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COMMENT
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Women on companies' boards

PERHAPS it is no coincidence that International Women's Week came during a period of heightened tension in the global arena. One wonders if it's a little reminder that the female influence, hitherto, a scarce commodity in the corridors of power and corporate boardrooms, might have altered global events somewhat, given our leanings toward resolution and strategy, versus conflict?

Either way, it's a nice segue into board equality, and our recently concluded forum on Women in Leadership points to one darning statistic: that despite women forming half the world's population, female representation on corporate boards is still, in the 21st century, poorly lacking.

Take this statistic for example: in a survey we at MSWG (or Minority Shareholder Watchdog Group) conducted on 898 listed companies in Malaysia, a staggering 56.5% did not have any women directors. And while the remaining 391 companies had at least one female director, a closer examination reveals that only 144 of them had female independent directors.

There is some good news, however: the percentage of total women directors have crept up to 8.2% in 2010, from 7.5% in 2009. The trend is gratifying, but really, is it good news? That in this age of equal opportunity in the universities and workplace just eight of every one hundred listed company directors are female?

Analysis appears to show that companies do benefit from the female influence. For example, studies of Fortune 500 companies found that companies with at least 20% female representation in their boards performed significantly better than other companies. The statistics are at least instructive in indicating that there are some advantages in adopting a wider definition of what amounts to a qualified board.

Yet in Malaysia there has been little pressure to strive towards gender diversity on boards.

Global companies and developed nations have benefited from these highly qualified individuals. It's not that the talent pool is thin: in the United States, companies such as PepsiCo, Xerox, eBay, ADM, Kraft Foods and Sara Lee have all benefited from a woman CEO.

Here, we have women comprising only 8% of boards and 3.3% of CEOs. That these local success stories have not resulted in a greater representation on public listed companies is somewhat baffling. Coming from a woman, I believe that prejudices, family values and confidence rank among the most obvious reasons for this state of affairs.

Developed world goes the extra mile

A quick look at this issue around the world shows that the developed world has gone the extra step in introducing legislation that ensures gender equality. Norway, for example, has since 2003 enforced a quota of 40% female directors on boards of all public listed companies. This in turn has created pressure for change and triggered public debate for gender equality in Norway's wider community.

And in Spain, legislators four years ago introduced an equality law requiring companies with over 250 employees to develop gender equality plans with clear implications for female appointments to the board. In 2015, legislation will become effective for Spanish companies to ensure that 40% of board members are female. Meanwhile, in France, its parliament just this year gave the final approval to a law enforcing large companies to have at least 40% female board members within six years.

In Asia, no country has had any form of legislation for this purpose. But at least there is now growing awareness that considerations of board diversity also include greater gender representation.

Quotas in itself may not work!

The reasons for this are complex and multifold, but the underlying problem is that quotas miss the point. In trying to achieve the quotas in question, shortcuts are normally taken, impropriety could occur and the end-result could deviate significantly from the norm.

Let's learn from past mistakes and adopt a constructive approach to gender equality. Let's focus on skills. Let's focus on quality. Let's focus on merit. Let's drive gender equality using targets (say, 30% female board representation by 2015!!) and by adopting commercial considerations.

In trying to achieve gender parity, let us codify our needs. Let us instill a system of Best Practices so that practice reflects global standards.

Again, precedence exists in the developed world: the United Kingdom's Corporate Governance Code of 2010 now explicitly provides that the benefits of greater diversity (including gender diversity) should be taken into consideration in board appointments. It stops short of setting any specific quotas.

In Australia, changes introduced by the Australian Securities Exchange to take effect in 2011 require a company to adopt and disclose a diversity policy which should include requirements for the board to establish measurable objectives for achieving gender diversity.

Should now not be the time to throw open our minds and allow the richness and diversity of our population to lend their skills and experience to our biggest companies? Malaysia is at a crossroads in its life. Let us learn from ourselves and from others, and make the right decision.

Let us, all stakeholders, make gender diversity part of our corporate agenda and culture. And let us reap the benefits together.

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