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## RESEARCH ARTICLE

### ANALYSIS OF WOMEN'S PARTICIPATION ON TURKISH PUBLICLY TRADED COMPANY BOARDS

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#### ABSTRACT

In 2012, Turkish Capital Markets Board of Turkey (CMBT) took the first step about increasing women's participation on Turkish publicly traded company boards with a soft law. However, under the framework of the Corporate Governance Principles of CMBT, the regulation did not have the intended impact and had very limited application. In order to draw attention to the issue and extend the influence of the regulation, supportive projects were launched in Turkey. On the other hand, there are significant practices to appoint more women on corporate boards in the world with some impressive results. However, the current implementation in Turkey is not effective enough to keep up with the ongoing practices around the world. In this paper, a managerial perspective was suggested to design a system that Turkish publicly traded companies could adopt in order to promote gender equality in their boards and catch up with the global trend in increasing women's participation.

#### INTRODUCTION

Gender inequality on company boards is an existing problem all around the world. Even though there has been significant action aiming to enhance women's participation on boards, gender parity is still a major issue (Catalyst, 2014). There are several approaches and practices to solve the problem from different authorities and disciplines. Efforts vary from foregrounding voluntary measures to imposing legislative quotas. The increasing demand for equality in boardrooms is not negligible anymore. Moreover, many directors start to value gender diversity on boards (Spencer Stuart, 2012). Nowadays, women have greater participation on company boards all around the globe and a higher number of first-time directors are assigned to publicly traded company boards (Cranfield University, 2014). These instances indicate the new norm of gender diversity on boards and consolidate women's effective participation in the world of business. Ferreira (2010) states that women in top levels will have a positive effect on women in lower positions by means of career development as mentors and role models. Additionally, the old trend where acquiring a position on the board depended on whom you know, seems to be undergoing a gradual change. Businesses and governments have been engaged in much discussion and debate arguments to find the best approach to enhance women's participation on boards. Different approaches have different effects on various companies.

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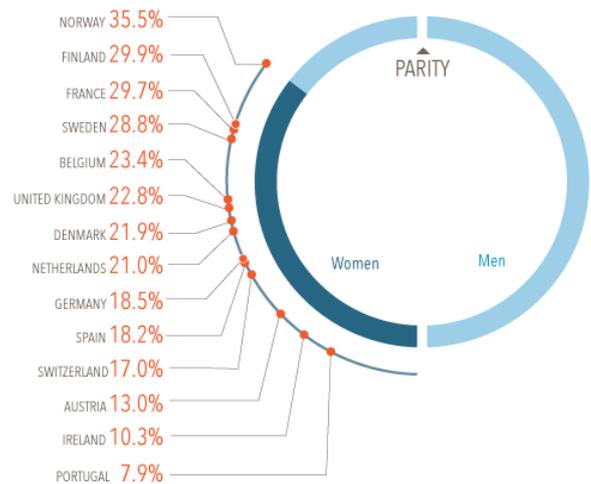
Each attempt seems to have pros and cons in the implementation. The approaches could be grouped in three areas, namely legislative, regulatory, and voluntary. The advantages and disadvantages of each method continue to be debated, but it is clear that something must be done to have more women on boards. There are a number of research studies exploring the relationship between various aspects of company performance and women's contribution. A number of studies indicated the positive relationship between gender diversity on boards and developments in corporate governance and financial performance. It is certain that this global trend indicates a competition to include the most talented to the board. Regardless of the method applied, the companies, which are not taking the gender diversity into consideration, carry the risk of falling behind their competitors (Lublin, 2012). Gender inequality on boards is a problem also in Turkey. The share of women on board seats is only 10.8% (Egon Zehnder European Board Diversity Analysis, 2014). Beyond women's representation on Boards being at a very low level, to the extent that women are represented, their participation is not efficient. On the other hand, women's representation on boards has been started to become a significant topic of debate in Turkey in last three years. Gender parity on BIST company boards has been promoted by Capital Markets Board of Turkey (CMBT). Lately in 2013, CMBT suggested a gender quota to BIST companies as a soft law to have not less than 25% level of women directors on boards and to set goals and declare it to the public. Nevertheless, CMBT regulations are not effective in implementation today. Besides, some supportive initiatives which are in the forms of programs are in progress by women, companies, international and national institutions and ministries.

