


## Chapter 12

# Leveraging Women on Boards in Asia: Insights From Thailand

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### ABSTRACT

*Diverse boards have been seen as providing impetus for initiating change. This study focuses on the relationship between female representation on boards of directors and its effect on firm performance, based on evidence from the Thailand. The authors use empirical data on SET 100 Index firms observed in 2015 to 2019. The result indicate that at least one female director in the board is associated with the firm financial performance, while the female CEO/Chairman or higher percentage of females in board having no firm performance association.*

### INTRODUCTION

Research has shown that men and women behave differently and have different talents and perspectives. With respect to behavioural differences, Croson and Gneezy (2009) based on a literature survey; argue that women differ from men with respect to risk, social and competitive preferences. In particular, they argue that women are more risk-averse, less overconfident and more sensitive to social signals in determining appropriate behaviour. With respect to differences in talents and perspectives, Hillman et al. (2002) find that female directors are more likely to come from non-business backgrounds, are more likely to hold advanced degrees and join multiple boards at

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a faster rate. Singh et al. (2008) report that adding women to the board increases international diversity. They also show that women are significantly more likely to be experienced board members, as they have fulfilled several of these positions, especially in smaller firms.

Brammer et al. (2007) also argue that greater equality of representation provides the firm with benefits that arise from alignment with the demographic characteristics of key stakeholder groups such as customers, employees and investors. However there is not general consensus in the board diversity literature with scholars arguing, appointing female directors in response to regulatory pressure has, at best, a limited effect on firm value (Adams and Ferreira, 2009; Gregory-Smith et al., 2014). We expect that women's prospects and ability to exercise influential corporate leadership may vary based on their social, moral and authoritative status which in turn is determined by culture, societal norms and values as well as religious sensitivity (Grosvold and Brammer, 2011; Adams and Ferreira, 2009; Terjesen and Singh, 2008). Accordingly, acknowledging the socio-economic context within which women exercise their board roles can be informative for identifying the mechanisms through which female directors influence shareholder value. Therefore, we signify the performance implications of gender diversity in the context of developing economies, where less is known about the contextual validity of insights for understanding female corporate leadership contributions in Asia's fast-developing economies.

One positive attribute assigned to female directors is their superior ability, compared to male directors, to recognise and control risk (Erhardt et al, 2003; Carter et al., 2010; Schwartz-Ziv, 2015). Excessive risk taking and poor risk management are commonly cited causes of the recent global financial crisis and it is not surprising that many firms identified by irresponsible risk decisions had boards that consisted mostly of male members. The recent growing participation of women in the corporate arena, both in developed and developing economies, has gained increased attention from scholars, corporate leaders, and policy-makers but evidence of their effectiveness, particularly in Asian economies, is sparse. Therefore, this study seeks to investigate the level of female participation in corporate roles in one of Asia's fastest growing economies, Thailand, and determine whether link between female board participation, reduced enterprise risk and enhanced overall corporate performance exists.

A substantial body of evidence from Western corporate contexts suggests that appointing women on boards of directors has a positive influence on firm outcomes and shareholder value (Erhardt et al., 2003; Nielsen and Huse, 2010; Ahern and Dittmar, 2012). However, the opportunity for women to influence corporate leadership in the context of Asian economy firms has been explored by only limited studies. Thailand presents as an important research environment given it is one of the fastest

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