

CHAPTER I

INTRODUCTION

1.1 Background

Equality of gender on the job has begun to pique the interest of multinational corporations, including those in Indonesia. Gender equality is becoming a priority for a growing number of businesses in order to encourage inclusion and increase productivity, profitability, and customer satisfaction. (Hutagalung, n.d.)

In the past, gender inequality was pervasive throughout society, especially in companies. One of the most famous examples of it is the glass ceiling. The glass ceiling is the term that describes the societal barrier that prevents women from promoting to top or higher managerial positions in the companies. The gender equality gap varies by country and may be influenced by each country's cultural attitudes against women working (Kagan, 2021).

One of the countries where this phenomenon has occurred is the United States. In the United States, many companies focused on measures to increase gender diversity to deal with the equality gap. Not only hiring more women as the staffs, but it includes hiring staffs specifically responsible for enabling women to represent themselves better in management positions. By no longer dividing positions by gender, the glass ceiling has been reduced or eliminated, allowing companies to ensure that the most suitable candidates take on decision-making positions (Kagan, 2021).

As in the example, there have been many social efforts in the meantime, and recently, the engagement of female members in company management is gradually increasing. However, it is known that the number of female members in the jobs in senior management is still not so high. According to the Bureau of Labor Statistics (BLS), by the end of 2020, women made up 55.9% of the US workforce. However, for top management positions, women occupied only 29.9% of these

roles, with 88% of top management identified as white. (U.S. Bureau of Labor Statistics, 2020)

The main purpose of any company in the capital market is to satisfy the needs of customers, get funds from the investors, their creditors and shareholders and make a profit or return on their investments. (Morning Star, n.d.) To maximize the company's profits, managing firm performance is very important for companies. Firm performance is an indicator that shows the potential and ability of companies to use companies' available resources to achieve their goals. (Taouab & Issor, 2019)

The findings of an International Labor Organization (ILO) research paper titled "Leading to Success: The Business Case for Women in Business and Management in Indonesia" demonstrate that as gender equality measures expanded, enterprises in Indonesia reported better business success. (International Labour Organization, 2020)

According to the findings, around 77 percent of the 400 Indonesian enterprises that participated in the survey profited from gender diversity in their operations. Profits and productivity increased, as did creativity, innovation, and openness, according to 66% of respondents. Increased capabilities and retained talent were identified by 61 percent, an improvement in corporate reputation was cited by 53 percent, and a stronger ability to meet customer needs was cited by 46 percent. Profits increased in companies that claimed higher profitability because of gender diversity programs. Of the enterprises in Indonesia that claimed increased profitability, 32% reported a 5-10% increase in profits, while the remaining 18% reported a 15-20% increase in profits. (International Labour Organization, 2020)

The three basic elements of human life are food, clothing, and shelter. (Deton, 1990) The writer has always been interested in the real estate industry. In particular, the writer thought that some real estate companies are so closely related to our lives that they design and build cities themselves. When the writer searched about the previous conducted studies, there were not many studies focus regarding the effect of gender diversity on firm's performance of both Indonesia within the

Real Estate industries. The writer wanted to know about the gender diversity and financial performance for Indonesian Real Estate Companies, especially for the directors of the companies.

One of the most responsible and important members for running a company are directors in the board. A board of directors is made up of members who have been nominated as the representatives of a shareholders in the company for them to make decisions on their behalf. The directors have the role, which is to develop the policies and regulations to be implemented that will be enforced by management of the company, as well as to address important company problems. (Chad Langager, 2020) The board of directors' most significant role is to approve or decline management's proposals or suggestions for the future direction of the company. (Wommack, 1979)

Just like how important board of directors to the company, how board will be structured is of utmost importance. Among them, one aspect of the board of director's composition is its size. In many past studies, board size has been used as the independent variable to determine whether or not there is the link or correlation between the size of the board and company's performance. There are many studies regarding this and one of them done by Paul M. Guest, found no evidence that the size of a company's BOD can have a favorable effect on its performance. Instead, they found out that there is usually larger boards in the larger firms (Guest, 2009).

Seeing many research that used board size as the independent variable, the writer wanted to find out how the board size is going to affect the firm performance of Indonesian Real Estate companies. It is because many of the prior research are focus on other countries other than Indonesia, and other industries other than Real Estate Industries.

The objective of this study is to check the composition of the board and company performance of real estate companies, as well as the effect of gender diversity on the company performance of real estate companies in Indonesia based on the annual reports from year 2015 until year 2019. In response of these

distinctions between the writer's research and the past studies, the writer hopes to examine whether gender diversity and board size significantly affect the companies' firm performances. In conclusion, this thesis takes the title of "**THE IMPACT OF FEMALE DIRECTORSHIP ON FIRM PERFORMANCE.**"

1.2 Research Problems

Based on the background presented above, it is required to understand the relationship between diversity of gender on the corporate director in the board and business performance. To discover whether the gender diversity and board size increase or decrease the firm performance, writer defines research problems as follows:

1. Does Female proportion have effect on the companies' performance?
2. Does Gender Diversity have effect on the companies' performance?
3. Does Board size have effect on the companies' performance?

1.3 Research Objective

The aim of this study is to examine the board composition and firm performance and study the effect of gender diversity on the real estate business performance based on the annual reports from year 2015 until year 2019. The following are the objective of the study:

1. Prove empirically that female proportion significantly affects company's performance
2. Prove empirically that gender diversity significantly affects company's performance
3. Prove empirically that board size significantly affects company's performance

1.4 Purpose of the study

Based on the research objectives, the results of this study are expected to be useful for the following parties:

1) **Writer**

The writer hopes that the research might give additional information and a deeper grasp of the topics being discussed and could assist in applying knowledge gained from academic coursework to real-life situations.

2) **Future Researchers**

The writer hopes that the result of the study may give additional knowledge for the next studies related to impact of female directorship on firm performance and how do they influence the firm performance of properties and real estate companies in Indonesia.

3) **Stakeholders**

The author thinks that the research would provide useful information for stakeholders to make decisions and provide new understanding on gender diversity and firm performance of properties and real estate enterprises in Indonesia. Furthermore, it is hoped that this study will give fresh views for investors in picking firms in which to invest and make a choice.

1.5 Scope of the study

This research focuses on public listed real estate companies listed in Indonesia, the study will be using the samples from year 2015 until year 2019, which is 5 consecutive observation years. The study will focus only on real estate industry in Indonesia, examining the impacts of gender diversity on the firm performance.

1.6 Systematic Discussion

The research paper will be divided into 5 chapters as follows:

CHAPTER 1: INTRODUCTION

This chapter will discuss subchapters including background, research problems, objective of the study, the purpose of the study, scope of the study, as well as systematic discussion.

CHAPTER 2: THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This chapter will go through related literature review, conceptual framework, prior research, and development of hypothesis.

CHAPTER 3: METHODOLOGY

This chapter will discuss what method of research is being used in this study. It will also include the population, sample and source of data, the empirical model, operational variable definition, method of data analysis and test of classical assumption.

CHAPTER 4: RESULTS AND DISCUSSION

This chapter will go through the result and empirical results of the research related to the impacts of gender diversity on the firm performance.

CHAPTER 5: CONCLUSION

This chapter includes the conclusion, study limitations, and suggestions from the preceding results and discussion, as well as recommendations for further research.