Women on South African boards
– facts, fiction and forward thinking

Section one: facts and fiction
The publication of this report is sponsored by WDBIH.

WDBIH aims to be a catalyst of reform through strategic investments in the corporate sector and the development of women entrepreneurs.

WDBIH understands that women who sit on boards face many challenges, and that research can help address these challenges so that we can create more inclusive workplaces.

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Citation wording for this report as follows:
This section has four parts:

1. The first part presents the current statistics on women in South African boards. While the pool of talented women is steadily increasing, the number of women on boards has had erratic growth. Gains have been made, but they are too small to correct the gender imbalance.

2. The second part gives a summary of how countries perform when it comes to women on boards, and then explores various factors that should be considered before drawing conclusions from this comparison. On the surface, South Africa is among the global leaders in gender diversity. However, a deeper analysis shows that it is problematic to directly compare countries.

3. The third part unpacks the differences between quotas and targets. While they are different legal mechanisms, both can be equally effective – depending on how they are defined, monitored and enforced.

4. The fourth part lays out misperceptions about why there are not enough women on boards, and how to get more of them there. Contrary to popular belief there are more than enough talented women to serve on boards; directors just need to look outside their normal, comfortable networks to find them.
Women on South African boards

Most years, the Business Women’s Association South Africa (BWASA) Women in Leadership Census reports how many directors of JSE-listed companies and State-Owned Enterprises (SOE) are women. Here are some highlights from the 2017 report:

South Africa right now:
A step in the right direction – but not far enough

In 2008, 14.3% of JSE-company directors were women. Eleven years later, in 2017, 20.7% were women. The number of female directors on JSE-listed companies increased from 540 in 2015, to 598 in 2017.

Board positions in the broader context

Women make up 51.2% of the population, 45% of the economically active population, but only 20.7% of board members of JSE listed company boards.

Some companies are leading the way

In 2012, 61 companies had +25% female board members. In 2017, 94 companies had 25%+ female board members. While this seems impressive, the gains have been variable and erratic. From 2012 to 2017, only 26 companies have consistently had a 25%-+ female board.
**Consistent star performers:** These 26 companies have consistently had a 25%+ female board from 2012 to 2017: AdaptIT Holdings, Adcorp Holdings, African Dawn Capital, African Media Entertainment, Afrocentric Investment Corporation, Atlatsa Resources Corporation, ArcelorMittal SA, Cargo Carriers, Clicks Group, EOH Holdings, Grand Parade Investments, Hudaco Industries, JSE, Keaton Energy Holdings, Merafe Resources, Metrowest Holdings, MPACT, Primeserv Group, Rolfes Holdings, African Equity Empowerment Investments, Imbalie Beauty, Standard Bank Group, Telkom SA, CSG Holdings, Winhold, Woolworths Holdings.

However, there are some companies that have not left the starting block: a significant proportion of JSE-listed companies have no female directors, and there has been a decrease in the number of companies with three or more female directors.

**SOEs are increasing representation of women on boards:** Women hold 41.2% of all directorships in SOEs – and all SOEs have at least two female directors.

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**Power and responsibility: executive and non-executive directors**

Executive directors are directly involved in running the company while non-executive directors are appointed by shareholders in an oversight capacity. Independent directors have no interest, position, association or relationship with the company.

The King IV Report recommends that at least 25% of the board should be non-executive, most of whom should be independent.

Over 80% of women directors are non-executive directors. The absence of female executive directors indicates that there are not enough female senior managers in South African companies.

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**A focus on Chartered Accountants (CAs)**

In South Africa, many board positions are held by CAs. Historically, these positions were held by men – but the pattern is changing according to SAICA statistics. In 2019, there were more black African women CAs than there are black African male CAs, and more coloured women CAs than there are coloured male CAs.

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The stretch factor: over-boardedness

Over-boardedness is the idea that directors who sit on too many boards may not have enough capacity to fulfil their duties effectively on all the boards that they sit on. There are different opinions on how many boards is too many:

Table 1 The number of boards a director can sit on before being over-boarded

<table>
<thead>
<tr>
<th></th>
<th>As an executive director</th>
<th>As a non-executive director</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Association of Corporate Directors (USA)</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Institutional Shareholder Services (USA)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Academics like Viviers and Mans-Kemp (SA)</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Viviers and Mans-Kemp found that in South Africa, many companies are using the same small pool of leaders to serve on their boards, and these leaders may be over-boarded 7.

However, the notion of over-boardedness is contested. The capacity to serve on more than one board might be more limited for an executive director than for a professional non-executive director or a board member who represents institutional interests – these directors might find as many as six board seats quite manageable.

