Women in Philippine Government Financial Institutions: A Network Analysis of Interlocking Governing Boards

Precious Grace Bugayong[1], Meriel Tobin Sadicon[1] and Jovito Jose P. Katigbak[2,*]

[1]De La Salle University, School of Economics, Manila, Philippines
[2]Far Eastern University, International Studies Department, Manila, Philippines

[*]Corresponding author's e-mail: jkatigbak@feu.edu.ph

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Abstract

Interlocking directorship is often described as the practice of members of a corporate board of directors serving on the boards of multiple corporations simultaneously. In the Philippines, previous studies have shown that of all the directors that served on the top 100 corporations, only 15 percent are women. On average, women comprise only 13 percent of the board of directors of individual companies. Hence, this study examines board interlocks within Philippine Government Financial Institutions (GFIs) and their gender aspect. By analyzing ten GFIs through network analysis over the period 2017-2019, this study finds two important points: (i) women's representation in the board has been significantly low and (ii) board interlocking is highly connected and highly concentrated on a few directors holding multiple seats. Although they are still connected with the rest of the network members, women must go through farther and lengthier paths to reach other members than their male counterparts. This diminishes the opportunities to be an influential and significant network member. Thus, this paper recommends bringing the issue into national policy debates and creating better employment opportunities for women.

Keywords: Network analysis, Philippine government financial institutions, Women in government, Gender diversity, Interlocking governing boards

Introduction

Interlocking directorship is often described as the practice of members of a corporate board of directors serving on the boards of multiple corporations. Asimakopoulus (2009) posits that the interlocks on corporations enable directors to have cohesion, coordinated actions, and unified political and economic power. Nevertheless, although lawful, the practice of interlocking directorship raises many questions on ethics, quality, and independence of board decisions.

Hence, interlocking directorships have been the subject of empirical studies for years. One of the first few interpretations of such concept originated from political science. From this lens, interlocking directorship is interpreted as “traces of power,” “class hegemony”, and “vehicles in the accumulation of capital along an integrated financial, industrial axis” (Carroll & Alexander, 1999). Further, scholars define power geometry as the web of networks created between corporations and individual economic actors. This term drives forward and shapes the eventual internationalization of business activity.

To establish networks of interlocking directorships, directors are often recruited from higher-income groups, and they form a corporate elite of multiple directors with similar social backgrounds (Mac Canna et al., 1998). Their directorships spread throughout the economy, and they collectively form the business elite of corporate decision-makers, possessing power and influence across the business ecosystem (Scott, 1991).

Notably, sociologists argue that interlocking directorship is formed through social relationships. Studies resulted in the development of sociological tools that can be used in measuring the networks of directorship. One of these tools is network analysis, a research method focusing on patterns of relations among people and groups. Recently, interlocking directorship has been observed through management sciences, and financial economics approaches. They are interpreted as an instrument of corporate control~~,~~ or as devices to monitor firms. Barbi (2000) recognizes the interlocking directorship phenomenon as a legal instrument that seeks to consolidate and stabilize the control position in a firm. Further, multiple positions held by executives create links between corporations, which then contribute to stability in corporate governance.

Objectives of the study

Although studies on board interlocks and gender diversity have been widespread, especially on European and American corporations, there is an alarming lack of literature focused on studying board interlocks and gender diversity in the Philippines. Hence, this study seeks to examine the board interlocks within government financial institutions (GFIs), with a focus on the gender diversity aspect. To attain this, the paper provides background discussions on interlocks, gender diversity in boards, and Philippine government-owned- or -controlled corporations (GOCCs). Subsequent sections then examine available data to characterize the following: (i) level of women representation in GOCC boards; (ii) board interlocks in government financial institutions (GFIs); and (iii) women within GFI networks.

An overview of interlocks

Theisen (2000) described two kinds of interlocking directorships: (1) those resulting from the accidental overlapping of business activities conducted by two people; and (2) those reflecting the conscious and intentional manner of establishing links between enterprises at the level of the people involved. These links can either be at the level of the owners (interlocking ownerships) or the directors (interlocking directorships). From an economic standpoint, such descriptions are enough to constitute the basis of the management of two or more companies.

