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GENDER AND YOUTH INCLUSION

EMBRACE BOARD DIVERSITY

FINANCE Minister Datuk Seri Tengku Zafrul Tengku Abdul Aziz graced a dialogue held by the 30% Club at the Asia School of Business on Sept 2.

The dialogue was in furtherance of the agenda of ensuring at least 30 per cent gender diversity at the board level.

Tengku Zafrul stated that government-linked investment companies (GLICs) should have at least 30 per cent women representation on their boards by next year.

He further added that "the government has envisaged Malaysia as a high-income nation by 2025 in the 12th Malaysia Plan. To that end, organisations need to create an enabling environment that promotes equitable access to high-quality jobs and top leadership positions for all talent, regardless of gender and socio-economic background".

Organisations should strive for "better decision making" and that should translate to better performance. That in turn should translate to better bottom-line performance and, hence, better share prices (and better dividends).

The Finance Ministry has especially encouraged GLICs to show leadership on diversity, equity and inclusion (DEI) initiatives, given their pre-eminent roles in nation-building and socio-economic development.

Plus, their sheer holdings in investee companies will ensure that the GLICs' voices are heard and heeded.

How sheer is their sheer holdings? GLICs represent about RM445 billion, or 25 per cent, of Bursa Malaysia's market capitalisation; they directly employ 500,000 people; and, they have RM1.7 trillion of assets under management.

Thus, GLICs can pave the way towards realising the government's objective of having 30 per cent women representation on boards.

In addition, attention had also shifted to achieving 30 per cent gender diversity at the senior management level. This level is often seen as providing a pipeline for board positions.

To add traction to the ministry's 30 per cent agenda, the Institutional Investors Council (IIC) will be announcing its revised Malaysian Code for Institutional Investors 2022, which is to be published on Sept 23.

The Code is expected to state its expectations for investee companies to comprise at least 30 per cent women representation on their boards within a reasonable time frame of not more than three years.

Under this revised Code, investee companies of IIC members, which includes seven GLICs, must have clear policies to support the participation of at least 30 per cent women on their boards and in senior management, and the boards must demonstrate commitment to take concrete action to implement these policies.

At the dialogue, the chair of the 30% Club Malaysia and Maybank Investment Banking Group chief executive, Datuk Ami Moris, said that 30 per cent was seen to be a pivotal milestone in achieving meaningful DEI.

She said global institutional investors were scrutinising investee boards and senior leadership for DEI outcomes, likewise ESG (environmental, social and social governance) rating providers such as Sustainalytics and MSCI.

Each gender is wired differently and are, thus, able to offer different perspectives — a fact that would have dawned on many of us. Thus, gender diversity will result in different perspectives being considered. The result: Better decision-making. Given the virtues of better decision making, there is no reason why gender diversity should continue to remain a hard sell.

Youth diversity

Larry Page, Steve Jobs, Mark Zuckerberg and Bill Gates were all in their early 20s when they co-founded companies that went on to dominate the global corporate world.

Now, what if they were a director on a company's board — the mind boggles at the potential benefits that the company could have reaped. So, is there a strong case for diversity to include youth diversity? Is there a case for companies to have younger people on their boards?

It is said more than half of the world's population is under the age of 30. Millennials are the largest generation in the world's workforce as such young people form a significant portion of consumers.

If we start on the premise that young people are significant consumers, then it makes sense to have them on boards. In fact, it would make sense to have members from the main consumer groups on your boards — they know what they want and how they want it.

Young directors are more in touch with millennials and their tastes. This can greatly benefit companies because young directors will be more able to bring information from the ground and stay connected with an increasingly changing marketplace.

Millennials have been noted to prefer businesses that are more ethical and environmentally friendly. This is useful given the recent emphasis on ESG and sustainability.

They can bring forthright perspectives in these areas. Millennials are also more tech-savvy. This is particularly useful when it comes to marketing products and positioning brands.

Young directors and millennials are also active on social media and are up to date with market trends. Companies that may especially face innovations that could disrupt markets would benefit having young directors onboard. The future of business will need decisions based on creativity and tech-savviness.

Boards that bring in young people may find that they bring new skills and perspectives, and having age diversity helps the company have different approaches to, and views of, how the marketplace should operate.

The world is becoming increasingly digital. Many think innovation is important to growth strategy and believe their business models are at risk.

Maybe it is time to have talented people in their 40s or even 30s on corporate boards. They can blend with the senior directors who have the experience.

The world is changing. The majority of the workforce is made up of millennials and the tastes of consumers are moving towards the younger generations. Companies should strongly consider the benefits that younger people will bring to the corporate board.

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The writer is chief executive officer of Minority Shareholders Watch Group.