This study aims to design a system to increase women's effective representation on publicly listed companies, which are issued in Borsa Istanbul. Various studies showed that to increase women's representation in terms of sheer numbers alone is not enough to achieve true equality on boards. Hence our system design aims to go beyond representation in equal numbers and achieve efficient participation of women on Boards. The first part of this study provides an extensive background on women's representation on publically traded company Boards, as well as different practices around the world to promote gender equality on Boards. This is followed by an overview about the board structure, women's representation, the current application and initiatives to address the problem of under-representation in Turkey. Having established this background, we generate several inputs used in order to design a system for women's effective participation on BIST Company Boards. First, we undertake a correlation analysis to explore the relationship between women's representation and financial performance of companies. Also, on the basis of Critical Mass Theory, we perform an analysis of variance test to define the most meaningful interval of women's presence on boards by using the effective management performance indicators. Secondly, we use a Fishbone Diagram to analyze the different bottlenecks and problems encountered in the current application in Turkey. We conduct face-to-face interviews with experts the results of which are used both as input and in the decision making process of the design. Finally, benchmarks with other countries will be made, and successful applications around the world will be considered as models.

Concept development process is used as the main design component. We combine all the inputs in order to generate alternative solutions as concepts as well as the primary criteria which to evaluate them. We conduct a survey with relevant stakeholders (such as IWD project team members, advisory board members, academics, current women members of boards as well as potential ) to define the importance levels of criteria. Then, the concepts are compared by basing on the current application against the criteria. We use the survey results, to rank and combine the proposed concepts. This enables development of superior alternative solutions and by comparing them once again with the current application against the criteria. The final concepts constitute the eventual developments. Finally these concepts are aligned in a sequential order in order to define the application process of the proposed system.

## Literature Review

It appears to be as a fact that, especially in the past, women are clearly underrepresented on boards. There is no country which has equal representation of women on boards (Deloitte, 2011, p. 3-4). This has started to change since some European countries like Norway, France, Netherlands, Spain and many others has imposed legislations and regulations and will lead developments in terms of gender diversity on boards. In countries like USA, Canada, Japan, UK and South Africa there is no mandatory quota. But, considerable attempts exist to improve female involvement to company boards by voluntary codes. Catalyst (2014) graphs the gender diversity of different places in Europe as; there are several reasons to explain the under-participation of women on boards.



**Figure 1. Women's Share of Board Seats at European Stock Index Companies (Catalyst, 2014)**

The fundamental reason emerges to be the ongoing domination of boards by middle-aged men. Male dominance in boardroom causes males to select similar candidates to themselves which results in males to have prejudices to select female directors (Reskin & McBrier, 2000). With respect to that in a male dominated area, males would want women who have similar habits (Bourdieu, 2001). Another reason occurs to be the pool of women candidates to such positions is smaller than men pools. There is an existing perception that there is no adequate number of experienced female candidates to be appointed on boards and to be substituted by current experienced man. Companies often point out that they are hindered by the reason of inadequate amount of qualified women. There is a strong argument against this that there are enough successful women to fit the positions but there is actually a 'glass ceiling' that prevents them (European Commission, 2012). To provide ready to serve, talented and experienced women, national, regional and industry specific pools were created. Companies could seek for prospective member and could view the resumes of qualified women. Furthermore, professional organizations and associations organized specific mentorship programs to educate suitable women to board membership.

There are few female boards of directors and even fewer CEOs. Lower representation of women in senior management levels happens to be a constant problem declared the discrimination against women in these levels (Plessis *et al.*, 2012). Formerly, it was worse that women were not even considered to occupy positions on boards. Women are disadvantaged in their working lives. Unfortunately, still, their gender affects their experience at work and in labor market. Accordingly, this has bad results in acquisition of social capital in workplace. Eagly and Carli (2007) indicate that the groups who cannot offer extra work hours, have a lot fewer possibilities to generate social capital. Former studies showed that social capital –which is defined as “the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together” by OECD Insights (2007)– is more essential for traditional managerial approach in comparison to capable performance (Tharenou, 1999). As women and men share the domestic duties unequally and that women have less social capital, women will have far less advantages in managerial positions. On the other hand, supervisory board membership is a position that allows one to

balance the work and family life as it does not require a full-time presence (Plessis *et al.*, 2012).