In addition, multiple analyses of interlocking directorship have found a high degree of interconnectedness among large corporations (Krantz, 2002; Domhoff, 2006). Multiple studies demonstrate that network links from external firms to a focal firm (inbound interlocks) have a much more significant impact and importance than those networks that originated from a focal firm to external firms (outbound interlocks). These studies are specifically important as they laid the foundation for further research on inter-organizational networks based on overlapping members of the board and other relevant linkages (i.e., joint ventures, patent citations, Etc.).

The largest corporations tend to have the most interlocks, and interlocks with each other, placing them at the center of the network (Domhoff, 2006). Multinational interlocks have become more common due to the globalization of financial capital after World War II. With this, interlocking directorship has been the subject of empirical research for years. In an increasingly interconnected world, financial managers and economists are becoming interested in the cited development’s effects on company performance.

Notably, the interlocking of corporate directors is viewed as a cooperative strategy between economic organizations to reduce uncertainty sources in their environments. According to Allan (1974), corporate interlocking is a means of anticipating or controlling sources of uncertainty stemming from potentially disruptive unilateral actions of other corporations. In this regard, board interlocks, acting as a catalyst for linkage among firms, are deemed a pivotal tactic enabling a ~~firm~~ to obtain critical resources from other firms, leading to better firm performance by lessening resource constraints (Hillman & Dalziel, 2003).

Multiple theories have been developed regarding the effects of board interlocks on the performance of organizations. Frances (2007) summarized the four primary categories of the source and effect of interlocks: (i) the firms’ way of monitoring one another (Dooley, 1969; Mizruchi & Stearns, 1994); (ii) an information asymmetry in business practices (Davis, 1991); (iii) a cohesion of elitist or large corporations (Useem, 1984); and (iv) the busyness hypothesis of Ferris et al. (2003) which revolves on the efficiency of handling several board seats. Research also found that board interlocks allow access to diverse intangible resources, including market information, desirable corporate practices of other firms, and managerial know-how across firms (Hillman & Dalziel, 2003). Conversely, a busy interlocking director may lack of concentration concerning the focal firm’s operations (Devos et al., 2009).

Gender diversity in boards

Terjesen et al. (2009) conducted a complete and thorough analysis of the existing literature on women serving on corporate boards. Comparing previous research, they identified three key areas: a theoretical perspective, characteristics, and the presence of women on corporate boards. Concerning the latter, previous research has investigated the effects of the presence of women on corporate boards. Singh et al. (2008) surveyed a sample of the largest 100 UK companies to verify the differences between new male and new female directors nominated between 2001-2004. Their results show that female directors— increasing during the period— were less likely to have top management experience in big companies and were more likely to have had the previous career experience in public and non-profit sectors and on international boards.

In a study on Fortune 1000 board directors, Hillman et al. (2002) discovered that women directors are more likely to possess advanced degrees, have non-business backgrounds, and enter multiple boards quicker than their white male counterparts. Consequently, Hillman et al. (2007) used the resource dependency theory in examining predictors of women in boards across 1,000 US firms over the period 1990-2003. They revealed that female representation on boards of directors is substantially influenced by the size of the firm, type of industry, diversification strategy of the organization, and network effects. Linkages to other boards with female directors may likewise result in advice and counsel, legitimacy, and avenues for information dissemination and means for preferential access to support from entities outside an organization (Pfeffer & Salancik, 1978).

Further, Adams and Ferreira (2009), in analyzing a sample of firms by Standard and Poors, found that female directors are less likely to have attendance problems but are more likely to be assigned to monitoring-related committees. They are less likely to be assigned to a remuneration committee than men. To add, Fernandez-Feijoo et al. (2014) studied the relationship between the level of Common Reporting Standard (CRS) disclosure— measured through the KPMG report 2008—and companies with a board of at least three women. They found that companies in countries with a higher proportion of board directors, with at least three women, reported higher levels of CRS.

Conversely, Westphal and Stern (2007) posit that the presence of males as board members in one firm may lead to a higher likelihood of interlocks, which is contrary to the situation of women board members. Glass et al. (2016) then analyzed Fortune 500 CEOs and boards of directors from 2001-2010. They found that gender diversity in boards is crucial for organizations to pursue more favorable environmental strategies. More specifically, Glass et al. (2016) observed that women-interlinked board members are positively related to environmental outcomes. This means that board interlocks serve as channels for advocacies on innovation in environmental practices and policies. In addition, women CEOs, with the support of other women-interlinked board members, are better at handling environmental concerns. This may be due to interlinked board members' clout, power over firm outcomes and reliable information concerning other firms' practices (Shropshire, 2010).

