



# **WOMAN ON BOARD: The Case of Publicly Listed Companies in Indonesia**

THESIS

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# **WOMAN ON BOARD: The Case of Publicly Listed Companies in Indonesia**

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## **ABSTRACT**

*The representation of women in corporation has become an increasingly important topic. This research uses independent sample t-test to measure the differences between woman on board and firm characteristics (firm size and firm industry). The proportion of board seats filled by women and having at least one woman director are proxies of woman on board. Data are collected from 303 publicly listed companies in Indonesia Stock Exchange at the year of 2006. The entire hypothesis is not supported. The proportion of board seats filled by woman will be not different whether in large companies or small companies, having at least one woman director will be not different whether in large companies or small companies. In line with the results above; the proportion of board seats filled by women will be not different whether in financial firm industry or any other industries and having at least one woman director will be not different whether in financial firm industry or any other industries.*

*Keyword: Woman on Board, Firm Size, Firm Industry*

## CHAPTER I

### INTRODUCTION

#### 1.1 Background

Corporate governance reform has been a hot topic for a number of years. During the Asian financial crisis, countries that suffered dramatic reversals of fortune have identified weaknesses in corporate governance as one of the major sources of vulnerabilities that led to their economic meltdown in 1997. Indonesia, as one of the countries most affected by the crisis, has been forced to consider corporate governance issues at the forefront of the nation's agenda for corporate and economic policy (Lukviarman, 2004).

The role of Good Corporate Governance in recovering the economic crisis in Indonesia is needed absolutely, because as OECD (2004) said that Good Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as the board, the managers, shareholders and other stakeholders. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance of the board and the management's company.

There are two system adopted by many countries all around the world; Anglo-Saxon system and Continental system (Aldridge and Sutojo, 2005). Anglo-Saxon system also known as unitary board or one-tier board model that is prevalent in the Anglo-Saxon countries. This type of board condenses executive



and supervisory responsibilities of the board in one legal entity (Gay, 2002). On the other hand, the two tier board, also called two-board system, is found mostly in Continental European countries. The supervisory board is appointed and removed at the General Meeting of the Shareholder and supervisory board will appoint the executive board. Whereas according to Company Law 1995 in Indonesia both of executive and supervisory board are appointed and have responsible to General Meeting of the Shareholder (Lukviarman, 2004). Company Law 1995 is supported by the Company Law 2007 that contains the same statement. Here, it becomes the uniqueness of Board Governance in Indonesia.

One of the most significant governance issues currently facing the managers, directors and shareholders of the modern corporation is gender, racial and cultural composition of the board of directors (Carter, Simkins and Simpson, 2002). Given recent publicity concerning corporate governance, research into the effectiveness of boards of directors is more critical than ever. Though not a completely new idea, there was growing pressure throughout the 1990s from corporate governance experts advocating greater diversity amongst corporate boards of directors as a necessary ingredient for a firm to best meet and survive the challenges of the new business environment (see, for example, Daum, 1998; Daily and Dalton, 1997a; Gilbert and Ivancevich, 2000). Diversification of board composition in terms of gender and race has regularly been emphasized by commentators on this issue (Wang and Dewhirst, 1992; Siciliano, 1996). The composition of corporate boards, particularly the gender composition, is a

## CHAPTER V

### CONCLUSION

#### 5.1 Conclusion

The purpose of this research is to get statistical data that shows whether firm characteristics: large firm size and financial industry lead to higher proportion of board seats filled by women and having at least one woman director.

This research use independent sample t-test to measure the differences between independent variables toward the proportion of board seats filled by women and having at least one woman director. The entire hypothesis is not supported. The proportion of board seats filled by woman will be not different whether in large companies or small companies, having at least one woman director will be not different whether in large companies or small companies. It present that women could be more highly represented in board position at small or large companies. The proportion of board seats filled by women will be not different whether in financial firm industry or any other industries and having at least one woman director will be not different whether in financial firm industry or any other industries. There are no boundaries for woman to be involved in corporate board whether in small firm or large firm. Also, there is no limitation for women to involve in non-financial industry as long as they have the qualification and capability in that field. The changing demographic profile of the workforce in Europe, America and Asia especially in Indonesia may result in more women on the board. Based on the business case, gender diversity at leadership level offers a strategic advantage in meeting the challenge of



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