

The Gender Composition of Boards of Property Trust IPOs.

William Dimovski* and Robert Brooks**

* School of Accounting, Economics and Finance, Deakin University

** Research Development Unit, RMIT Business

Keywords: Women Directors, corporate governance, gender, Boards of Directors, IPOs

Correspondence to: Bill Dimovski, School of Accounting, Economics and Finance, Deakin University, Geelong, Victoria, Australia, 3217. Phone: 61-3-5227 2560, Fax 61-3-52272151, Email: wd@deakin.edu.au

ABSTRACT

This paper follows Dimovski and Brooks (2004) which identified a relatively low proportion of female directors on the boards of Australian mining and industrial company initial public offerings (IPOs). This study investigates the gender composition of the boards of directors of Australian property trust IPOs from 1994 to 1999. We find that property trust IPOs in Australia generally do not require female directors for the capital raising. We also find that larger IPOs tend to engage more women directors but that retail property trust IPOs tend to engage fewer women directors.

1. Introduction

Over the last twenty years the management literature has suggested that companies would benefit by engaging women on their boards of directors (Burke 1994, Burke 1997). Bilimoria (2000) presents a case that having women on boards is desirable business practice because it is likely to improve the reputation on the firm, the strategic direction (by better understanding women's issues that may impact on such direction) and to contribute positively to the company's female employees.

While employing women directors on boards may be constructive and beneficial to the operation of boards of directors, Dimovski and Brooks (2004) provide evidence of a relatively low proportion of female directors on the boards of Australian mining and industrial company IPOs. This study extends this work by examining 37 property trust IPOs during 1994 to 1999 that subsequently listed on the Australian Stock Exchange. The study specifically investigates the Australian IPO data to determine whether the Singh, Vinnicombe and Johnson (2001) in the UK and Catalyst (2003) in the US findings that larger entities employ more women directors. The study also investigates whether office or retail property trust sectors employ more women. While the gender composition of the boards of many industry sectors (such as retailing, banking, health, utilities and media and publishing, has been examined (see for example Singh, Vinnicombe and Johnson (2001)), to our knowledge, the gender composition of the boards of property trusts is yet to be reported.

The plan of this paper is as follows. Section 2 briefly summarises some previous gender composition findings and explains this study. Section 3 advances the model and reports the findings. Section 4 contains our conclusions.

2. Some Previous Gender Composition Findings and This Study

Burke (1997), Bilimoria (2000) and Burke (2003) all explain in detail the competitive advantage benefits that can be enjoyed by firms employing women on boards of directors. Despite these benefits, the international evidence suggests relatively few women on the boards of publicly listed companies. In Australia, Sheridan (2002) finds that women represent only around 3% of the board of Australian listed companies. In the United Kingdom, Singh and Vinnicombe (2003) report women constitute only 7.6% of all directors of the top 100 publicly listed companies. In the United States, Catalyst (2003) reports 13.6% of board seats in the Fortune 500 are held by women (compared to 12.4% in 2001 and 9.6% in 1995). Interestingly, Singh and Vinnicombe (2003) report the governments of Scandinavian countries (Norway and Sweden) find such low representation percentages unacceptable and have now legislated for greater female representation. In an examination of the gender composition of boards of initial public offerings (IPOs), Dimovski and Brooks (2004) identify that women represent only 4% of the boards of IPOs that listed in Australia during 1994 to 1997.

The pre-IPO owners appoint the board of directors of the IPO firm at the time of preparing the prospectus. While Mak and Roush (2000) would suggest it is in the interests of the pre-IPO owners to select a board with appropriate attributes, Burke (2003)

argues that an appropriate board should include qualified women directors. This study investigates the gender composition of the boards of 37 Australian property trust initial public offerings (IPOs) during 1994 to 1999 and examines firm size influences and property trust sector influences. The total amount of public equity capital raised over this period was \$5.713 billion with an additional \$1.629 billion of capital subscribed by substantial investors or institutions. A further \$3.435 billion of borrowings was to be arranged (as identified in the prospectus) to, upon listing, acquire \$10.777 billion of property assets. This is a significant industry sector (of 24 industry sectors) ranking as the second highest IPO capital raising sector over this six year period. Two hypotheses are formally advanced and tested with regard the proportions of male directors and female directors at IPO time.

