ltd. indicates that women now hold 24 percent of senior management roles around the world.¹ Specifically, the Nordic and Eastern European regions, as well as most Asian countries, excluding Japan, have relatively high proportions of women in top executive positions. While this may be attributed to lower career aspirations in the West, the predominance of family-run businesses in emerging markets in the East may account for the rising number of women executives in that region.²

In particular, female Chief Executive Officers (CEOs) are becoming considerably more prevalent in businesses around the world. Results of a 2013 study by Strategy& suggest that the share of women CEOs in the largest 2,500 public companies around the world has risen by 71 percent from 2.1 percent in end-2004 to 3.6 percent in end-2013.³ Based on recent data trends, their study predicts that women will constitute about one-third of new CEO appointments by 2040.

A 2015 study by Deloitte also reports that women representation in boards continues to improve globally. On average, women hold 12 percent of board seats worldwide, with European countries leading the way in gender diversity in the boardroom.⁴ In contrast, the Americas and Asia-Pacific countries have progressed the least, with only around 6 percent of board seats in Asia-Pacific countries being held by women.

In the Philippines, women are gaining more

¹ As of 2014, the Grant Thornton International Business Report has surveyed more than 12,500 businesses in 45 economies. Interviews are usually conducted between the most recent months of November and February prior to the year of publication.

² For a detailed perspective on family ownership structures inherent in most Asian firms, see Claessens *et al.* (2000).

³ Strategy&, a consulting firm that is part of the PricewaterhouseCoopers (PwC) network, has collected data on CEOs of the world's largest 2,500 public companies. For a more detailed report, see "2013 Chief Executive Study: Women CEOs of the last 10 Years".

⁴ Deloitte (2015) has analyzed data on nearly 6,000 companies in 40 different countries all over the world.

influence in firm management than in most other economies. According to the same report released by Grant Thornton International Ltd. (2014), 4 out of 10 senior executive roles in the country are filled by women; thus, making the Philippines the third highest employer of senior female executives globally. This 40 percent ratio is also a drastic improvement from 2013's 37 percent, and is certainly higher than the global average of 24 percent. Likewise, the share of Filipino female CEOs has risen to 37 percent in 2014 from 23 percent in 2013 (Dumlao, 2014). Again, these figures are significantly higher than the 2014 global average of 19 percent.

In contrast, Deloitte (2015) finds that women hold only 7.4 percent of board seats in the Philippines. However, Dumlao (2014) notes that boards in the Philippines are comprised of 6.53 directors on average, two of whom are female. This places the local proportion of women directors at 31 percent, which is already higher than the global average of 27 percent.

Hence, gender diversity among top-tier firm positions is fast becoming a topical issue around the world. Recent trends have spurred debates to shift from issues of gender equality to a question of superior performance. Studies by Catalyst (2011) and Credit Suisse (2012) have shown that a higher representation of women on boards and top management is associated with better firm performance.⁵ Palvia *et al.* (2015) also find that small banks chaired by women are less likely to fail during a financial crisis. If gender diversity on the board and top management is linked to financial success and stability, then it would make sense for governments to legislate greater roles for women in firms.

In light of this, board gender quotas that seek to place women firm leaders on equal footing with their male counterparts have been required in a number of countries. Rhode and Packel (2014) note that sixteen countries now require quotas to increase

⁵ Catalyst, a leading nonprofit organization aimed at accelerating progress for women through workplace inclusion, finds in their 2011 study that firms with more women directors outperformed the rest of the firms by 16 percent on return on sales and by 26 percent on return on invested capital measures. Similarly, Credit Suisse (2012) find that companies with at least one woman on the board are associated with higher returns on equity and market valuations.



female representation and position on boards. For instance, in 2005, the Norwegian government has mandated a 40 percent quota for women on boards all over the country. Likewise, Spain, France, and Iceland have all set minimums at 40 percent, whereas Italy has a 33 percent target for listed and state-owned companies. Most recently, Germany passed a law on March 2015 that requires 30 percent of board supervisory seats to be held by women.

In contrast, most Asian countries do not have specific laws that mandate gender quotas for women on boards of state-owned or privately held companies. In particular, the Philippines' Code of Corporate Governance (promulgated by the Philippine Securities and Exchange Commission) does not have provisions that seek to promote women's participation in boards. The only exception is a 2015 advisory released by the Philippine Securities and Exchange Commission that recommends the election of at least one female independent director in the boards of listed firms. This is espoused by the SEC in view of the best corporate governance practices outlined in the ASEAN Corporate Governance Scorecard.⁶

In this study, we focus only on the gender diversity status within senior management and board positions in Philippine publicly traded firms. We use annual firm-level data on about 250 corporations listed in the Philippine Stock Exchange (PSE) to report gender diversity composition and trends among CEOs, senior executives, and board members of Philippine publicly listed firms on a five-year interval (i.e. 2003, 2008, and 2013).⁷ We also present gender diversity results for the most recent year (i.e. 2014). Moreover, we compare and contrast firm characteristics and firm financial outcomes that are most commonly associated with both male and female firm leaders, and provide additional gender diversity information on key subsets of the board (i.e. Chairpersons and independent directors).