For JSE-listed companies, the average director served on 1.5 boards, and the highest serving director served on eight boards. When you include unlisted companies and other entities, the average director serves on 1.81 boards, and the most overboarded serves on 19 boards.

Looking at racial equality

This table presents directorships, not directors: if a director sits on more than one board, they are counted twice.

**Table 2** Racial profiles of female directorships of JSE-Listed Companies and SOEs, 2017 (number of directors in brackets)

<table>
<thead>
<tr>
<th>Race</th>
<th>JSE-listed companies&lt;sup&gt;a&lt;/sup&gt;</th>
<th>SOEs&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Economically active population (women) SA&lt;sup&gt;10&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black African</td>
<td>58.7% (300)</td>
<td>&lt;</td>
<td>82.8% (72) &gt;</td>
</tr>
<tr>
<td>Coloured</td>
<td>7.4% (38)</td>
<td>&lt;</td>
<td>2.3% (2) &lt;</td>
</tr>
<tr>
<td>Foreign</td>
<td>2.5% (13)</td>
<td>0.0% (0)</td>
<td></td>
</tr>
<tr>
<td>Indian</td>
<td>8.2% (42)</td>
<td>&gt;</td>
<td>6.9% (6) &gt;</td>
</tr>
<tr>
<td>White</td>
<td>21.9% (112)</td>
<td>&gt;</td>
<td>8.0% (7) -</td>
</tr>
<tr>
<td>Other</td>
<td>1.3% (6)</td>
<td>0.0% (0)</td>
<td></td>
</tr>
</tbody>
</table>

JSE-listed companies: compared to the number of economically active women (female workforce), black African and coloured women are under-represented, Indian and white women are over-represented.

SOE: compared to the female workforce, black and Indian women are over-represented, coloured and white women are under-represented.

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<sup>a</sup> BWASA (2017: 11). BWASA South African Women in Leadership Census.<br>
<sup>b</sup> BWASA (2017: 11). BWASA South African Women in Leadership Census.<br>
Global comparison of women on boards

MSCI.com provides data to the global investment community. We use its data for this section of this report.

Table 3 shows that around the world, there are more women on listed company boards than ever before.

South Africa compares well to the rest of the world. It is in the second tier of global performers, along with Denmark and the USA, and rates three times better than fellow BRICS member, Brazil.

Table 3  Women representation on boards in several countries from 2015 to 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>24.6%</td>
<td>25.8%</td>
<td>28.7%</td>
<td>31.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>24.4%</td>
<td>25.5%</td>
<td>26.8%</td>
<td>29.1%</td>
</tr>
<tr>
<td>South Africa</td>
<td>18.9%</td>
<td>18.6%</td>
<td>21.4%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Denmark</td>
<td>28.8%</td>
<td>21.4%</td>
<td>23.6%</td>
<td>23.7%</td>
</tr>
<tr>
<td>United States of America</td>
<td>19.1%</td>
<td>20.3%</td>
<td>21.7%</td>
<td>23.4%</td>
</tr>
<tr>
<td>Germany</td>
<td>22.4%</td>
<td>26.7%</td>
<td>20.9%</td>
<td>22.5%</td>
</tr>
<tr>
<td>India</td>
<td>11.4%</td>
<td>12.8%</td>
<td>13.8%</td>
<td>14.0%</td>
</tr>
<tr>
<td>China</td>
<td>9.1%</td>
<td>8.6%</td>
<td>9.7%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Russia</td>
<td>5.9%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Brazil</td>
<td>6.0%</td>
<td>5.8%</td>
<td>8.4%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Breaking the 30% barrier: Australia is the only country where women representation on boards is higher than 30%.

Raising the level of poor performers: BRICS countries (Brazil, Russia, China and India) are performing poorly.

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1. Facts and Fiction

Half-truths and fictions: looking beneath the surface

This report uses more than one data source for two reasons: different reports show parts of the picture, but never the full one; and comparing data from more than one source aids in cross-checking to identify errors and anomalies.

There are two sets of factors that make direct comparisons between countries’ board representations difficult:

1. How data is collected and analysed differs between reports, and each report may include different sets of companies including the market capitalisation of companies and exchange rates

2. Each country’s cultural, historical, size and strength of the economy, and legislative context is unique

Data collection and analysis

Reports use different methodologies and statistics are not calculated in the same way across reports. This makes it nearly impossible to compare results accurately.

The EgonZehnder Global Board Tracker has tracked and reported on board diversity for 14 years. In 2018 it included “public companies with market caps above seven billion euros, if a country does not have enough companies that qualify – it takes the six largest companies by market cap.”

In South Africa, six companies were included in the analysis – there are around 400 JSE-listed companies. There is no evidence that large and small listed companies have the same attitudes towards gender diversity, so this limited sample might not reflect the broader reality.

