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Is gender diversity the next frontier on boardroom in the construction industry?

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ABSTRACT

The paradigm that posits women as unsuitable corporate leaders has become a heated topic for debates prompting boardroom gender diversity to be a popular corporate governance issue. Based on the business case for gender diversity, this study examines the effect of boardroom gender diversity from an industry-specific perspective, particularly in the construction industry in Malaysia. The study follows a quantitative research method and uses panel data from 80 listed construction firms for the period between 2010 and 2019. To obtain a comprehensive measure, gender diversity is proxied by the proportion of female directors on the board, Blau's Index, female CEO, female CFO, female directors' education, and previous experience. Contrary to several past research, the results show no significant effect from gender diversity proxies on firm performance measured by Tobin's Q, while only female CEO has a significantly negative effect on ROA. Thus, the current study found no evidence to posit a business case for board gender diversity in the context of the Malaysian construction industry. The results may not reflect the true picture considering the small sample size employed or the cultural resistance and tokenism issue that still exists in society. The research findings extend the literature on emerging economies and have important implications for the industry, policymakers, and society.

1.0 INTRODUCTION

Ensuring the high-profile corruption incidents like Enron in 2001 and World Com in 2002, the corporate world has since become especially vigilant on their business affairs: shifting their attention to the composition of a corporate board to ensure such scandals do not occur through a robust system monitoring

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the top management. Corporate governance practices globally have been given the utmost importance, particularly for publicly listed companies (Yap et al., 2017).

The key to an effective board is the right composition of the board which entails a diverse mix of expertise, literacy, experiences, and other attributes that align with the strategic goals of the company. Gender diversity on corporate boards is an aspect that has garnered a significant amount of attention and priority from researchers, business leaders, and policymakers. The familiar thirty percent quota representation of minority gender, precisely female directors, is a prospective ratio according to Dahlerup (2006) which ensures that although they are a minority, so long as the critical mass of at least three women is reached, they will form a voice (Kramer et al., 2006; Rosener, 1997). The emphasis on gender diversity in corporate boards aligns with the principles of Sustainable Development Goal 5 (SDG 5) on gender equality, which aims to achieve gender parity and empower women worldwide.

Based on Shrader et al. (1997), although women seem to have made strides into managerial levels, unfortunately, the upper echelons are still the bastion of men. To date, the Global Gender Gap score stands at 68.6 per cent, with the remaining 31per cent gap to close now - albeit an improvement from previous years (World Economic Forum, 2020). Gender diversity in the workplace eventually became a much-debated topic that has garnered the attention of researchers, business leaders, and policymakers.

In Malaysia, discriminations are still prevalent in the corporate world. In the past and as with any region in the world, women are commonly associated with conventional household-related work. In the corporate world, women's presence might merely be perceived as meeting a government requirement rather than granting them the authority and responsibility for decision-making and oversight (Merara et al., 2021; Hatane et al., 2023). The Malaysian government responded to the underrepresentation of women in corporate boards by implementing a boardroom gender quota policy urging companies to have at least thirty per cent of women directors on the corporate board by 2020. The new policy was implemented in 2011 as outlined in Practice 4.5 of the Malaysian Code of Corporate Governance (MCCG).

To further facilitate this, Bursa Malaysia issued a circular in 2014, which disclosed all publicly listed companies' gender diversity as a requisite in their annual reports. The road to achieving equal rights and opportunities is still long as women still struggle to prove their competence and continue to face defiance due to discriminatory laws and policies, gender-based stereotypes, and ubiquitous social norms. Often, gender becomes a factor of employment and promotion especially in a male-dominated industry due to perceptions depicting women as a frailer gender than men and prejudices towards their capability. Thus, it appears that the glass ceiling has not cracked yet.

A company is believed to be able to reach its full potential in performance should there be an equitable number of men and women in every echelon of the corporation. This is reflected in McKinsey Global Institute (MGI) findings whereby an additional GDP of 26 per cent of annual global GDP is achievable by 2025 if and only if the participation of men and women is on par in the workforce. The Gender Gap Index of Malaysia indicates that despite having improved over the years, Malaysia is still below the average global gender gap index. The Corporate Governance Monitor 2020 report published by the Securities Commission of Malaysia (2020) revealed that all publicly listed companies in Malaysia have 16.96 per cent of women portrayed on corporate boards whereas, for the Top 100 listed companies, females constitute 24.82 per cent of the board. Overall, over 80 per cent of Malaysian publicly listed companies failed to achieve the 30 per cent women quota imposed.

The construction industry is construed as a notoriously male-dominated profession where vertical segregation is common. Women in this industry are perceived to be less of a caliber than their male counterparts and unfitting for such a working environment. A study on the duty and performance of