There are various studies showing the causes to have more women as board of directors. The basic reason occurs to be that it is the ethical thing to do. No wonder there are much more reasons to demand gender diversity on boards. It basically appears to be the waste of half the population's potential contributions while selecting the board members (European Commission, 2012). Besides, in an equally participated environment of both genders, leadership styles and approaches of women and men will be reunited and it will make a much better use of human capital. It will help to respond the needs of men and women at workplace (Whelan & Wood, 2012). Academics have been analyzing the relation between women representation on boards not only to financial company performance but also board efficiency in order to list the causes of women's participation. The empirical findings about the relationship between financial company performance and women's participation are unclear. Some studies indicate a positive link, however others find a negative or no meaningful link. An overview of literature could be found in Joecks *et al.* (2013).

There are various explanations to find out the reasons behind such a range of findings.

#### The reasons suggested for such a controversial picture:

- The studies were made in different countries, in different time periods with different performance indicators and with different statistical tests and estimation methods were used (Campbell and Minguez-Vera, 2010).
- In some cases, variations between different types of companies could connote that higher female representation is advantageous in some but it could be disadvantageous in others. Different organizational cultures may affect board's function. Some studies examined the largest publicly traded companies, whereas others focused also on small and medium sized and often privately owned companies (Smith, 2014).
- That is quite challenging to measure the link by including all of the relevant variables. A positive correlation between the rate of women and company performance does not demonstrate causation for sure and does not show evidence of its direction. The reason of correlation might not be the women that enhances performance instead it could be that better performing companies wanted to include more women on their boards. Or those with better performance could have another characteristic which is same and this might be the reason of better performance (Smith, 2014).
- The effect of gender diversity on boards could be very different in a country which has very low rate of women then in a country which applies a gender quota. Because of that there might be studies which have a lower female participation average and there also might be studies with a higher average. While, the first group will very likely be finding a negative relationship but second group will find a positive relationship. It could be predicted that a study which includes boards with low and high women's participation and tries to indicate a linear link between

female representation and performance would very likely find no relationship between them (Joecks *et al.*, 2013).

In order to prevent the last circumstance Joecks *et al.* (2013) built their study on Critical Mass Theory, which was based on Kanter's (1977) work. The analysis is based on constructing four different groups according to the range of women percentage of the groups. This method will be applied in the design phase of this study.

#### Kanter (1977) defined the groups as:

Uniform groups; which all members have same attributes like gender in this case. The group members could have differences too, but the visible characteristics like gender is same. Skewed groups; in which one group is clearly dominant and controls the minority group. In this case dominants are males and minorities are females. The minority group members are called 'tokens'.

They are treated as representatives of their group instead of individuals. A group which has up to 20% women will be a male dominated skewed group. Tilted groups; have less extreme difference in terms of female and male representation. In tilted groups fewer members can unite and influence the group culture. They are not perceived as a representation of their own kind, instead they are there as a subgroup which members could have different talents and capabilities. A group which has 20-40% women will be a male dominated tilted one. Balanced groups; minority and majority become prospective subgroups and gender differences turn into less and less important topics. Now, the focus becomes the different talents and capabilities of females and males. A group which has 40-60% representatives from each gender will be considered as a balanced one.

Joecks *et al.* (2013) find that the skewed boards demonstrate the worst performance and tilted boards outperform uniform boards. While comparing 151 companies in DAX, MDAX, SDAX, and TecDAX for 2000-2005, they used ROE as the performance measure. If it is demanded that the female participation to have a positive effect on company performance, the 'critical mass' of women on boards will be tilted boards. Newer studies focus on the effects of gender diversity on board processes and decisions. Women stand out to be more risk averse and concerned more about the expenditures of firm's money and tend to seek less personal benefits from the company in comparison to men (Barber and Odean, 2001). Additionally, as Ford and Richardson (1994) showed that women are more ethical decision makers at work than men. Khan and Vieto (2013) revealed that companies with women CEOs have smaller risk level than companies with male CEOs.