The relationship between the number of women directors and company size (measured usually by market capitalization) has been reported by Catalyst (2003) in the US and Singh, Vinnicombe and Johnson (2001) in the UK. Hyland and Marcellino (2002) also found that larger organizations measured by revenues employ more women directors. Luoma and Goodstein (1999) also argue that larger organizations are subject to greater public and media attention and hence larger firms need to be seen to have a higher proportion of women directors. This leads to the following hypothesis:

H1: The proportion of women directors on a property trust's board is greater in larger (measured by market capitalization) entities.

Singh, Vinnicombe and Johnson (2001) report that women directors in the UK are particularly found in retailing and banking (where a high percentage of the workforce are women) and also in health, media/publishing and utilities. The office property trust sector and the retail property trust sector had 12 and 9 IPO listings respectively over the period of the study. Given the significant finding of women directors in retailing, we investigate if the proportion of women directors is higher in retail and/or office trust sectors. The following hypothesis is tested:

H2: The proportion of women directors on a property trust's board is greater in retail and/or office trust sectors.

3. Findings

The primary source of the IPO data was the *Connect 4 Company Prospectuses* database. Gender data was located in each of the prospectuses of the trust IPOs. Our sample group consists of 12 Office, 9 Retail, 7 Hotel, 5 Industrial, 3 Leisure and 1 Hospital property trusts. Table 1 reports details of board composition by gender for our property trust IPOs. The number of female directors was only about 3.3% of our 214 trust director population. Only two female directors were found amongst the Office trusts while no female directors were found amongst the Retail property trusts.

Table 1: Board Composition by Gender.

Sample size – 37 Trusts		1994 –9 Property Trust IPOs	
	No. of Directors	Office Trust Directors	Retail Trust Directors
Female Directors	7 (3.3%)	2 (2.7%)	0 (0.0%)
Male Directors	207 (96.7%)	73 (97.3%)	48 (100.0%)
Total Directors	214 (100.0%)	75 (100.0%)	48 (100.0%)

Table 2 reports some further descriptive statistics for our data. While the mean size of the IPO property trust board was 5.78, the median IPO board size was 6. The proportions of women and men directors are also reported.

Table 2: Board Size and Proportions of Women and Men Directors.

Sample size – 37 Trusts		1994 –99 Property Trust IPOs	
	Mean	Median	Standard Deviation
Board Size (members)	5.78	6	1.69
Proportion of Women Directors	0.03	0	0.07
Proportion of Men Directors	0.97	1	0.07

Ordinary least squares (OLS) models were run to explore the relationship between the proportion of male and female directors (as the dependent variables) and various independent or explanatory variables. The explanatory variables examined are defined as follows:

LNMKTCAP is the natural log of the market capitalization of the company given the issue price and issue size of the IPO [adapted from Singh, Vinnicombe and Johnson (2001) and Hyland and Marcellino (2002)];

RETAIL1 A (0 or 1) variable with a value of 1 if the IPO was a Retail property trust or 0 if not [adapted from Singh, Vinnicombe and Johnson (2001)];

OFFICE1 A (0 or 1) variable with a value of 1 if the IPO is an Office property trust or 0 if not.

Two regression models were run with the proportion of male directors (PNMALE), the proportion of female directors (PNFEMALE) as the dependent variables. These models used the number of male directors and female directors respectively in the numerator and board size in the denominator.

$$\text{PNMALE or PNFEMALE} = \beta_0 + \beta_1 \text{LNMKTCAP} + \beta_2 \text{RETAIL1} + \beta_3 \text{OFFICE1} + \varepsilon \quad (1)$$

where all the variables are as defined previously, the β 's are unknown parameters to be estimated and ε is assumed $\sim N(0, \sigma^2)$.

