



## **JURUTERA AUGUST 2019**

### **Theme: Women on Board: Beyond Gender Equality to Leadership**

Gender equality is not only about creating a better world for women, but also for men and society. To apply an inclusive gender perspective in business, financial institutions and other areas of economic decision-making means to challenge prevailing top management cultures. To achieve this intervention from the Government in formulating relevant policies is fundamental. Board of directors is the most influential decision makers in a business. The board is ultimately accountable and responsible for the performances and affairs of the company. It is instrumental in choosing the Chief Executive Officer and its top management, helps the company determine vision, mission and strategies, chart performances and achieve business targets. The board is also responsible to ensure principles of good governance are practiced in all business dealings. Board's own lack of diversity means that they are missing the perspectives of stakeholders, and their own organization's emerging leaders and potential consumers of their products and services.

IEM-WE talks to Tan Sri Zarinah Anwar, the Chairman of the Institute of Corporate Directors Malaysia (ICDM), founding Chair of 30% Club Malaysia Chapter and former Chairman of Securities Commission Malaysia on why women board participation is imperative to represent boardroom diversity and inclusion.



In 2018, the Government has aimed for a target amongst Bursa's Top100 Public Listed Companies (PLC) to have a 30% women representation on board by the year 2020, the year Malaysia is expected to become a 'high-income' nation.

**Q:** Will this ultimately include all (about 900) PLC's even with market capitalization of below RM2 billion?

**Q:** Is this achievable in the next few months?

**Q:** Do you think 30% women board participation is sufficient to represent boardroom diversity and inclusion as there are clear evidence that companies with diverse board perform far better than the companies with homogenous board?



*We have adopted a phased approach to increasing gender diversity on boards of PLCs; currently our efforts are focused on the Top 300 PLCs. This year, our target is to have 30% women on the boards of the top 100 PLCs (currently at 25.9%) and 18% for the Top 101-300 PLCs (currently at 16.6%).*

*The top 100 companies make up 85% of market capitalization, whilst the top 300 together make up 96% of market capitalization. So if we focus on achieving our target with the Top 300, we would be going a long way towards achieving our objectives on gender diversity.*

*30% is the minimum percentage of women on boards that we aspire to. At the end of the day there should be gender equality; where efforts go beyond achieving statistics and where men and women are recognized and valued irrespective of gender. It has taken a vast amount of effort to get to where we are today. We have undertaken a lot of advocacy work, engaging particularly with the Chairmen of Boards and of Nomination Committees to raise awareness on the importance of gender diversity and are working with investor groups as well as with the HR community to assist with building a pipeline of talented women who can be developed and groomed for board positions. But challenges remain especially in terms of mindsets and comfort level of the “boys club” at board level and the inability or disinclination of many to value gender diversity as a strategic business imperative.*

*But many studies have shown that a gender diverse board leads to better decision making as it improves a team’s problem solving abilities; with diversity on the board, you get diverse opinions and perspectives and avoid groupthink. It makes for better risk management. Thus diversity is a key element of good corporate governance and investors are holding boards to account on this.*

Credit Suisse reported in its September 2016 publication that Malaysia stood at 13.9% with women on board in public listed companies (PLC). By 3Q18, the number has increased to 15.4%. However, PEMANDU analysis published in Star in November 2017, indicated that 19.1% of the Top 100 PLC in Malaysia has women representation on their board but an astounding 372 other PLC’s still lack women on board.

Q: Where does these statistics stand currently?

**Q:** What incentives could be given to accelerate this?

*As at the end of 2018, 100% of the Top100 companies have at least one woman on their respective boards. 35 companies have at least 30% women with the best company having 60% women on its board. The overall percentage of women on the boards of the Top 100 PLCs stands at 25.9% today. If we look at all the PLCs on Bursa, then the percentage is still at a low of 16% and 296 of the total 943 PLCs have no women on board at all. So we have a long way to go still.*

*Boards need to recognise the value of gender diversity. The incentive must be the better performance they will derive as a result of a gender diverse board. Gender balance on boards contributes to better governance, and better all-round board performance. This ultimately leads to improved financial performance for the companies. The findings of a study on 'Women on Boards in Malaysia' (2018) by the World Bank Group shows that the profit rate of companies is significantly positively correlated with the presence of female directors.*

*All these studies show that gender diversity is a key business imperative; thus it is a significant issue of concern amongst institutional investors who have called for companies to take urgent action in this regard. Global fund managers consider a gender diverse board a key element in their investment decision and have begun voting against male candidates nominated to all-male boards. During 2017, State Street Global Advisors, the 3<sup>rd</sup> largest fund manager in the world voted against the re-election of directors at some 400 companies for failure to address gender diversity. In 2018, the UK's biggest fund management group voted against more than 100 chairmen of companies for failing to boost the number of women in their boardrooms.*

*At home, EPF has voted against the re-election of male directors in companies without women on board. Investors appreciate the link between diverse boards and better performance, and companies should be motivated to do the needful.*

**Q:** Engineering is a male-dominated industry. Only about 20% of working engineers are female. Since the number is not there in the pipeline to begin with, there are currently only a handful of female engineers holding leadership positions in engineering companies. We still often hear, what is it that we cannot gain from an all-male board in comparison to a gender diverse board?