Despite the positive relationship between gender diversity among boards and corporate performance, there is still an alarming disparity between the number of men and women on boards. In the Philippines, previous studies have shown that of all the directors that served on the top 100 corporations, only 15 percent are women. On average, women comprise only 13 percent of the board of directors of individual companies.

Philippine Government-Owned or -Controlled Corporations (GOCCs)

Government-owned or -controlled corporations (GOCCs) covered under the jurisdiction of the Governance Commission for GOCCs (GCG) are governed by a board of directors/trustees. The composition of such a board is provided under the GOCC's Charter or Articles of Incorporation and By-Laws, whichever is applicable (GCG, 2012).

A GOCC board member can be classified into two types of directorship: (i) ex officio; and (ii) appointive directors. An ex officio board Member, as defined under Republic Act (R.A.) No. 10149, is any individual who sits or acts as a board of directors/trustees member by one's title to another office~~,~~ and without further warrant or appointment. On the other hand, the GCG ruled that appointive directors are also allowed to have multiple seats, provided no director may hold more than two (2) other board seats in other GOCCs, subsidiaries and affiliates.

These existing laws and issuances provide a structural system allowing directors to hold seats on several boards. Such affiliation of a director with more than one organization by sitting as its board member creates an interlocking directorship among these government corporations (Mizruchi, 1996).

Methodology

The study focuses on GOCCs classified as government financial institutions (GFIs), which are mandated to provide social protection for the stakeholders it serves yet maintain to be financially sustainable to continue providing reliable services and programs (see Table 1). The board membership in the ten (10) GFIs included in the analysis was evaluated based on the representation of women in single boards and the network of board memberships through network analysis. This allows for determining the interconnectedness of board members using centrality measures. These measures ascertain the "key players" in the network by getting the most connected board members (Hawe et al., 2004, p. 974).

Table 1 GFIs and their Mandates

Government financial institution	Mandate
Government service insurance system	It provides all its members' social security benefits and insurance coverage to assets and properties with insurable government interests.
Home development mutual fund	Continually generates savings and provides access to home financing to workers.
National development company	Invests in pioneering and development-oriented projects where private investors are unwilling or unable to venture into
National home mortgage finance corporation	Serves as a significant government home mortgage institution to operate a viable mortgage market, utilizing long-term funds provided by GFIs. Moreover, to purchase mortgages originated by private and public institutions within government-approved guidelines

Government financial institution	Mandate
Philippine crop insurance corporation	Provides insurance protection to farmers against losses of their crop and non-crop agricultural assets arising from natural disasters, plant diseases and pest infestation.
Philippine deposit insurance corporation	Extends financial assistance to eligible distressed banks, primarily if this will serve the interest/s of the community
Philippine health insurance corporation	Provides health insurance coverage and ensures affordable, acceptable, available, and accessible healthcare services
Small business corporation	Promotes, supports~~,~~ and strengthens the growth and development of small and medium enterprises in all productive sectors of the economy.
Social housing finance corporation	Undertakes social housing programs catering to the low-income bracket's formal and informal sectors
Social security system	Provides meaningful protection to members and their families against the hazards of disability, sickness, maternity, old age, death, and other contingencies resulting in loss of income or financial burden.

Results and discussion

The analysis examined the demographic of the board members in the GFIs to ascertain the presence of women in executive-level positions in government corporations. The presence of women was evaluated based on the network of GOCC boards interconnected by directors that hold multiple seats and act as board members of several different government corporations. Specifically, it found that over 2017-2019, women's representation on the board has been significantly low. That board interlocking is highly connected in the sector and highly concentrated on a few directors holding multiple seats. The three-year coverage of the study was established to provide a year-on-year comparison since GOCC board members, by law, are only allowed to hold a term of office for one year under Section 17 of RA No. 10149.

Low level of women representation in GOCC boards

Board members in GOCCs are composed of ex officio members and appointive members. The former takes a seat in the GOCC Board under the primary position he/she is appointed to, while the latter takes a seat in the GOCC Board, which is his/her primary appointment. Ex officio board members in government financial institutions (GFIs) would usually be economic managers from national government agencies such as the Department of Finance, the Department of Budget and Management, and the National Economic and Development Authority. In both cases, the Philippine president has the discretionary powers to appoint board members in GOCCs.

