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Mining Business Governance: An Investigation into Gender Diversity within Corporate Boards and Executive Management of Listed Mining Companies Operating in Zimbabwe

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ABSTRACT

The principal purpose of the study was to investigate the state of gender diversity within corporate boards and executive management of listed mining companies operating in Zimbabwe. The study conducted an analysis of 12 listed mining companies reviewing gender composition based on annual reports disclosures of 2016. The study findings showed that female directors made up 10% of the board of directors while the remaining 90% was occupied by men. In addition, women made up only 8% of executive management indicating a thin pipeline to the board of directors of listed mining companies operating in Zimbabwe. The study discovered that low representation of women on boards of directors could be associated with the male-domination (90%) of nominating committees and corporate leadership groups. The study findings were consistent with current structure of the national chamber of mines leadership configuration which was predominately men. However, it was also discovered that those women who make it into corporate boards and executive management tend to possess accountancy qualifications (Chartered Accountant - CA) which creates a barrier if used as a yardstick. The findings provides a basis for encouraging women, informing national policies reforms and paradigm shift in the mining business corporate governance in Zimbabwe.

1. INTRODUCTION

The desire to achieve proportionate gender representation on corporate boards is derived from the principle of equality of treatment. Equality of treatment refers to either equality of opportunity or equality of outcome. Equality of opportunity requires providing everyone with the same opportunity to attain what they desire. Equality of outcome requires every individual to possess an equal share of outcomes such as goods or positions. Achieving gender equality, including in economic decision-making processes, is one of the United Nations' Sustainable Development Goals (Deloitte, 2016). This study explores whether there is gender diversity within boards of directors and executive management of listed mining companies operating in Zimbabwe. The mining sector is a key driver to the economy of Zimbabwe and is linked to other sectors. However, the state of gender diversity within corporate boards of large mining companies has not been adequately explored in Zimbabwe.

2. BACKGROUND AND RATIONAL

The positive impact of female directors on firm performance and has been well acknowledged. Meanwhile, companies may find it difficult to appoint more women to their boards and executive management due to the lack of a 'pipeline' of suitably qualified candidates (Graham, 2015). In the USA, Groysberg and Bell (2013) discovered that female board members actually had far more operational experience on their resumes than male board members on average. They also found that the majority of female board members reported having actively sought their board seats while the same was not true of male board members.

The Companies Act (Chapter 24.02) of Zimbabwe requires that a board should have at least two members. A company can set the appropriate board size in its articles of association. In April 2015, the Government of Zimbabwe launched a National Code of Good Corporate Governance that gave guidelines on board appointments, structure, roles, duties and responsibilities of boards, directors' term limits, corporate conflict resolution and settlement. However, the National Code of Good Governance in Zimbabwe is silent on the gender composition of the boards. Instead, individual companies, through their chairpersons were left to decide on the composition of the boards (Chimbadzwa and Njaya, 2015).

From this context, this study sought to evaluate the current state of women's representation on boards of directors and executive management, identify professional characteristics of women that have succeeded in becoming board members or executive management, and point out possible factors affecting women from taking up board and executive management roles in listed mining companies operating in Zimbabwe. The findings provides an opportunity for encouraging women, inform policy reforms need and paradigm shift in mining companies corporate governance in Zimbabwe.

3. OVERVIEW OF GLOBAL GENDER DIVERSITY.

More than a decade ago, countries in Europe began to take measures to increase the gender diversity of their corporate boards. Norway was the first to adopt a quota for female board members (40%) in 2004 (Wiersema and Mors, 2016). Other nations followed suit – adopting either mandatory quotas (Germany, France, Belgium, Iceland, Italy) or voluntary goals (Austria, Finland, the Netherlands, Spain, Sweden, the UK), with goals for female representation ranging from 25% to 40% (Wiersema and Mors, 2016). Nonetheless, the spread of gender diversity quotas across elsewhere suggests that the Zimbabwe is a laggard on board governance although many directors may not realize it. In Europe, Denmark is another outlier, the largest companies there are required to set a target for the number of women on their board, but there are no clear guidelines on what that number should be.[1]

4. RATIONALE FOR GENDER DIVERSITY.

A board of directors is one effective governance mechanism of a company. People who constitute the board of directors have a great deal of influence over decision-making process of a company. Generally,

[1] See https://www.forbes.com/sites/kimelsesser/2016/06/23/the-truth-about-womens

because shareholders have invested in the company they ultimately have a keen interest in the selection of the board of directors. The theory that gender diversity on corporate boards is of value is further strengthened by a study of 127 Malaysian firms that found stock markets react in a positive manner to the appointment of female directors (Akinboade and Okeahalam, 2016).