Women board of directors has better attendance to supervisory board meetings than men directors. Moreover, within the increase of women directors on boards, an improvement in male directors' attendance could be seen (Adams and Ferreira, 2009). As the board becomes more and more gender diverse, women tend to take part in the monitoring committees. Women directors happened to be tougher monitors than men (Smith, 2014). Findings in general about the relationship between board effectiveness and gender diversity are positive. Even though the participation of women on boards are lower than

men all around the world, there is surprising divergence from country to country. Toh and Leonardelli (2013) showed that this difference is a function of national differences. They represented the national differences in 'cultural tightness' which is the degree of cultural norms which are certain and mostly compelled by an authority by using sanctions. People could be fined for throwing trashes on the floor or chewing gum, but in looser cultures, people would just receive a reproachful glance (Toh and Leonardelli, 2014). Gelfand (2011) demonstrated Turkey and Pakistan among the tightest, and New Zealand and Ukraine among the loosest countries. France, Germany and Norway are considered increasingly tight; The US is slightly loose. From the World Bank's statistics in 2011, a positive correlation is demonstrated between the looseness of culture and women's participation in senior management. The nations with tighter cultures have fewer women as managers, senior officers and legislators (Toh and Leonardelli, 2014).

As an example, Ukraine, among the loosest, has 38%; but Pakistan, one of the tightest, just have 3% of women in leading positions. In looser cultures the biases and traditions against women's participation in leading positions are likely to change. But, tighter cultures have different advantages; when the authorities want to commit new practices, tighter cultures are ready to adhere (Toh and Leonardelli, 2014). When countries implement such practices, the ones with tighter cultures have better results in promoting women leaders, however the looser ones have not.

Because of that, specific recommendations to cultures should be made (Toh and Leonardelli, 2013). In tight cultures, obligatory gender quotas can be very promising. For example; Norway, was the first country that applied the 40% gender quota on publicly traded company boards which is a relatively tight culture. The mandatory application ended up a transformation from 10% to the 40% women representation on boards. On the other hand, such obligations are not likely to be considered or to achieve success in looser cultures. The citizens may be more resistant to obligations and may prefer organic rise in the number of women. Asgari and Dasgupta (2004) indicated that in looser societies promoting change depends on presenting leadership roles as compatible, accessible and riveting for women and enhancing the amount of talented women executives. To sum up to promote women on boards, there is no one formula which will fit to all. Some solutions may attain the aim in some countries but may also fail in others. The cultural context of countries critically matters.

Different countries applied different practices to solve the women's participation problem on boards. Some approaches did fit the cultural norms and were successful, but some countries ended changing the original approach due to failure. Turkey stands in the 'quite tight' culture group (Toh and Leonardelli, 2013) which means that the mandatory quota will work for Turkey better. This approach could be supported with the Capital Markets Board of Turkey's independent directors' quota. This mandatory quota put into practice in very short notice –in a couple of days- but the companies obeyed the sanction without denial. In case of non-existence of independent members CMBT appointed the members (CMBT, 2012). Additionally, in comparison to mentioned European

Countries, Turkey has a weaker business lobby which makes it easier to mandate companies.

## METHODOLOGY AND DATA

This study aims to design a system to enhance women's participation on publicly traded company boards in Turkey. But, the study not just intends to increase the number of women on boards, but also highly concerns the efficient participation that women will hold. The mentioned approaches and practices in Turkey and all around the world will be considered and used to design the system and its application process. In the first phase to design a system, two statistical analyses are undertaken to explore the relationship between the Ratio of Female BIST companies' directors and effective management performance indicators. The data of ratio of female directors on BIST companies' boards was obtained from Independent Women Directors Project's database. The end of analysis period was on August 31, 2014. Return on Equity and Return on Asset are used as the effective performance indicators. ROE; is an indicator of how effectively a company's management make use of investor's money. It indicates if the management could grow the company's value in a meaningful rate. ROA; is an indicator which shows in what amount a company obtains profit for every unit of its assets. ROE and ROA values of 238 companies which are issued in Borsa Istanbul were obtained from Thomson Reuters Financial Database by the access of Istanbul Technical University. The values were based on the quarterly reports of the companies on September 30, 2014 release (available upon request).

Two tests are used. At first, a correlation analysis and then analysis of variance to define the relationship. To the extent that we are able to show the existence of a positive correlation between women's representation on boards and company performance, we can use this evidence as one of the inputs into the design of our system.