Figure 1 reveals that female representation in GOCC boards over 2017-2019 accounts for only 25 percent of the total. The data also show that most presidential appointees to the ten GOCC Boards are recurring for three years as they are in a hold-over status. This is despite the general rule that an appointive director's term of office is only for a year. Given the highly political nature of holding an office of trust, the data suggest that the opportunities of an executive-level government post are preferentially extended to men rather than women. This affirms Westphal and Stern's (2007) study that demonstrated the favorable treatment afforded to male board directors.

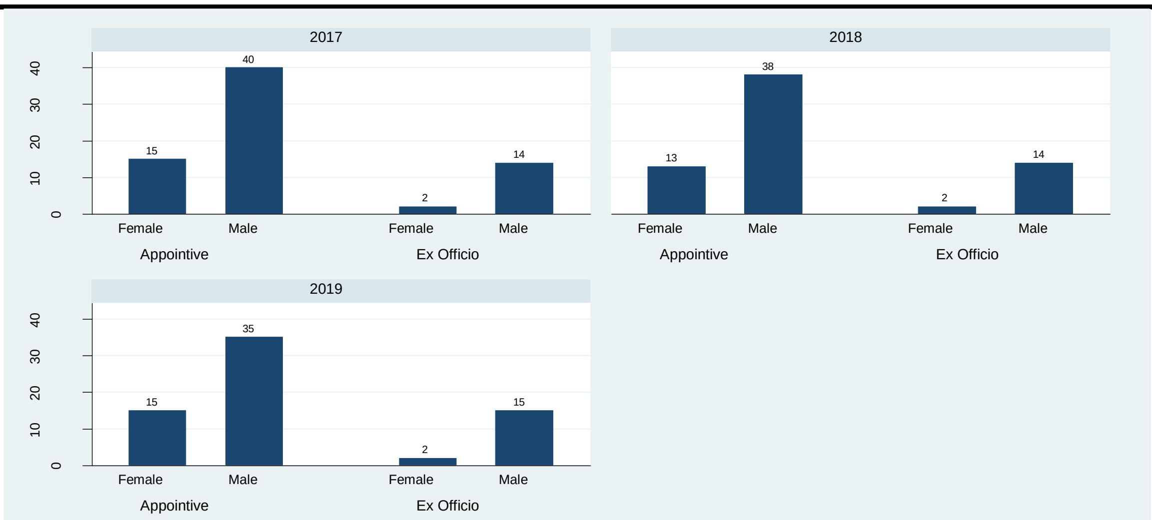

Figure 1 Women representation in GOCCs Boards (2017-2019)

Board interlocks in GFIs

Figure 2 shows the network of board members in the ten observed GFIs. Expressly, the circles (nodes) represent each board member, while the lines (edges) represent the relational ties connecting each board member (Hawe et al., 2004, p. 972). The visuals show nine (9) GOCCs are connected within one network while one GOCC is isolated without established relational ties with the leading network. To add, 10.4 percent, 14.9 percent, and 14.1 percent of the board for 2017, 2018, and 2019, respectively, are handling multiple seats composed of, at most, three appointive directors each year.

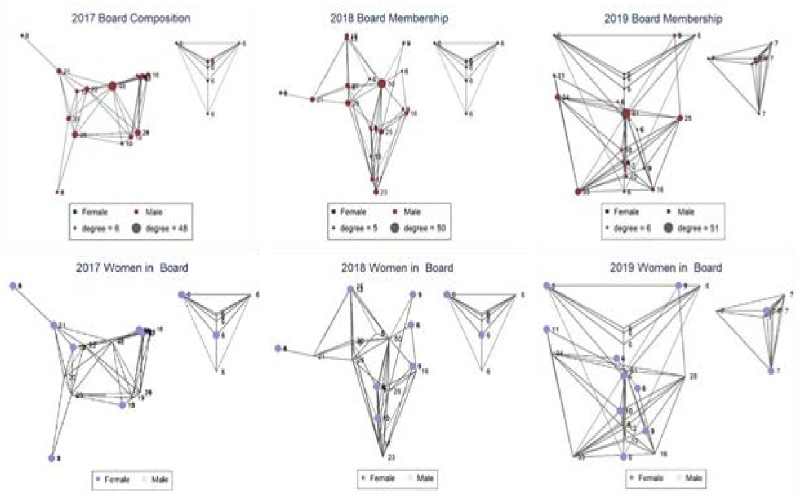

Figure 2 Network of board members in government financial institutions (2017-2019)