Firstly, it is claimed that companies with more women board members experience greater financial performance. Perhaps, the greatest claim of increased profits associated with female board members comes from Catalyst. Catalyst claims that the Fortune 500 companies that had the greatest representation of women board directors had a higher return on investment, return on sales and return on equity. However, honestly, does anyone really believe that merely putting women on the board can increase these profits by 66%? .There are basically two statistical problems. [2]

First, there is no control for the direction of causality. Instead of more female board members leading to increased profits, increased profits could be leading to the hiring of more female board members. (To be fair, Catalyst did not directly claim that more female board members caused the higher financial performance, they just said they found a relationship between the two.) Nonetheless, there is certainly no indication that more female board members lead to increased profits.

The second, and more likely problem is that there could be a third variable that influences both profits and female-hiring. What is that third variable? A classic example of the third variable was explored in a relationship between ice cream sales and murders in the United States. Although ice cream sales and murder rates are highly related, there clearly is no relationship between the two behaviours (that is, eating ice cream does not lead one to commit murder) (Peters, 2013). However, a third variable, heat, is responsible for causing both. Higher temperatures lead to more ice cream sales and higher murder rates. The same is most likely true for the relationship between women on corporate boards and greater financial performance. That is, there is most likely a third variable causing both of these outcomes. One large study even found a small reverse effect (greater gender diversity produced worse financial outcomes). But, for the most part, it seems that gender diversity in the boardroom has no effect on corporate outcomes (Graham, 2015).

Secondly, *More Women On Corporate Boards Leads To More Productivity And Better Problem-Solving*. The argument here is that in diverse boards, each board member brings different knowledge and experience to the company's problems, and, therefore, can solve the problems more effectively. It sounds reasonable, but the research does not seem to support this idea. Sadly, the largest analyses of diversity in groups suggests there is no advantage to gender diversity

[2] See https://hbr.org/2016/11/what-board-directors-really-think-of-gender-quotas

Thirdly, *More Women on Corporate Boards Leads to Higher CEO/Directors Pay*. As with the higher profitability claim, there is a number of possible confounding third variables. For example, we just learned that board gender diversity is associated with the profitability of an organization, so, of course, it is also associated with higher CEO pay. It does not mean that gender diversity causes the higher CEO pay, and most likely it does not (Wiersema & Mors, 2016)

In sum, women may not be miracle workers for any organization. But, that is ok, because neither are men. Women should be provided the same opportunities to sit on boards as their male counterparts because it is the fair thing to do. However, we have to stop stretching the truth in order to promote women's opportunities in organisations. We must not fabricate results about the benefits of hiring women. And we should not have to. Female board members perform just as well as their male counterparts, and organisations who do not appoint women to their boards are stuck in the past and probably missing out on some great talent.[3]

5. METHODOLOGY

This study adopted a desktop review of secondary data from listed mining companies' annual reports for 2016. The approach involved a cross-sectional analysis of corporate governance section disclosures by mining companies on board composition. This section provided information on directors which allowed building data on variable for analysis. A few interviews were conducted with experts and women to establish view on genders diversity in the sector. The study targeted 12 listed mining companies operating in Zimbabwe but listed on Zimbabwe, Toronto, Johannesburg, London and Australia Stock Exchanges because of their socio-economic impacts and influence in Zimbabwe.