**Table 2. Correlation results**

Correlations: RATIO OF FEMALE DIRECTORS; ROE Pearson correlation of RATIO OF FEMALE DIRECTORS and ROE = 0,018 P-Value = 0,785
Correlations: RATIO OF FEMALE DIRECTORS; ROA Pearson correlation of RATIO OF FEMALE DIRECTORS and ROA = 0,021 P-Value = 0,748

According to the application of Pearson correlation analysis; the correlation coefficient is 0,018 and 0,021 and it could be said that there is no meaningful correlation between ratio of female directors and ROE and ROA, respectively. In order to suggest a meaningful ratio of female on boards, 4 groups of BIST companies' samples are formed according to the ratios of female directors on boards. According to the Kanter's (1977) Critical Mass Theory group 1; companies with 0% women is defined as the uniform group, group 2; 0-20% skewed group, group 3; 20-40% tilted group, group 4; 40% + balanced group in accordance with the former studies (Joecks *et al.*, 2013). An analysis of variance test is applied in Minitab to indicate whether there is a meaningful difference between the means of ROE's and ROA's of 4 groups.

Table 3. ANOVA results

One-way ANOVA: ROE 1; ROE 2; ROE 3; ROE 4					
Source	DF	SS	MS	F	P
Factor	3	0,00593	0,00198	0,76	0,517
Error	234	0,60894	0,00260		
Total	237	0,61488			

S = 0,05101 R-Sq = 0,97% R-Sq(adj) = 0,00%

Level	N	Mean	StDev
ROE 1	111	0,01373	0,05332
ROE 2	82	0,01666	0,05522
ROE 3	38	0,01416	0,03194
ROE 4	7	0,04331	0,04373

Individual 95% CIs For Mean Based on Pooled StDev

Pooled StDev = 0,05101

One-way ANOVA: ROA 1; ROA 2; ROA 3; ROA 4					
Source	DF	SS	MS	F	P
Factor	3	0,000926	0,000309	0,65	0,586
Error	234	0,111706	0,000477		
Total	237	0,112632			

S = 0,02185 R-Sq = 0,82% R-Sq(adj) = 0,00%

Level	N	Mean	StDev
ROA 1	111	0,00712	0,02161
ROA 2	82	0,01110	0,02296
ROA 3	38	0,00803	0,02012
ROA 4	7	0,01354	0,02113

Individual 95% CIs For Mean Based on Pooled StDev

Pooled StDev = 0,02185

P-Values (0,517; 0,586) are in confidence interval. Therefore, it could be concluded that there is no difference between the means of ROE and ROA performance indicator of uniform group, skewed group, tilted group and balanced group. But, a basic comment could be made that the highest mean of ROEs belongs to group 4 (balanced group, 40% + females) and the lowest mean of ROEs belongs to group (uniform group, 0% females). To sum up, both with the correlation analysis and ANOVA test, we were unable to detect the presence of a statistically significant relationship between ratio of female directors of BIST Companies and effective management performance indicators. We note however the limited number of observations included in our dataset; hence our results can be in some part explained by data limitations. We add that time series analysis would be a more appropriate method to observe a statistically significant relationship. We observe, however, that when the means of 4 groups of companies with different levels of female representation on their boards are compared, it could be seen that balanced group (40% + female directors) has the highest mean of both ROE and ROA values and uniform group (0% female directors) has the lowest mean of both ROE and ROA values. Hence this provides some quantitative evidence which can be used as one of the inputs of criteria to compare the concepts into our system design.

**Empirical Approach**

Concept development process is an engineering method to make the optimal decision by considering and developing all the alternative options. The options are the alternative solutions to the problem which the study aims to respond. These options are obtained from literature review and experts' knowledge and generated as concepts. The main aim of this method is not to select the best concept but develop a best one. In order to do that the concepts are combined and refined through the phases of the method.

A selection matrix is prepared which includes a set of weighted criteria and the generated concepts. The criteria are the factors to compare and to select the concepts which are obtained from the literature and from the Fishbone analysis. The criteria weights were obtained according to the survey made to the experts and to individuals who face the problem. There is a positive correlation between the weight and the importance of the criteria. The concepts are scored by comparing the current application with each of them. The designers –who are authors in the same time- based their comparison on the literature and the interviews with the experts. Scores are multiplied by the weights of each criterion. Then, overall points are obtained for each. The total scores are ranked.

The concepts are combined and improved. After narrowing the concepts down, the concept selection phase is repeated again till the designers obtained a final process. The essential advantage of concept development process is that it inverts the subjective inputs into an objective output (Ulrich & Eppinger, 2007). Although the process started with a qualitative analysis, this method provides a quantitative conclusion in the end. To sum up, concept development process gives a logical framework to analyze the decision alternatives. There are many problems about current application. 10 alternative options are formed to solve the current application's problems. These options are listed below as concepts. These concepts are developed by benchmarking with applications in different countries, by using an interdisciplinary perspective and by comments and recommendations of the experts who are involved in the resolution of the problem. Table 4 represents the concepts analyzed in the process.

