

## MINORITY SHAREHOLDER WATCHDOG GROUP

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### Grooming more women for the board

Research reveals they bring diversity to decision-making and enrich companies

ness to the board," she says.

Rafiah believes that the five-year period given to companies to realise the requirement is sufficient to identify qualified candidates and training them for the big roles in the company.

"With this policy, the nomination committees of the boards need to look beyond their usual contacts, golfing or drinking buddies. They need to cast their net wider so that women are included in their radar," she says, remarking that boards should be more deliberate in appointing women without compromising on the ability, capability and competency.

#### Better performance

Women representation on boards of companies is still low but there is another area where they hardly make a dent – their presence in executive committees.

Rita says companies are now more proactive in terms of seeking information on where to find women who they can consider for appointment.

"We have had several companies contacting us this year to express interest in finding female board members and to make use of our independent directors pool to do so," she says.

Companies have their own financially-motivated reasons for doing so. There are a multitude of surveys that show that companies with more women in their executive committees fare better financially, which confirms the case for change.

In a recent survey by McKinseys, the conclusion it reached in different demographics is the same: Unlocking the full potential of women talent is a driver for growth whether for individuals, companies, the public sector or the country.

Based on research done by McKinseys in the United States, women currently make up some 53% of new hires. At the very first step in career advancement, (when individual contributors are promoted to managers) the number drops to 37%.

Climbing higher, only 26% of vice-presidents and senior executives are female and only 14% of the executive committee, on average, are women.

Finally only 2% to 3% of women become CEOs among the Fortune 500 companies.

There are a myriad of reasons for these trends.

For example, there is a perception even among top executives that certain jobs are more suited for men.

There is still a tendency to reward men for their potential but women only for their performance. So, many women react by curtailing their ambition, in favour personal and family satisfaction.

In a survey done by McKinseys, on the Fortune 500 companies, it found that whenever there are more than three women at the top of any organisation, there tends to be stronger financial performance and higher organisational health.

In the survey, it was seen that return on sales was 11.6% when there were no women on board, and 13.4% when there were.

The same trend was seen under return on invested capital. Without women, the ratio was 7.2%, while with the presence of women on board, this figure increased to 9.1%.

In terms of return on equity, however, the difference was not significant. Without women, returns were at 13.7%, while with women, returns were at 12.9%.

Rafiah agrees that companies with more women in their executive committees have better financial performance too.

"After all, who makes the decision in a family as to what household goods to purchase or what cars or which house, for that matter. Yet, how many women sit on the boards of companies that produce all these products?," she notes.

"Then there's the issue of integrity. Women are known to have a higher standard where integrity is concerned. Don't we want people with this attribute to sit on boards of companies?" she remarks.

Teh however feels that equating better financial performance with a specific gender of a company's top management is a very unscientific way of assessing its performance.

While the US statistics may show that companies with more women at the top perform better, there are some that also failed.

A case in point: Former chairman and chief executive officer of Hewlett-Packard (HP), Carly Fiorina. The company's stocks actually jumped at news of her departure from HP in 2005.

"Again, we must be very clear that a company's performance is determined by the ability of its top managers to make the right business decisions, and their gender certainly does not have a place in this equation," says Teh.

Selina adds that women have a different skill set, for example soft skills apart from technical skills.

"Women are more meticulous hence more analytical. Women make better moderators as they are more rational in their approach, hence women are more balanced in arriving at decisions," says Selina.

#### Barriers faced

The climb to the top for a woman continues to be riddled with obstacles.

Structural barriers exist that make it hard for women to succeed. There is also lifestyle issues such as lack of policies and processes to support women and men in the balance between work and family responsibilities.

Institutional mindsets such as widely-held beliefs limit women's advancement.

Lastly, there are also personal beliefs that limit one's own professional growth and advancement.

"My view is, first of all, women must have a vision of what they want out of serving the board and if they wish to play the corporate game.

"There is always a trade-off in balancing the various priorities demanding for her space. The corporate sector is a very competitive field and is quite unforgiving of those who are unwilling or unable to devote the necessary time and energy to compete in that space," says Chan.

People still think that women are too emotional and don't make good bosses. When women speak out, they are seen as aggressive while men who do the same are seen as assertive.

If a woman dresses in a masculine manner, she is seen as domineering and iron-fisted. However if her dressing is too feminine, she sends out the wrong signal.

The biggest setback of a woman's career isn't herself – it's her children. A woman's desire to move to the next level dissipates faster in women than in men. Once a woman has a child, her ambition dissipates slowly.

The effect is quite the contrary for men. As they have more children, their desire to succeed increases.

Rita says that it is easy to feel intimidated at first and to not want to speak up for fear of possibly being the only different voice or the only person that may see things from a different point of view.

"However, they are appointed to do a job and not just serve as a showcase piece, so they must read the board papers given to them, learn and understand the business as quickly as possible through induction courses to contribute effectively in discussions, get to know their other board members and senior management and seek their support on issues. There is no short cut to this and they must prioritise their time and efforts," says Rita.

With all the obstacles faced by women, perhaps a five-year goal is the best way to encourage female representation on boards.

"We do think that if we didn't start with a quota, nothing would change. The quota should set the stage for corporations to encourage promotion from within their organisation, as well as a way to get existing boards to start thinking about improving their own board members skill sets," says Shireen.

"If in the next five years, we could see higher participation of women in management, at the CEO level as well as on boards, this would be game changing for the entire corporate landscape in Malaysia," says Shireen.

Teh believes that women and men do think and analyse differently, so a good mix of both genders would probably be more advantageous than one that is all men or all women.