6. FINDINGS

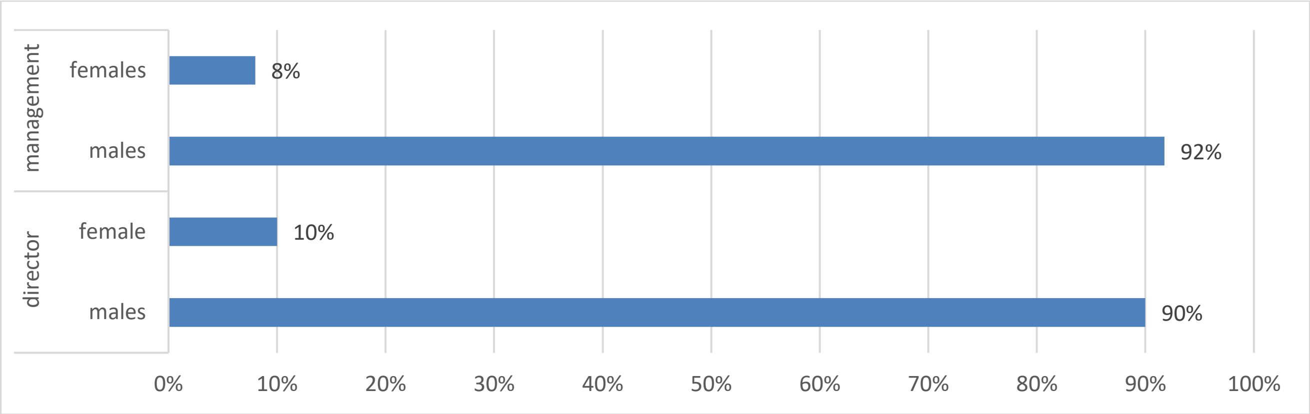
6.1. Gender Diversify in Leadership

Gender representation on corporate boards of directors refers to the proportion of men and women who occupy board member positions. To measure gender diversity on corporate boards, studies often use the percentage of women holding corporate board seats and the percentage of companies with at least one woman on their board. Globally, men occupy more board seats than women. Out of the 12 listed mining companies operating in Zimbabwe, only 10 percent were female directors (Figure 1). This

[3] **See** http://everything.explained.today/Gender_representation_on_corporate_boards_of_directors

demonstrated that although women gained board seats, they were a numerical minority which consequently reduced their influence on corporate decisions.

Figure 1: Distribution of Directorship/Management in mining



Source: Company reports and profiles.

The figure (1) also shows that in the mining sector female constitutes 8% to executive management in Zimbabwe. The reason behind the disproportionate gender ratio of directors is a subject of much debate. This should be a shocking result with all the attention the issue is obtaining as one would think that companies were doing better to promote gender equality in their boardrooms. The small number of women directors demonstrated that the various corporate leadership groups had not yet embraced diversity in their boards.

This result was consistent with a survey of more than 4000 directors in developed and developing nations which revealed that male directors over the age of 55 cited a lack of qualified female candidates as the main reason behind the stagnant number of female directors. It is notable that the Government of Zimbabwe and corporations have attempted to address the disproportionality of gender representation on corporate boards through both types of measures, including legislation mandating gender quotas (a reform based on the principle of equality of outcome) and comply or explain guidelines (a reform based on the principle of equality of opportunity).

6.2. Measuring Gender Diversity of Board of Directors in the Zimbabwean Economy.

Table 1 shows the percentage of board seats held by women by economic sector based on companies listed on Zimbabwe Stock Exchange. Information, communication and technology sector (42.9 percent) was an outlier with the highest female board representation followed by insurance (16.2 percent) and retail sector (13.8 percent). Only three companies (Econet Wireless Zimbabwe Ltd, NICOZ Diamond Insurance Ltd, and Pelham's Ltd) had three female board members while a majority had two or less (Chimbadzwa and Njaya, 2015). Table 1 depicts a consolidated view on the proportionality of female on board.