Table 4. List of Concepts

Concept	Explanation
1	Base Model - The application today: 25% gender quota suggestion
2	Increasing Marketing Communication Activities
3	25% Gender Quota Obligation
4	A Mandatory Nomination Committee and Its Control by CMBT
5	Launching a Campaign Seeking Gender Balance in Workplace
6	40% Gender Quota Soft Law & Legislation in the Long Run
7	Making Sensitivity and Awareness Raising Activities to Investors and Board Members
8	BIST Calculating a Gender Equality on Boards Index
9	BIST & Publicly-Owned Corporations Applying a Gender Quota Voluntarily to its Board
10	Electing only Women as Independent Members
11	Providing a Sufficient Pool of Competent Women Candidates for Directorship

First, concepts are compared against the criteria by using Concept Screening Method. The criteria are identified to make the comparison of the concepts. Criteria selection is made according to the cause and effect analysis and the literature review. The weights of the criteria were obtained through a survey in which experts and individuals participated. 13 people participated. The weights are obtained with Manhattan Normalization Method. Selected criteria grouped into two. First group of criteria are obtained from the cause and effect analysis. In the first phase of concept screening method the concepts are just rated against the first group of criteria. The aim on this was to check the relevance and the value which the potential alternatives will create. The criteria group 1 and the weights are listed as:

**Table 5. Criteria Group 1**

Criteria Group 1	
Firms' Problem Perception	17%
Firms' Voluntary Execution	13%
Firms' Organizational Culture which Values Gender Equality and Pluralism	18%
Firm's Motivation about Women on Boards	16%
CMBT's Control	19%
Collaboration of Different Stakeholders	17%

After developing new concepts, they are also be rated against the criteria group 1 to check the relevance and the value they create. Then, the new concepts are rated against the criteria group 2. The second group of criteria is obtained from the international and national literature. This tests the reliability, meaningfulness and the consistency of each concept with the academic and practical concerns of international and national authorities.

**The criteria group 2 and the weights are listed as:**

**Table 6. Criteria Group 2**

Criteria Group 2	
Effect on Company Performance	15%
Alteration in Company Structure which brings solutions	14%
No Conflict with the Free Will of Stakeholders	14%
Adaptedness to Company Structure	14%
Supporting the Equality Principle of Constitution	15%
Preventing to Stereotype Women	14%
Appointing Competent Women	14%

A selection matrix, which includes the concepts and the selection criteria, is prepared. Current application is considered to have 0 value on each criteria. Concepts are rated by comparing the current application (Concept 1: Base model) with each concept. In order to explain: To the extent of a criterion, if one concept has more impact than the base model, a plus (+) sign is given. The scoring is made with '--', '-', '0', '+', and '++' signs. Each sign has a point. The meanings and points of each sign is explained below:

--; (-20 points): Greater negative impact of the concept on the criteria (under the comparison with the base model)

-; (-10 points): Smaller negative impact of the concept on the criteria (under the comparison with the base model)

0; (0 points): No impact of the concept on the criteria (under the comparison with the base model)

+; (10 points): Smaller positive impact of the concept on the criteria (under the comparison with the base model)

++; (20 points): Greater positive impact of the concept on the criteria (under the comparison with the base model)

The concepts are scored and weights are multiplied by the points of each score. Then the concepts are ranked according to the overall points they get.

With the help of concept screening and scoring, the pros and cons of the each concept are visible. Concepts are ranked according to the sum of the rates they obtained.

The most meaningful 3 concepts appeared. According to the scoring the first three concepts are;

- Concept 5: Launching a Campaign Seeking Gender Balance in Workplace
- Concept 7: Making Sensitivity and Awareness Raising Activities to Investors and Board Members
- Concept 6: 40% Gender Quota Soft Law & Legislation in the Long Run

Concept 4, Concept 10 and Concept 11 ranked as the worst three concepts. But, instead of eliminating them the designers decided to combine them with other concepts and develop the new ones. Concept 2-5-9, Concept 3-6-10, Concept 4-7-11 are formed by combining and developing the older concepts. Concept 7 and Concept 8 will be included to the concept selection process again.