⁶ The ASEAN Corporate Governance Scorecard was developed to assess the corporate governance performance of six ASEAN member countries on the basis of best international corporate governance practices (i.e. the OECD Principles of Corporate Governance).

⁷ Most descriptive and empirical studies use data on both publicly listed and privately held firms. However, we examine only publicly listed firms and operate under the notion that such firms are more reputable due to the stringent listing requirements of the PSE.

Secondly, we examine the educational background of corporate leaders in Philippine publicly listed firms. We echo findings by recent studies, which find that a substantial number of modern-day CEOs are Economics undergraduate majors and Master of Business Administration (MBA) degree holders (Flynn and Quinn, 2010; Jalbert *et al.*, 2004). Moreover, a select group of universities has been found to produce the highest number of large-firm CEOs (Jalbert *et al.*, 2011; Jalbert *et al.*, 2004). Whether both phenomena can be attributed to the quality of education provided by such schools, to the technical skills conferred by the course major, or to the opportunities available for networking, it remains interesting to identify the degree majors and schools which are common among Philippine CEOs.

Results of this study may warrant further empirical investigations into the impact of gender diversity in the board and top management on the performance of Philippine firms. These will help determine whether or not female representation in firm leadership, top management, and board of directors' composition matter to the value of a firm. More importantly, such results will allow policymakers to discern whether there are compelling economic reasons for the Philippines to follow the international trend of mandating a gender quota for the board of directors, other than reasons involving social justice, equal opportunity, and corporate reputation.

2. DATA AND METHODOLOGY

We collect data on publicly traded corporations listed in the PSE for the years 2003, 2008, 2013 and 2014. We use the December Monthly Reports published by the PSE to determine the actual firms to include in our analysis for each year. Using this criterion, we have an initial sample of 234 firms for 2003, 245 for 2008, 255 for 2013, and 260 for 2014.⁸ For each year, we generate our gender diversity statistics for CEOs, board members, and top management teams from raw data that are hand-collected from the Annual Reports submitted by the

⁸ We exclude exchange traded funds and firms that do not issue common shares (i.e. firms which issue only preferred shares or Philippine Deposit Receipts and warrants) from our final sample of firms.



firms to the PSE and SEC. Depending on the availability of data, our final sample of firms may be further reduced due to missing observations and unavailability of information.

For the CEO analysis, we categorize the firms based on CEO gender. This allows us to identify the number and proportion of PSE-listed firms with male and female CEOs for each of our four sample years. Then, we compare and contrast figures on average CEO characteristics (CEO age, CEO tenure, CEO ownership, relation of CEO to the top owner of the firm), firm characteristics (firm age, firm size as proxied by Total Assets), and firm performance (Return on Assets, Tobin's Q) between firms with male and female CEOs across time, and highlight the industries where firms with female CEOs are most prevalent.⁹

For the Top Management and Board of Directors analyses, we categorize firms into two categories: those with at least one female executive (director) in the top management team (board) and those without female executives (directors) in the top management team (board).¹⁰ By doing this, we are able to summarize the gender diversity profile of firms based on the presence of female executives (directors). We also compare firm characteristics between firms with and without female executives (directors). Additionally, we provide information on the gender diversity composition and trends among Chairpersons and independent directors of PSE-listed firms.

Finally, for the analysis of the educational profile of CEOs, we adopt a classification scheme of undergraduate majors and graduate degrees similar to that of Flynn and Quinn (2006), except that we classify Economics as a separate category excluded from the Liberal Arts undergraduate classification. As such, we identify the most prevalent

undergraduate and graduate majors among CEOs of Philippine publicly traded firms. We also provide information on the universities that have awarded the most number of undergraduate and graduate degrees to CEOs of PSE-listed firms.

3. RESULTS AND DISCUSSION

Our data shows that the persistent gender gap among CEOs, senior executives, and boards (i.e. Chairpersons, independent directors, and all directors) of Philippine publicly traded firms is still in favor of males, yet proportions of women CEOs, senior executives, Chairpersons, and other board members have been gradually increasing since 2003. Our 2014 statistics on PSE-listed firms show that 8.8 percent of these firms have female CEOs, 88.1 percent have at least one female top executive, and around 28.8 percent of senior executives in a top management team are women. Moreover, we find that around 70.4 percent of firms have at least one female board member, around 15.5 percent of board members in a firm are women, around 6.9 percent of firms have female Chairpersons, and around 20 percent have at least one female independent director. While these statistics vary considerably from the figures reported by Grant Thornton International Ltd. (2014) and Dumlao (2014), we note that our sample is comprised of only PSE-listed firms and excludes privately held corporations due to data limitations.

