Board Characteristics and the presence of Women in the Board of Directors, The Case of the Greek Shipping Sector

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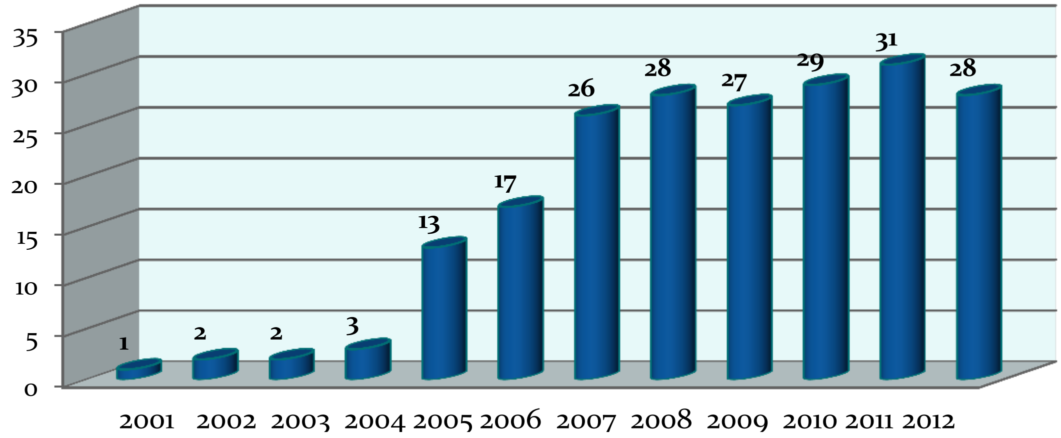
HOCG

Hellenic Observatory of Corporate Governance

HOCG Study

The current presentation attempts to discuss the findings of the Hellenic Observatory of Corporate Governance *(http://www.hocg.eu/)* about the Board Characteristics (CEO duality, Board size, Independent Directors, cross directorships, tenure, age and gender) of all the 33 Greek owned public shipping companies which are listed in foreign Stock Exchanges (Securities & Exchange Commission, the New York Stock Exchange, the London Stock Exchange , the Nasdaq Stock Market and the Singapore Stock Exchange) for the period 2001- 2012.



The Board of Directors

- The Board of Directors includes the representatives of the owners and has the responsibility to oversee the direction of the organisation chosen by the CEOs.
- The board consists of its **Chairman**, **Chief Executive Officer** (CEO) and the **Directors** ("functional" Board members either executive or non executive)
- Board of directors is responsible for the governance of their companies.
- The Board of Directors leads and controls the company.

Roles of the BOD

- MONITORING: Refers directly to the responsibility of directors to monitor managers on behalf of shareholders.

- PROVISION OF RESOURCES: Refers directly to the ability of the board to bring resources to the firm, resources being "anything that could be thought of as a strength or weakness of a given firm".

HILLMAN and DALZIEL (2003)

CEO Duality

- "CEO duality" occurs when the same individual holds both the CEO and Chairperson's positions in a corporation (Rechner and Dalton, 1991). It is generally accepted in literature that the role of Chairman and CEO should be separated.
- In our study the CEO duality was examined as of December of each year for the period 2001-2012 and we notice an increased tendency for many companies towards a more concentrating structure of governance. For 2012, in 54% of the listed shipping companies the CEO and Chairperson positions were in the hands of one person.

Board size

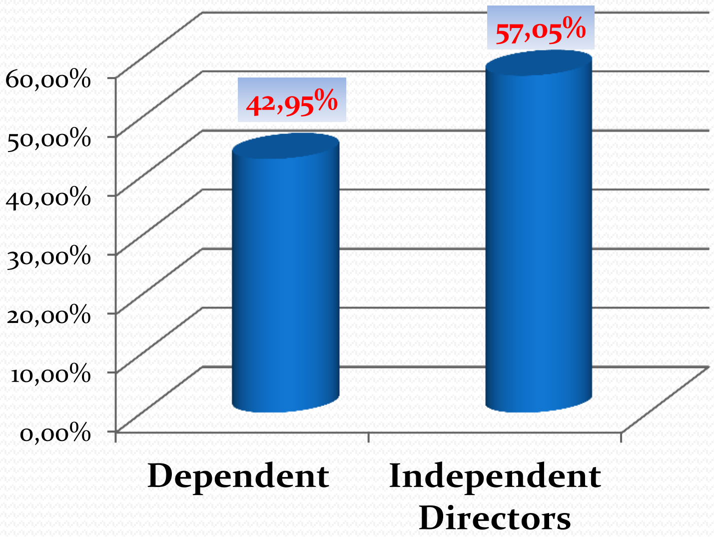
- Determining the optimal size of a board of directors, one that maximizes corporate performance, remains an ongoing challenge for management scholars. Some researchers have suggested a ‘sweet spot’ of 8 to 10 members (Lipton & Lorsch, 1992) while others suggest that boards should be sufficiently large, but not larger than 7 or 8 members (Jensen, 1993).

- For the period 2001-2012, the average board size was 6.61 and most companies prefer a board of **7** members.

External Independent Directors

- High proportion of outsiders on the board has been considered a sign of good corporate practice. In the literature it is strongly argued that high participation of independent directors can bring different attributes to the boardroom and objectivity in strategic decision making (Fama and Jensen 1983).