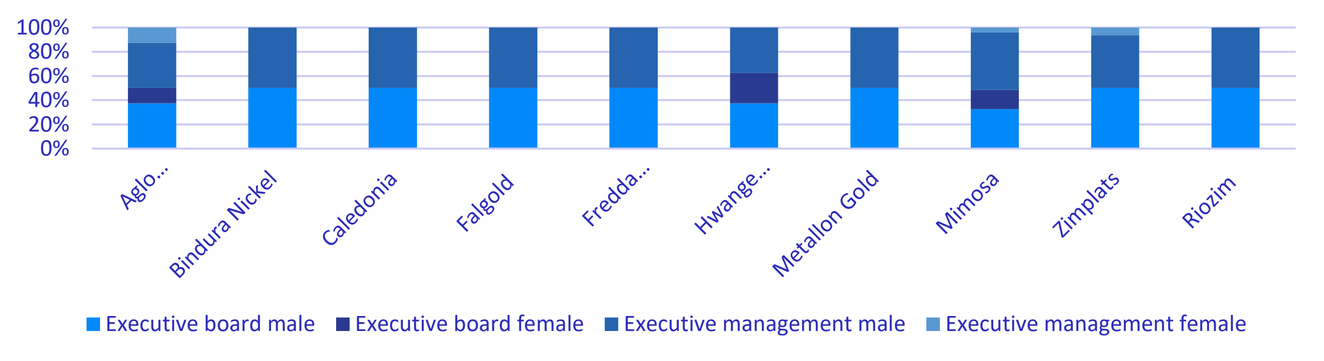
Table: 1: Gender for Public Listed Companies on the Zimbabwe Stock Exchange

Sector	Banking & Finance	Mining	Engineering	Food	Property	ICT	Retail	Beverages	Tourism	Agricultural
Women Directors, %	11.6	7.4	12.5	4.8	9.5	42.9	13.8	5.9	0	12.8

Sources: Chimbadzwa and Njaya (2015)

Figure 2 next shows the percentage of board seats held by women by mining companies. More than half (90 percent) of the listed mining companies operating in Zimbabwe did not have a female board member. This should be a shocking result with all the attention the issue is obtaining one would think that companies were doing better to promote gender equality in their boardrooms.

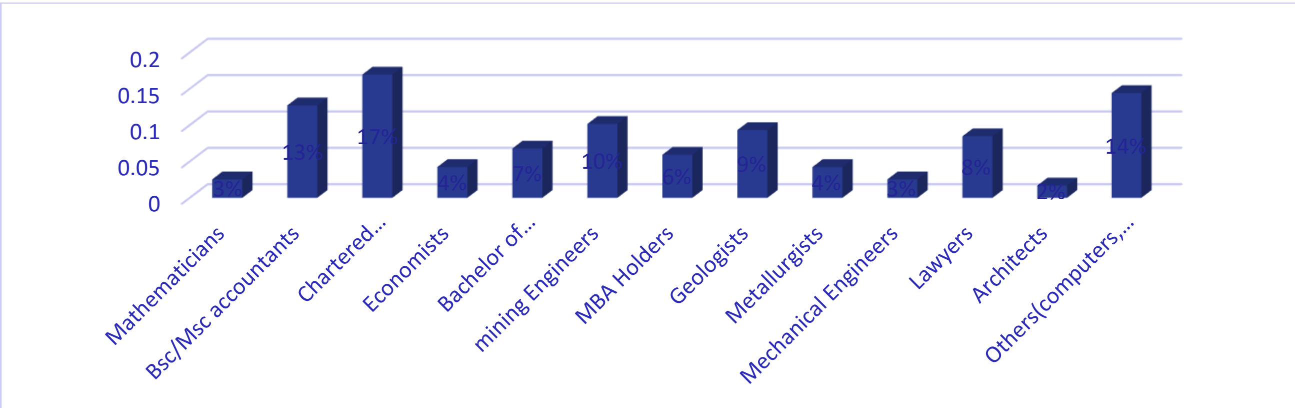
Figure 2: Board/Management Mine Specific Gender Distribution



Source: Various company reports and profiles (2016)

Only three companies had the female board and/or management members while a majority had none. Hwange colliery (40 percent) is an outlier with the highest female board representation followed by Mimosa (31 percent) and Anglo American (25 percent). Only three companies had female executive management members while a majority had none. Zimplats has the second highest with 13% executive management after Anglo American (25%) while Mimosa follows with 8%. The small number of women directors demonstrated that the various corporate leadership groups had not yet embraced diversity in their boards. Proportionally next figure 3 shows that the most prominent board/Management professional distribution in mining.