Also, some countries have more listed companies than others so the indices are not comparable. For instance, there are around 3 000 listed companies on the NYSE.

Lastly, reports may have different criteria for which companies to exclude from their diversity reports. This means that the reports have different sets of companies included in them. This will affect both the results of a single report, and the conclusions we can draw from comparing them.

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13 EgonZehnder (2018: 3) Global Board Diversity Tracker: Who’s really on board?
History, culture, economy and governance structures

It’s also a problem to directly compare countries’ board representation because each country’s history, culture and governance structures is unique\(^{15}\).

**Figure 1: Comparison of Hofstede’s country culture dimensions\(^{16}\)**

![Hofstede's Country Culture Dimensions](image)

<table>
<thead>
<tr>
<th>Country</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
<th>Long-term Orientation</th>
<th>Indulgence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>68</td>
<td>65</td>
<td>71</td>
<td>62</td>
<td>56</td>
<td>81</td>
</tr>
<tr>
<td>South Africa</td>
<td>49</td>
<td>66</td>
<td>68</td>
<td>62</td>
<td>55</td>
<td>86</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>58</td>
<td>65</td>
<td>63</td>
<td>59</td>
<td>64</td>
<td>86</td>
</tr>
<tr>
<td>United States</td>
<td>59</td>
<td>67</td>
<td>62</td>
<td>61</td>
<td>57</td>
<td>86</td>
</tr>
</tbody>
</table>

**Culture through Hofstede’s lens**

‘Hofstede dimensions’ identifies six elements of culture: power distance, individuality, masculinity, uncertainty avoidance, long-term orientation and indulgence.

Of these, a culture’s power-distance and masculinity ratings have been linked to gender inequality, and therefore would impact board gender diversity\(^{17}\).

**Masculinity**: Hofstede defines masculine cultures as those that prefer “achievement, heroism, assertiveness, and material rewards for success”. Feminine cultures prefer “cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented”\(^{18}\).

Cabez-Garcia et al. have shown that, the more masculine a culture is, the more unlikely it is that women will be accepted in positions of power, such as senior management – consequently it is less likely that women will become board members\(^{19}\).

South Africa has similar masculinity ratings to the United Kingdom, the USA, and Nigeria (Figure 1), countries where the number of women on boards are also low.

**Power distance**: Hofstede defines power distance as “the degree to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally”\(^{20}\).

This influences interaction between hierarchical levels within power structures, as well as the achievement of power equality. With low power distances, there is a more consultative style of leadership, as well as greater aspirations to achieve power equality – and women are more likely to be listened to and followed\(^{21}\). Countries with higher power distances are more likely to have male-dominated business environments – so women are less likely to become board members\(^{22}\).

South Africa has higher levels of power distance than the United Kingdom or the USA (Figure 1).

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Working past a history of racial segregation

South Africa's history of racial segregation and the ensuing need for racial transformation resulted in laws such as the Broad-Based Black Economic Empowerment Act 53 of 2003. This act includes both race and gender targets for black people.

Many companies have met these targets, and more black women have been appointed to boards. This shows that legislation can act as a catalyst to increase the number of women on boards.

Macroeconomic factors

Research also shows that macroeconomic factors like economic growth and education can impact attitudes towards women on boards:

Economic growth: wealthier countries are more likely to have women on boards than poorer ones23. South Africa's economic growth has recently stalled.

Level of education of women: If women do not finish school, they are less likely to make it to the board. Cabeza-Garcia et al. found an increased number of women on boards in countries with greater proportions of women in secondary education. South Africa's secondary education levels are, in some instances, higher for women than for men.

Governance structures

Unions, governments or founding families can impact the way a board is constituted. The impact of this differs from country to country25.

Unions: In Germany, listed companies have both management and supervisory boards. The management board is responsible for day-to-day decision-making, while the supervisory board offers strategic guidance to the company, and monitors the performance of the management board. Unions influence who is appointed to the supervisory boards of listed companies: for companies with more than 500 employees, unions appoint one-third of board members; for companies with more than 2,000 employees, unions appoint 50% of board members.

Unions are more likely to appoint women than shareholders are, and there are more female union representatives than shareholder representatives on German boards26.

Government: The South African government drives race and gender transformation. In SOEs, government is the majority shareholder and determines who sits on the board. South Africa has one of the highest global rates of women in parliament and women are well represented on the boards of SOEs in South Africa.

This strategy only works if there are enough experienced and qualified women, both in government and in the government networks, to fill these seats.