Although the GOCC board members are interconnected over the three years, it is still characterized as low-level based on the proportion of the total number of relational ties inside a network and the total possible relational ties. The proportion represented by the density in Table 2 illustrates that although the boards of the GOCCs are connected in one network, the interlocks among all members are low. Accordingly, the lack of linkages may result in less access to diverse intangible resources, including market information, desirable corporate practices of other firms, and managerial know-how across firms (Hillman and Dalziel, 2003). This low level of interconnectedness can be explained by the betweenness centrality, which finds that the connection between board members inside the network is only concentrated through a few directors with multiple directorships.

Table 2 Density of board interlocks in GFIs

Year	Number of directors	Relational ties	Density
2017	71	331	0.1557
2018	67	357	0.1615
2019	67	387	0.1497

Table 3 identifies the top three directors acting as middlemen for other members to connect with the rest of the network. It reveals that over the period 2017-2019, male directors are more prevalent in serving as pathways for other board members to establish linkages with their counterparts. Notably, this entails a prestigious line of communication that rests solely on the members holding seats in different GOCCs. It may likewise be utilized to influence the decision-making of several government corporations towards a preferred policy on social protection objectives and profitable industry practices that boosts the financial capability of the government corporations.

Table 3 Top three key directors on GFI boards

Year	Director	Gender	Number of Connections	Rate of Interconnectedness
2017	Dominguez	Male	48	67.6 percent
	Bello	Male	29	40.1 percent
	Saludares	Female	21	29.6. percent
2018	Dominguez	Male	50	74.6 percent
	Bello	Male	26	38.8 percent
	Aranas	Male	21	31.3 percent
2019	Dominguez	Male	51	76.1 percent
	Avisado	Male	33	49.3 percent
	Lopez	Male	25	37.3 percent

Women in the network of GFIs

Given the low women representation in the GOCC Boards, most paths that connect women to each other are expected to travel through several other members first. The distance between women is further highlighted in Figure 3, which depicts that the women's connections among them are based on the clusters of GOCCs they are a part of. Conversely, the men's interconnectedness is more dispersed across different GOCCs. This suggests that the lack of women representation in GOCC boards transcends to a broader scale as their influence on the GFI sector is limited and indirect. Moreover, the minimal linkages to other boards with female directors may lead to a loss of legitimacy, good advice, and counsel, and avenues for information dissemination and means for preferential access to support from entities outside an organization (Pfeffer & Salancik, 1978).

Figure 3 also perfectly illustrates that from 2017-2019, women have been on the sidelines and have few opportunities for collaboration with other women. This is detrimental as the absence and weak linkages among women board members may negatively impact their influence and power over firm outcomes, and access to reliable information concerning other firms' practices (Shropshire, 2010). Although it is a fact that they are still connected with the rest of the network members, the paths that women must go through to reach other members are farther and lengthier than men and therefore diminishes the opportunities to be an influential and significant member of the network. It must be emphasized, though, that the predicament is anchored in the government practice of executive-level positions being held in trust as appointments are discretionary and thus highly political.