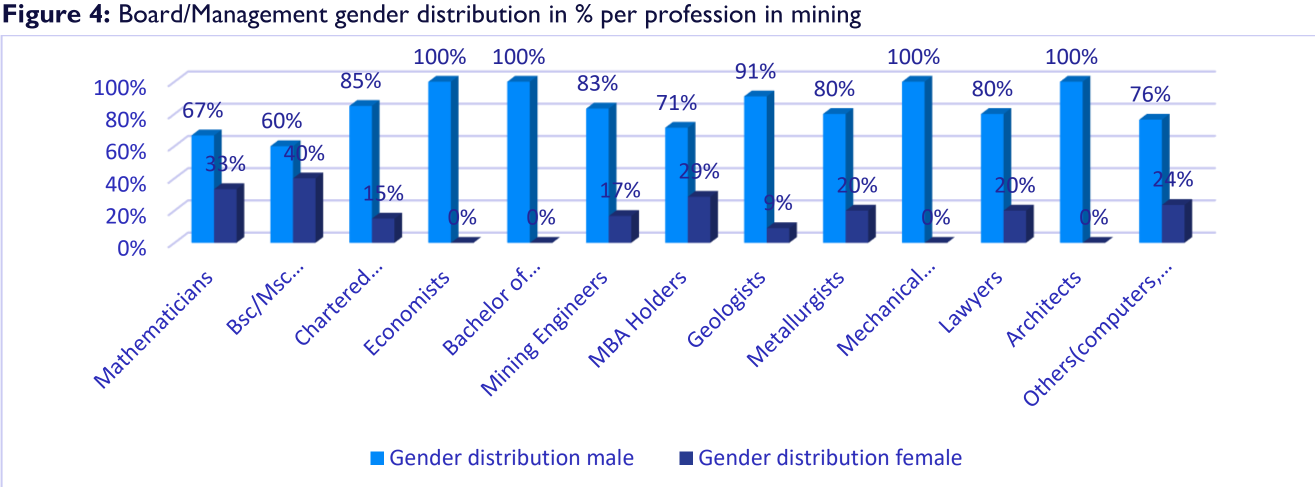
Figure 3: Professional Characteristics of Women Directors of Listed Companies



Source: Various company reports and profiles, 2016

According to gathered evidence in the mining sector, most of the board and/or executive management members have chartered accountants followed by other qualifications such as ICT or agricultural qualifications and then an academic qualification in accounting (First degree and higher) while Mathematics and Architectural qualification were respectively rare. This indicated the bias toward accounting qualifications in the mining sector with those following having none or insignificant mining related qualification. The next figure shows the board and management distribution of professional qualification between males and female.

Figure 4: Board/Management gender distribution in % per profession in mining



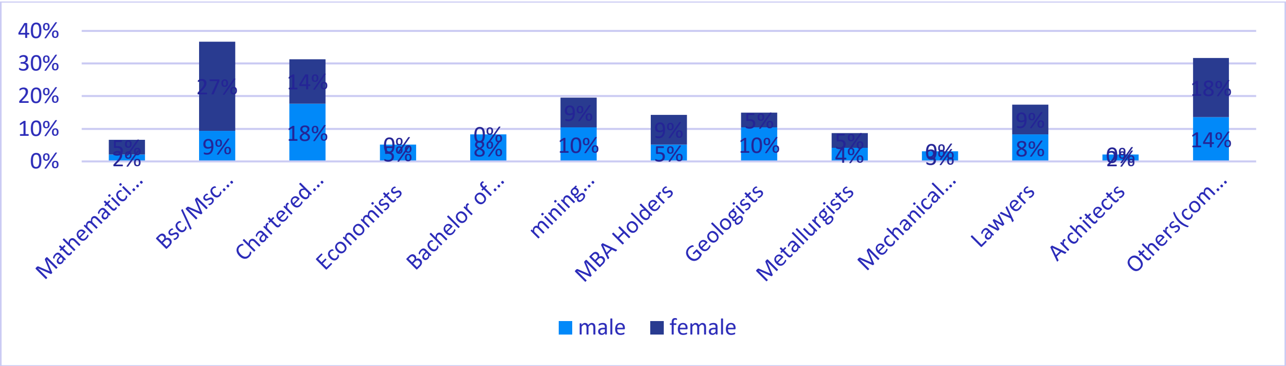
Source: *Various company profiles and reports, 2016*