We also find evidence that women CEOs and senior executives are widely represented among Philippine listed firms, relative to publicly traded firms in other countries. This is consistent with the stylized facts reported by Grant Thornton International Ltd. (2014), which tout the Philippines as one of the world's top performers in closing the gender gap among firm management positions. On the other hand, PSE-listed firms still have considerable room for improvement when it comes to promoting gender parity in boards, relative to most European-listed companies.

A closer look at the characteristics of the typical CEO of a Philippine listed firm shows that such CEO is around 60 years of age, has been in office for around 9 years, owns very minimal portions of the firm, and is somewhat likely to be related to the controlling owner of the firm. When we look into

⁹ We use the general PSE industry classification scheme to sort our sample of firms into six sectors: (i) the Financial sector, (ii) the Industrial sector, (iii) the Holding Firms sector, (iv) the Property Sector, (v) the Services sector, and (vi) the Mining and Oil sector.

¹⁰ We define an executive as a member of the firm's top management team (TMT) when he/she is declared or reported in the firm's annual report as a "principal officer", a "principal corporate officer", an "executive officer", or as part of the "senior management" or "senior and key executive officers" list.



the characteristics of the average PSE-listed firm, we find that it is around 41 years of age, has total assets of around Php 87.5B, has an ROA of around 3.83 percent, and has a Tobin's Q of around 1.92.

When split by CEO gender, we find that male-led firms are more likely to have CEOs with: (i) longer tenures, (ii) familial relations to the firm's controlling owner, and (iii) bigger share ownerships in the firm, when compared to female-led firms. On average, male-led firms are larger in terms of total assets than female-led firms, although they seem to perform poorly than female-led firms in terms of ROA (accounting-based performance). We do not, however, observe any definite and consistent indication of improved Tobin's Q (market-based performance) being associated with the presence of female CEOs among publicly listed firms in the Philippines.

On the other hand, when split by the presence of female senior executives, we find that, in terms of total assets, firms with female executives are larger in size than firms without female executives. Firms with female executives are also more profitable (in terms of ROA) than firms without female executives for all sample years, except for 2014. However, we observe no strong indication that firms with female directors perform better than the rest on the basis of profitability and market value. This seems to suggest that among CEOs, senior executives, and boards of directors, increased presence of female CEOs and senior executives is most strongly linked to better short-term (accounting) performance. Although our analysis makes no claims to causality, the results are, nonetheless, striking.

Another noteworthy finding relates to the prevalence of women CEOs, senior executives, and board members among firms in the Financial, Holding Firms, and Property sectors. On the other hand, women are poorly represented among firms in the Industrial and Services sectors.

Surprisingly, in 2014, women CEOs and senior executives are notably prevalent in firms in the Mining and Oil sector, which is a huge improvement from five to ten years ago when the said sector was lagging behind other industries in promoting women into executive management positions. Similarly, this suggests that women in the

Philippine corporate sector are quicker to adapt to management roles in traditionally male-dominated industries (i.e. Mining and Oil industry), relative to other countries.

Lastly, when we examine the educational background of the CEOs, we find results that are consistent with the findings of Jalbert *et al.* (2011) and Flynn and Quinn (2010). Most CEOs of PSE-listed firms share common undergraduate and graduate degrees, and have attended a select number of schools. We find that Business Administration, Economics, Accounting, and Engineering are consistently the four most prevalent undergraduate majors among CEOs of PSE-listed firms, whereas MBA is the most common graduate degree. In the case of tertiary schools attended, we find that De La Salle University, Ateneo de Manila University, and the University of the Philippines are consistently the top three schools that have conferred undergraduate degrees to CEOs. On the other hand, Harvard University is the top school that has conferred graduate degrees to CEOs in both 2003 and 2008, whereas Ateneo de Manila University is consistently the top graduate degree granting school for CEOs in both 2013 and 2014.

4. CONCLUSION

This descriptive study provides an overview of the gender diversity situation in boards and top management teams among listed firms in the Philippines for 2003, 2008, 2013, and 2014. Although our data shows evidence that board and senior executive seats among Philippine listed firms are significantly dominated by males, it appears that women CEOs, senior executives, and board members are slowly but steadily increasing in number over the past decade. More importantly, when compared to other countries, the Philippines already ranks high in terms of closing the gender gap in CEO and other senior executive positions among listed firms.

While much of the focus on gender diversity among corporate positions centers on issues of social equality and corporate reputation, it is interesting to explore whether or not gender diversity benefits not only the women themselves, but also accrues economic advantages to the firm's stakeholders. In this regard, further empirical investigations into the role of gender diversity and the educational



background of firm CEOs as corporate performance drivers are necessary. We systematically investigate the relationship between gender diversity and firm performance in another study using panel data on PSE-listed firms.

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