The new superior concepts and the concepts got the highest ranks are compared with the same concept screening method again. A new rank is obtained;

- Concept 2-5-9: Launching a Campaign Seeking Gender Balance in Workplace
- Concept 4-7-1: Authorization of Leadership Consulting Firms in Board Member Selection Process and their Collaboration with Nomination Committees
- Concept 3-6-10: A Gradual Quota Application
- Concept 7: Making Sensitivity and Awareness Raising Activities to Investors and Board Members
- Concept 8: BIST Calculating a Gender Equality on Boards Index

As long as, our aim is not only to obtain the best solution alone to the problem but also to design an efficient implementation system, the concepts which complete each other's cons are argued and a sequential order is formed in design conclusion.

Concept 8: BIST Calculating Gender Equality on Boards Index is decided to be eliminated as it has ranked the worst effective solution. Also, when it is benchmarked with the achievements of Corporate Governance Index of BIST; this index did not have a meaningful contribution to corporate governance in Turkey yet (Gürsoy, 2012).

In the concept development process the optimal concepts, which will contribute to the solution of problem under Turkish circumstances, are obtained and aligned as;

- Concept 4-7-1: Authorization of Leadership Consulting Firms in Board Member Selection Process and their Collaboration with Nomination Committees
- Concept 7: Making Sensitivity and Awareness Raising Activities to Investors and Board Members
- Concept 3-6-10: A Gradual Quota Application
- Concept 2-5-9: Launching a Campaign Seeking Gender Balance in Workplace

Firstly, leadership-consulting firms will be authorized in board member selection process. These firms will have collaboration with the databases of ready to serve women candidates. For example; Egon Zehnder is currently the HR consultant of IWD. Leadership consulting firms will evaluate the candidates and decide on the nominees who will be represented to investors and to board members.

**Table 7. Concept Selection Matrix (1)**

Weights	Criteria 1	Concepts										
		1	2	3	4	5	6	7	8	9	10	11
17%	Firms' Problem Perception	0	+	0	-	++	0	++	+	+	-	-
13%	Firms' Voluntary Execution	0	+	--	0	++	-	+	+	0	--	+
18%	Firms' Organizational Culture which values Gender Equality and Pluralism	0	+	+	-	++	++	+	+	+	+	-
16%	Firm's Motivation about Women on Board	0	+	0	-	++	+	++	++	+	0	++
19%	CMBT's Control	0	-	++	+	-	++	-	-	0	++	-
17%	Collaboration of Different Stakeholders	0	+	0	0	+	0	+	0	0	0	+
	Overall Points	0	6,21	3,04	-3,2	12,63	7,80	9,49	6,15	5,12	1,38	0,84
	Ranks	10	4	7	11	1	3	2	5	6	8	9

**Table 8. List of Developed Concepts**

Concept	Explanation
1	Base Model - The application today: 25% gender quota suggestion
2-5-9	Launching a Campaign Seeking Gender Balance in Workplace
3-6-10	A Gradual Quota Application
4-7-11	Authorization of Leadership Consulting Firms in Board Member Selection Process and their Collaboration with Nomination Committees
7	Making Sensitivity and Awareness Raising Activities to Investors and Board Members
8	BIST Calculating a Gender Equality on Boards Index

**Table 9. Concept Selection Matrix (2)**

Weights	Criteria 1	Concepts						
		1	2-5-9	3-6-10	4-7-11	7	8	
17%	Firms' Problem Perception	0	++	+	0	++	+	
13%	Firms' Voluntary Execution	0	++	-	+	+	+	
18%	Firms' Organizational Culture which values Gender Equality and Pluralism	0	++	++	0	+	+	
16%	Firm's Motivation about Women on Board	0	++	+	++	++	++	
19%	CMBT's Control	0	-	++	-	-	-	
17%	Collaboration of Different Stakeholders	0	++	0	++	+	0	
	Overall Points for Criteria 1	0	14,31	9,46	6,02	9,49	6,15	
	Criteria 2							
15%	Effect on Company Performance	0	0	0	++	0	+	
14%	Alteration in Company Structure which brings solutions	0	+	++	+	0	0	
14%	No Conflict with the Free Will of Stakeholders	0	++	-	+	+	+	
14%	Adaptedness to Company Structure	0	+	+	++	0	0	
15%	Supporting the Equality Principle of Constitution	0	+	++	+	+	+	
14%	Preventing to Stereotype Women	0	+	+	0	++	0	
14%	Appointing Competent Women	0	0	-	++	0	0	
	Overall Points for Criteria 2	0	8,53	5,85	12,89	5,66	4,34	
	Overall Points	0	22,84	15,31	18,91	15,15	10,49	
	Rank	0	1	3	2	4	5	