Proportionally the figure implies that women are more centered in being academic (40%) in accounting field than their male counterparts as only 15% of males for board and management women are chartered accountant (CA) qualified. Professional accounting is followed by female Mathematics and

MBA qualifications with other professions in significantly determining board compositions (Economist, B.Com in Commerce, Geologists, Mechanical engineering, and Architects).

The next figure (5) shows the intensity of professions or boards and management in the mining sector. Consequently, indicating which profession appears most often than another profession by gender in the mining. Furthermore, drawing a conclusion on which profession is advised specifically on women to penetrate the apex positions in the sector.

Figure 5: Intensity of professional Participation in mining (number involved over total engaged by gender)



Source: Various company profiles and reports, 2016

The women directors exhibited varied characteristics as depicted in Figure 2 to Figure 5. The most prominent feature exhibited by women directors was higher levels of education (both academic and professional). That is, 27 Percent of the women directors/Management achieved an undergraduate degree (or higher) in accounting followed other qualifications such as computer sciences (18%), followed by 14 percent who have achieved professional accounting (CA qualification). Meanwhile, only 9 percent had mining engineering and law qualifications while 5 percent have ventured in mathematics, geological and metallurgical qualifications.

None of the women are mechanical engineers nor economists or architects. In addition, the majority of the female executive directors had greater managerial advancement, were mature (and hence required less human capital development), had high profiles and were publicly recognized. Because of their exquisite educational and professional experience coupled with extensive industrial experience, the small pool of women directors was well- sought after by corporate leaders and ultimately sat on two or more boards. Some women directors (if not a majority of them) had previously served on the similar type of private sector boards in the mining sector.

6.3. Possible Reasons for fewer women directors on Corporate Boards

The following were identified as the factors hindering more women representation on corporate board of directors:

- Most talented women preferred to stay with their employers longer than their male counterparts who changed jobs more frequently. However, staying for long on one job restricted women's network.
- Some professional and talented women were frustrated (due to lack of recognition and movement up the corporate ladder) and got fed-up and therefore opted out of the traditional career path and started their own businesses.
- Men endeavored more to become leaders than women.
- Male-domination of the company board (and hence men were bound to appoint men).

7. CONCLUSION AND RECOMMENDATIONS

The principal purpose of the study was to investigate gender diversity on corporate boards and executive management of listed mining companies operating in Zimbabwe. The study findings showed that mining companies operating in Zimbabwe had fewer women on their boards and the pipeline of future women leaders was thin. The low representation of women on the boards of directors could be attributed to male-domination of the nominating committees and corporate leadership groups; women's inability to develop strong networks. Proportionally women appointed to board were found to be more centered in being academic in accounting field than their male counterparts. Another profession which was noted to significantly determine women board/management compositions (Economist, B. Com in Commerce, Geologists, Mechanical engineering, and Architects). To change representation and status of women on company boards required individual initiative through advancing in professions that increase chances of being in the apex position such mainly professional accounting, mining engineering and computer sciences. Changes in both government policy and mining companies' procedures when recruiting directors/executive management are also key to gender diversity.

The study recommended that the government should introduce a time frame mandatory quota representation for each sex in non-executive board positions for listed mining companies operating in Zimbabwe. Mining companies are recommended to change the definition of eligibility for the appointments of a board of directors by broadening the candidate pool by considering women who have other senior management experience. Mining companies should also pursue affirmative action by providing career ladders that would enable women to gain core business experience within the company while developing formal and standard guidelines to be used by nominating committees and hence avoid the tendency to select people based on their social networks. The study observed and that the small number of women directors was the greatest diversity challenge facing listed mining companies operating in Zimbabwe. While the study was based on a cross-sectional approach future research could look at a trend analysis to determining whether this position could have been evolving over years.

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