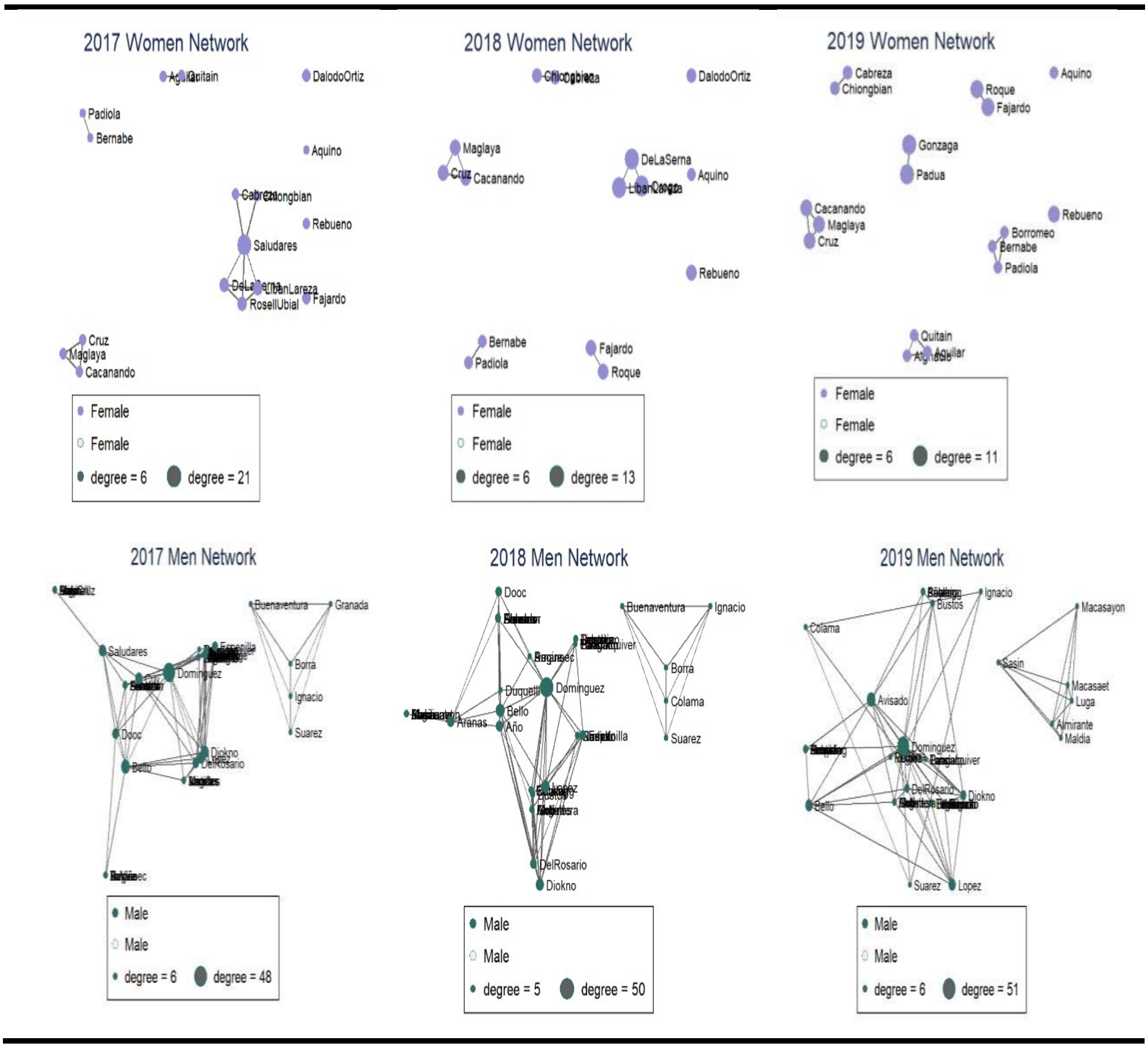

Figure 3 Network of board members in government financial institutions (2017-2019)

Conclusion

The previous sections have revealed a critical gap in understanding the factors that have kept women out of boardrooms. Corporate governance represents the highest form of leadership~~s~~ business and industries, yet, this has been one of the departments with the lowest number of women involved. This glaring lack of diversity within the boards of Philippine GOCCs points to ~~a~~ systematic underdevelopment of human capital and reflects the lack of policies that not only empower women~~,~~ but also provide opportunities for them to sit on boards and create significant changes within society. Moreover, studies have shown that achieving gender equality in board directorship could significantly impact a corporation's performance.

Hence, the authors outline two main policy recommendations to advance the better representation of women in boards and leadership positions within GOCCs. First, policymakers must recognize the lack of gender diversity in boards by bringing the issue into national policy debates. To cite, various European countries such as Norway, France, and Finland have already introduced gender quotas through laws and policies. Although the use of gender quotas to rectify disproportionate gender representation on corporate boards has been controversial, many studies have found gender quotas beneficial not only for gender empowerment but also for the overall performance of various corporations.

Lastly, there is a need for women to have improved access to employment opportunities by women. This can be done through various information and educational campaigns that outlines livelihood and business opportunities available for women. Educational campaigns should also be geared towards training women to be entrepreneurs, managers, and leaders

Ultimately, gender equality and diversity in boardrooms matter. There are multiple missed opportunities for the growth and development of corporations if we continue ignoring the barriers that prevent women from being represented. The Philippines may be recognized as one of the countries with the highest number of women in the workforce and managerial positions. However, the glaring lack of gender diversity in GOCCs proves there is still a long way to go regarding gender equality and representation in the business industry.

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