- Out of the 305 BOD positions that were created in these 12 years, 174 seats were occupied by Independent Directors.



Board Tenure

Long tenured executives could bring significant advantages to the organization and perform their duties with greater skills and knowledge. Nevertheless, there are findings that demonstrated that longer tenure could befriend management at the expense of shareholders.

- We noticed that Shipping companies have stable boards without many fluctuations in their composition each year.

- For the years 2001-2012, the average Tenure of Directors, after excluding the tenure of the Chairman and CEO, was 58.58 months.

- The average Tenure of CEO was 57.32 months. More than half of these companies (58.8%) have CEOs with high tenure since they served in this position more than 4 years. In some companies (8.8%), the CEO has served the company for approximately 10 years.

- As for the average Tenure of the Chairman, we noted that it had an average of 59.34 months. A high percentage (67.6%) of these companies have Chairpersons who serve the Board for more than 4 years and up to 10 years.

Age

- On the one hand older directors have great experience and knowledge in the field under consideration. On the other hand, there is evidence of risk aversion for new ventures since there are times that their career security is their main priority.

- Our findings showcase that the average age of directors who hold positions in the Board as of 31.12.12 was 55.5 years old. The majority (64.3%) of the companies had directors between 50 and 59 years old.

Cross directorships

- Cross directorships occur when a person affiliated with one organization "sits on the board of directors of another organization" (Mizruchi, 1996: 271).
- For the period 2001-2012, we found 305 directorships (BOD positions) of which 84 were held by 38 directors who possessed simultaneous positions in two or more different listed companies' Boards during their tenure.
- Out of these 38 directors, there were 30 (78.9%) who held positions in 2 different boards, while 8 (21.1%) directors served in three companies.
- The total number of chairships for these twelve (12) years was 41 while the exact number of Chairpersons was 32 due to cross directorships.
- The total Number of CEO positions was 42 while the exact number of CEOs was 33 due to cross directorships

Women

- Women in Management remains an issue of concern, given that an increasing number of women are in the workforce, but only a small percentage holds top level managerial positions in business and public administration.

- A very interesting finding of our study is the sharp discrepancy that exists between men and women in the board composition of shipping companies. For the period 2001-2012, 292 out of 305 directorships (BOD positions) were held by men. Respectively, there were only 13 directorships held by women.

- The total number of directors was 259 after excluding mobility and cross directorships. Out of these, 249 (96%) were men; while there were only 10 female directors (4%). Only one woman was simultaneously the Chairman and the CEO of three different maritime companies (Navios Maritime Holdings, Navios Maritime Partners and Navios Acquisition), which preferred the duality structure for their governance. Besides, one woman was the CEO of the company.

	Men	Women
Directorships	292	13
Directors	259	10

Why Gender Diversity in the Boards should be considered by ship-owners?

- Although countries such as Norway, Belgium, Iceland and France have passed legislation for a minimum percentage of women the Boards, BOD positions are still a man's world.

- Stuart Index (2013) inform us that thirty-five S&P 500 boards, or 7% of the total, have no female directors, a slight decline from 2012, when 9% of boards did not have a woman. According to the study, companies operating in IT, energy and industrial sectors usually have no females in their Boards.

Why Gender Diversity in the Boards should be considered by ship-owners?

- Erhardt *et al.* (2003) examining the effects of the executive board of director diversity found a positive relationship between the percentage of women on the boards of large U.S. firms and return on assets as well as return on investment.

- Catalyst (2004) for 353 Fortune Companies for four years of data found that companies with higher percentages of women board directors outperformed those with the less by 35.1% in terms of Return on Equite (ROE) and by 34% in terms of Total Returns to Shareholders (TRS).

- The recent report of Mc Kinsey *Women Matter 2013* presents that companies with more female executives achieve higher performance than those with no women. The most basic reason for this outperformance lies to specific attributes of their leadership behavior which are concentrated on a) people development, b) expectations and rewards and c) Role model.

- Apart from the economic benefits that women may bring into the organization, they also bring different experiences and qualities. Their greater risk aversion that has been supported by various researchers (i.e. Vandergrift and Brown, 2005, Wei 2007) allows them to spend more time on their monitoring role.

Why Gender Diversity in the Boards should be considered by ship-owners?

- Dunn (2012) confirmed that when women are appointed into male dominated groups bring with them specialized knowledge skills. From these finding we conclude that women could break the barriers and contribute in specific areas of the shipping companies where specialized knowledge is needed. For example they could bring valuable knowledge in areas such as economics, finance and maritime law.

- Recent research supports of the magic number of **"3"** women on boards (Torchia et al., 2011, Konrad and Kramer, 2006). Only one female in the board does not imply that will boost the performance of the organization. Female board members are more likely to set challenging questions and increase the collaboration capacity of the board.

- Elstad and Ladegardow (2012) found the increasing ratio of women directors is associated with decision-making dynamics and a high level of influence on the decisions of the board.

Empirical research in corporate governance and the role of women in the shipping sector remains extremely low . By means of this study, we believe to have made a basic step in capturing the status quo on their ownership structure and Board's characteristics of the public Greek owned listed shipping and facilitated the quest for solid corporate governance mechanisms.

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