Within the authorization of this third party interventions the board member selection process will be improved, become objective, reliable and, well functioning. Nomination committees of boards will have collaboration with these firms. During board member elections, nomination committees will easily reach the ready to serve candidates. One of the major problems in Turkish board constitution is the problematic appointing process of boards. When the board members are selected in a more reasonable way the boards will also function better. By the help of that corporate governance principles could function properly. Secondly, the leadership-consulting firms will make sensitivity and awareness raising activities to investors and board members to increase awareness about women's participation on boards. From 2012 each corporate board in Turkey has a mandatory Corporate Governance Committee. These committees and the consulting firms will have collaboration and have regular meetings especially before the selection period of board members.

As it is mentioned in the first phase, these consulting firms will be involved in the board selection process; they will have connection with the boards. These firms may even do such sensitivity applications voluntarily as they may improve their relations with the companies and then may be preferred to be included in the board selection process. These talent strategy firms already hold diversity and inclusion practices as well. Sensitivity and awareness raising activities may be organized before the board selection process. The main selectors of board members are the investors in Turkey. The better understanding of investors about women's participation will tried to be provided and the benefits of women promotion on boards will be demonstrated and explained. The practices abroad, and the positive approaches of leaderinvestor companies from all around the world will be presented. Investors will be informed about the projects going on in Turkey and all around the world to increase women's participation on boards. These sensitivity and awareness raising activities will help to overcome the

prejudices of dominating male board members against women on boards. Then, a gradual gender quota on publicly traded company boards will be introduced. Firstly, starting from 2017 a 10% mandatory gender quota will be required by all companies which are issued in BIST. Meanwhile, CMBT will state the eventual 30% gender balance target on boards and introduce the 30% gender quota regulation. Additionally, CMBT will present the other target for the independent members which will be the recommendation of 50% representation by each gender. The companies in the target group will need to 'comply or explain' in accordance with the rules. Then, starting from 2020, the mentioned regulations will turn into legislations and the 30% gender quota and the 50% equally gender representation of independent members rule will become mandatory for all BIST companies. In case of having an odd number of independent members the authorities could decide on the gender of the remainder seat. Before the mandatory quota practice, for the required adjustment of companies a transition period of 4 years will be given.

Finally, a campaign seeking gender balance in workplace will be launched. After the quota approach of CMBT, firstly BIST and other publicly-owned corporations' voluntary participation to the campaign will be expected. The main aim of campaign will be promoting gender balance on boards. Women representation on boards will be marketed by the member companies' representatives and by supporting organizations of campaign. Awards will be given by the supporting organizations. Public will be informed about this topic and the awareness will be increased by the campaign. The companies, which comply the regulations of CMBT, could become the members, which means that including 25% women representation on their boards and 30% from 2017. Whelan and Wood (2012) state that there has to be specific targets of work units and especially of top management to attain gender equality in case of the halting the obligatory quota. In accordance with Whelan and Wood's inference, by the voluntary membership of companies to the campaign and with their increased awareness, even after the gender quota obligation rule the gender balance could be promoted on boards constantly. Furthermore, in the long-run the gender balance in workplace in general will be required to be promoted by the member companies.

## Conclusion

In view of the global trend in increasing practices and approaches to promote gender equality on company boards, Turkey cannot avoid undertaking of similar efforts. Yet our overview and analyses in this study showed that Turkey cannot expect to increase women's participation on publicly traded company boards with the current application. When the current implementations are considered, different countries preferred different approaches. Some did achieve their goals, some failed. We observed that each country's 'cultural tightness' determined its approach to the problem, the solutions proposed as well as the success of the implementation. We have evaluated the pros and cons of the various international practices from the perspective of the existing framework in Turkey, and used our evaluations to design a system suitable to promote women's participation on BIST companies' boards. A systematic comparison of various prospective applications has yielded an optimal application. Namely, authorization of

leadership consulting firms in board member selection process and their collaboration with nomination committees, making sensitivity and awareness raising activities to investors and to board members, a gradual quota application and launching a campaign seeking gender balance in workplace. This study constitutes an attempt to propose an informed recommendation. However, time will show what exactly the applications will be and what will be their effects on including more women members on corporate boards.

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