The models test whether the proportions of female directors and male directors at the time of the IPO are explained by the firm's size in terms of market capitalization or by the property trust sector in which the firm operates. Table 3 reports the results of the OLS regressions. The adjusted R squared result of 0.116 or 11.6% suggests that the

independent variables explain only a small percentage of the variation in the proportion of female and male directors. This is appropriate in that many factors in addition to size and industry would play a role in explaining these proportions. What is useful is that the coefficients (Coef.) and probabilities (Pr.) of LNMKTCAP and RETAIL1 are statistically significant. This suggests if we consider firms that vary in size (LNMKTCAP), but are comparable in the type of trust, larger trusts tend to employ proportionally more women directors. In addition, if we consider similar sized trusts, Retail trusts tend to employ fewer female directors. Standard regression diagnostics were calculated for the models applied to the data. In testing for non-normal errors, a Jarque-Bera (J-B) statistic is applied to the data. In testing for heteroscedasticity, a White test is applied and White (1980) heteroscedasticity-consistent coefficients and p-values are reported. In testing for omitted variables or model misspecification, a Ramsey Reset test is applied and reported. The results of these diagnostic tests help confirm that our broad findings are valid.

Table 3: OLS of Proportion of Men and Women Directors and Explanatory Variables

Variable	PNFEMALE		PNMALE	
	Coefficient*	Pr.*	Coefficient*	Pr.*
C	-0.398	0.000	1.398	0.000
LNMKTCAP	0.025	0.042	-0.025	0.042
RETAIL1	-0.071	0.026	0.071	0.026
OFFICE1	-0.053	0.145	0.053	0.145
J-B	10.947	0.004	10.947	0.004
White test	12.598	0.013	12.598	0.013
Reset	-16.536	0.248	-16.536	0.248
Adj R-squared	0.116		0.116	

* White (1980) heteroscedasticity-consistent coefficients and p-values are reported.

4 Conclusion

The findings in this study extend Dimovski and Brooks (2004) to now include the property trust sector in the analysis of the gender composition of boards of IPOs. This study finds that larger property trust IPOs are likely to employ a higher proportion of women directors, while Retail property trust IPOs may offer fewer opportunities for women to achieve directorships. The high proportion of male directors suggests that the IPO market is apprehensive about engaging too many women directors at the time of the IPO.

References

- Bilimoria, D., 2000, Building the business case for women corporate directors, Burke, R.J., Mathis, M.C., *Women on Corporate Boards of Directors: International Challenges and Opportunities*, 25-40.
- Burke, R.J., (1994) Women on Corporate Boards of Directors: Views of Canadian Chief Executive Officers, *Women in Management*, **9**, 3-10
- Burke, R.J., (1997) Women Directors: Selection, Acceptance and Benefits of Board Membership, *Corporate Governance*, **5**, 118-125
- Burke, R.J., (2003) Women on Corporate Boards of Directors: the Timing is right, *Women in Management Review*, **18**, 346-8.
- Catalyst, 2003, *Census of Women Board Directors*, Catalyst, New York, NY.

- Dimovski, B., and Brooks, R., (2004 forthcoming) Stakeholder Representation on the Boards of Australian Initial Public Offerings. *Applied Financial Economics*
- Hyland, M.M. and Marcellino, P.A. (2002) Examining Gender on Corporate Boards: A Regional Study. *Corporate Governance*, **2**, 24-31
- Luoma, P. and Goodstein, J. (1999) Stakeholders and Corporate Boards: Institutional Influences on Board Composition and Structure. *Academy of Management Journal*, **42**, 553-63.
- Mak, Y.T. and Roush, M. L. (2000) Factors Affecting the Characteristics of Boards of Directors: An Empirical Study of New Zealand Initial Public Offerings. *Journal of Business Research*, **47**, 147-59.
- Sheridan, A. (2002) What You Know and Who You Know: “Successful” Women’s Experiences of Accessing Board Positions. *Career Development International*, **7**, 203-210.
- Singh, V., Vinnicombe, S. and Johnson, P., (2001) Women Directors on Top UK Boards, *Corporate Governance*, **9**, 206-216.
- Singh, V. and Vinnicombe, S., (2003) The 2002 Female FTSE Index and Women Directors, *Women in Management Review*, **18**, 349-358.
- White, H. (1980) A Heteroskedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroskedasticity. *Econometrica*, **48**: 817-838.