Founding families: India is an example of a country with a high concentration of family firms (where the founding family or promoter owns at least 20% of the voting rights); 95% of manufacturing companies on the National Stock Exchange of India27 are family firms. Family firms are more likely to have women on their boards than non-family firms28.
1. Facts and Fiction

Understanding the difference between quotas and targets

There are two legal mechanisms that countries around the globe have used to increase the number of women on boards: voluntary targets and mandatory quotas.

The differences between them are explained below:

<table>
<thead>
<tr>
<th>Voluntary targets</th>
<th>Mandatory quotas</th>
</tr>
</thead>
<tbody>
<tr>
<td>The features of a voluntary target include:</td>
<td>The features of a quota include:</td>
</tr>
<tr>
<td>1. realistic numerical objectives</td>
<td>1. a rigid percentage of representation to be met</td>
</tr>
<tr>
<td>2. flexible application</td>
<td>2. a date by which the quota must be met</td>
</tr>
<tr>
<td>3. may have legal implications, but are not mandated.</td>
<td>3. penalties for non-compliance</td>
</tr>
<tr>
<td>For example, the South African BBBEE Act uses numerical targets and is an example of the type of remedial measure (affirmative action) expressly allowed under the equality clause in the Constitution. Targets can be set out as gender-neutral or women-based.</td>
<td>A quota means that a number or percentage of positions is reserved for a female candidate with no possibility of filling it with a male, regardless of the availability of suitable female candidates or the degree of under-representation. In the case of board gender diversity, quotas mean that a qualifying company must have at least a certain percentage of female directors on its board by a certain date. If they do not, the company will be penalised. These penalties could include a financial penalty, suspension from a stock exchange, or liquidation.</td>
</tr>
<tr>
<td>- Women-based targets specify a minimum goal for female representation (e.g. women should have at least 30% representation on the board).</td>
<td></td>
</tr>
<tr>
<td>- Gender-neutral targets define a maximum amount for both genders (e.g. no gender can hold more than 60% of the board).</td>
<td></td>
</tr>
<tr>
<td>Gender-neutral targets may benefit women in male-dominated industries, but not on boards where most board members are women.</td>
<td></td>
</tr>
</tbody>
</table>

In South Africa, quotas are considered unconstitutional. Government and industry use targets to support gender transformation. Since 2017, all companies listed on the JSE were supposed to report on their progress towards their self-determined board diversity targets. Not all companies have complied.

**Monitoring and reporting are key**

Having quotas does not automatically mean that they will be reached. Dahlerup and Freidenvall's global analysis of quota systems found that countries using mandatory quotas did not automatically have higher female representation than countries with voluntary quotas. They conclude that how a quota is implemented and enforced is as important as having a quota, and the greater the level of public visibility, the greater the incentive for companies to strive to get women on their boards.

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In this section, we argue that commonly held misconceptions should be reviewed.

<table>
<thead>
<tr>
<th>Misconception</th>
<th>Counter to misconception</th>
</tr>
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<tr>
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<td>The increased presence of women on boards are a direct consequence of governance mechanisms and legislation and did not happen organically. South Africa still needs to overcome ingrained prejudice against women on boards, together with 'old boys' clubs' of director networks.</td>
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<td>natural incremental increase in female representation.</td>
<td>The 'old boys club' does not consciously conspire to keep women out of leadership, but is rather a place of unconscious bias.</td>
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| 2. Targets will be automatically met without further intervention.           | Targets can be met only if they are actively managed, and are only as effective as:  
  1. the law or governance that defines them  
  2. how they are monitored and reported on  
  3. the consequences for not meeting them.                                   |
| 3. There are not enough women qualified to serve on boards.                 | There is a vast, untapped pool of qualified and talented women who could add value to a board.  
  • In 2017, there were 867 female Professors and 1040 female Associate Professors at South African public universities and universities of technology.  
  • In 2012, 24 071 women graduated with Master's degrees and 6 113 with PhDs. In 2017, the figures increased to 31 127 Master's and 10 159 PhDs34.  
  • In July 2019, 38% (17 149) of all SAICA-affiliated chartered accountants were women. This is 38% of all CAs in South Africa35.  
  • From 2010 to 2017 there have consistently been more women candidate attorneys registered than male ones36. |
| 4. The few suitable women are over-boarded, and neglect their directorial     | Viviers and Mans-Kemp show that directors who sit on three or more boards are no more likely to miss board meetings than those who sit on fewer boards. Also, a professional non-executive director who serves on many boards brings deep board experience, substantial networks and focused attention37. |
| duties.                                                                      |                                                                                                                                                                                                                         |
| 5. All women support targets.                                               | Some women do not support targets. Their resistance stems from a fear of being perceived as token women appointed to fill a target.                                                                                     |

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