Introduction

A small number of family-owned conglomerates control a large part of Turkey's economy through largely male and affiliated boards. This structure has significant economic and social consequences not only for women, investors, and employees, but also for the wider society. The IWD was initiated by Sabanci University School of Management through its Corporate Governance Forum, a research and advocacy centre, in partnership with Egon Zehnder International, an international executive search firm, and the Swedish Consulate in Istanbul to address this issue.

IWD’s purpose is to create awareness on the benefits of board diversity, develop and maintain a database of qualified women in cooperation with business schools, and match the women in the database with companies wishing to nominate women to their boards. Since women empowerment has been identified as one of the Turkish government’s strategic priorities, the IWD Project has found a fertile ground to initiate a collaboration between the listed companies, the regulator, the stock exchange, various women led initiatives and researchers in order to improve the gender balance at the top of business organisations. The objective of the project is to have no listed companies without a woman director by 2015.

The projects is a case demonstrating how universities can use their credibility, their global network, and their knowledge and capabilities to influence corporate agendas, promote a dialog between different stakeholders on challenging issues, and facilitate collaborated action by providing intellectual leadership and scientific input.

Challenges

Our studies show that female representation at the board level is very low in Turkey, with only 49 professional female board members in 2010 in the top 100 listed companies, yet educated women face little discrimination in entering into the work force and pursuit of a professional career is supported by social structures and norms. The IWD project was designed in order to bring about a fundamental shift in the gender balance in these positions of influence so that the men and women in Turkey can have an equal voice in economic decisions.

A recent regulatory reform in the governance of Turkish corporations presented an opportunity to accelerate and support gender equality at the top of Turkish corporations. According to the amendments to the Corporate Governance Principles issued by the capital markets regulator in 2012, companies are required to have at least one woman on their boards, whereas 1/3 of the directors must be independent. The provision related with the presence of women is a recommendation in line with the approach of “Comply or Explain”; firms that do not comply with the principle must explain the reasons in their mandatory annual compliance reports, however the independence requirement is mandatory. The 2012 general assemblies showed that most of the independent member positions were filled by men, with a few exceptions, while the recommended quotas for women have been disregarded.
More women on boards for decision quality
by Melsa Ararat

This bias towards men in the nomination of independent directors reduced the percentage of women directors from 12% to 11%. The arguments provided by the companies that did not comply with the recommendation of having at least one woman director were largely based on their perceived lack of suitable women.

Based on the above, in collaboration with our business school alumni network, we decided to develop a methodology for (i) building a database of female candidates with strong backgrounds who are “board ready,” and (ii) developing a methodology to match specific company needs with the female candidates and hence challenge the notion that there are not enough women who can serve as independent directors on the boards of Turkish corporations.

The first challenge was to convince women to apply to be a part of the database as this could have been interpreted as looking for jobs. The second challenge was to convince the companies that agree on the benefits of diversity to act now rather than later. Since appointment of a woman director would under many circumstances mean asking a male independent director to step down, and this is not a straight forward transaction in a country like Turkey where relationships matter, we focused on giving priority to women for newly established independent director positions. The third challenge was the existing policies of business groups not to allow their executives, male or female, to sit on the boards of non-group companies as independent directors. The last challenge was convincing the faculty to allocate time and effort to a non-academic activity.

Actions taken

We have overcome some of the challenges by working together with a professional executive search firm, establishing an advisory board consisting of women and men who are well known and respected in the business world, engage with journalists and commentators who could promote the project, make references to scientific research about the reasons behind glass ceiling and the benefits of diversity, organise panel discussions and present role models. We are in the process of writing a series of white papers, which would discuss some of the common practices in Turkey, such as staggered boards, the benefits of allowing executive directors to sit on other boards, and so on.

We have also analysed existing director networks to identify “friends” or “ambassadors” of the project who can penetrate to these networks and promote the project. Our affiliation with the Global Board Ready Women Project helped us to convince some of the high profile executive women to agree to be on the IWD database, with the prospect of visibility in the international directors market.

The support from the faculty was easily achieved since Sabanci School of Management has one of the few female Deans in Turkey who also participated in the Advisory Board of the project.

The project is planned in five main phases:

- **PHASE 1:** Methodology development for creating a universe of qualified women candidates for corporate boards.
- **PHASE 2:** Data collection based on the methodology developed in Phase 1.
PHASE 3: Methodology development for matching candidates with companies based on company characteristics and candidates’ skills and background.

PHASE 4: Utilisation of the database and methodology through pilot implementation for listed companies in Turkey, and facilitating recruitment of independent women candidates in company boards.

PHASE 5: Strategy development to ensure future use and enhancement of women director database to facilitate development of a network of women directors, which would contribute to the improvement of working conditions for women through jointly undertaken programmes, campaigns, and actions.

Results

- As of May 2013, Phase 1, 2 and 3 are complete with a resulting database of 250 qualified women.
- This was achieved with the help of a 20 member Advisory Board consisting of high profile representatives from business associations, media, the capital market regulator and senior woman directors.
- All the listed companies were informed about the existence of the database.
- Women in the IWD database were invited by Bourse Istanbul to ring the opening bell of the trading session on the 8th of March, International Women’s Day
- A committee has been established to lobby for changing the soft approach to board gender diversity to a mandatory ruling.
- Five companies were targeted as pilot companies. As a result, four women are appointed to the board of four companies, which previously had all male boards. A number of companies with staggered boards expressed their intention to work with the IWD project next year.

Project activities such as round tables, press conferences, panels, and conferences motivated professional women to be more vocal on the “glass ceiling” and support each other. A regulatory committee has been established within the Advisory Board to develop a proposal to change the diversity regulation from a recommendation to a mandatory requirement of at least one independent woman director and increase the recommended level of gender diversity.

A spin off of IWD project is “Business Against Domestic Violence” which will be launched in Q3 2013 to mobilise woman directors to develop best practices to protect their female employees from domestic violence, a serious problem in Turkey. We should expect improvements in working conditions of women employed at all levels and increased sensitivity in women’s rights issues, as women become represented at the board level. As we move forward, wider societal impacts are expected, since women are more sensitive to stakeholder issues.
Sabanci University School of Management

More women on boards for decision quality

by Melsa Ararat

The role of PRME/sustainability principles

PRME has provided a basis and justification for the project to be homed at a business school:

- Principle 4 encouraged us to investigate the effect of board diversity on corporate performance and also develop a normative position based on the role of women’s empowerment in sustainable development.
- Principle 5 inspired us to engage with businesses as a facilitator and enabler of change towards better functioning and more diverse boards.
- Principle 6 is what we do best on a continuous basis; the mission of our university is a sound foundation and great encouragement for our community outreach projects.