*I have mentioned earlier the various research that shows a direct link between inclusive decision making and better business performance. Thus the reason for investors' concern over the inclusion of more women on boards of companies they are invested in.*

*Your experience in the engineering industry is no different from other industries. While women's enrolment in the universities is at 65%, this has not translated into a higher rate of representation in leadership roles. A proportionate rate of women enters the workforce, but there is a drop at middle management and a sharper decline amongst the top management. This just shows the need for top level commitment on the diversity agenda; Chairmen and CEOs must make gender diversity a component of their business strategy and ensure appropriate policies are in place to retain, develop and promote women into senior roles.*

*At the same there are efforts being pursued eg by the 30% Club to create opportunities for more women in leadership positions, and to groom and prepare women to assume board positions. We are able to assist boards with recruiting competent women to fill board vacancies; in fact we have been able to place women engineers on boards of engineering companies. So there really is no excuse to say you cannot find suitably qualified women to appoint, including engineers.*

**Q:** Tell us a bit about the 30% Club that you co-chaired as Founding Chairman in 2015?

*The 30% Club is a business campaign to help drive higher levels of women representation in leadership positions and on corporate boards. It originated in the UK and was built on the belief that having at least 30% women at top management and on boards makes good business*



*sense. The 30% Club made its debut in Malaysia in 2015 as a means to facilitate the achievement of the gender diversity target in the corporate sector particularly amongst the PLCs. We have focused our efforts on achieving at least 30% women on the board of our Top 100 PLC's by 2020 in line with the target set by the Securities Commission as embodied in the Malaysian Code of Corporate Governance.*

*We firmly believe that companies will see positive business outcomes from having more women on their boards.*

*The 30% Club, working with Institute of Corporate Directors Malaysia (ICDM) and LeadWomen, have established various programmes to build and develop skills and professional competence of potential women candidates. We run training and development programs, mentoring programs to groom women for board positions and increase their visibility; we maintain a Registry of qualified and competent women board candidates and offer placement services to help PLCs fill vacancies on their boards with suitable women candidates; we run engagement sessions with chairmen of boards and nomination committees to align them on the business case for gender diversity and we work with companies to develop a strong pool of C-level women to fill their talent pipeline and ensure a sustainable supply of board ready women.*

Bursa data suggests that there is sufficient women who are 'board-ready'. However, without the Government's intervention and push, Malaysia will only reach 30% women on board representation in 2099.

**Q:** Why?

*There are various challenges; I have mentioned earlier that many companies do not regard gender diversity on boards as a strategic business issue; thus they have paid little or no attention to it. There is a prevailing view amongst some that women are not ready nor are there women who are ready to fill board positions despite the database of qualified women.*





*While some Chairmen and CEOs recognise the benefits of having women at the board table, this process is left to happen on its own; and in a company with an entrenched culture and distinct lack of women role models at the top, there is a lack of intervention or systemic support to drive inclusiveness.*

*Then there are the women themselves; many of us underestimate our own capabilities and influence. It is a fact that women bring to the board unique attributes and competencies and contribute value; thus women must take action to prepare themselves and to step forward to be considered for senior leadership positions. It is also important that successful women mentor and help other competent women rise to the top.*

*It is in recognition of all these gaps that interventions such as the efforts of the 30% Club are required to drive the diversity agenda.*

*We are also working with HR Managers to help them build the female talent pipeline, and on the changes needed in HR policies and practices needed to be put in place to attract, recruit and retain women. Women have multiple roles to play and even today, that has not changed. Women have to manage competing demands on their time, continue to bear the heavier burden of domestic responsibilities, caring for children and the elderly.*

*Therefore, companies must step in to assist with facilitative policies or they will lose the value that they can derive from half of their talent pool.*

**Q:** Can you share your personal experience related to this agenda?

*My interest in the diversity agenda was sparked since my time in Shell with whom I spent 22 years of my working life. Shell was one of the first companies to recognize the importance of diversity to the business, in particular gender diversity, and did something about it. Way back in the 1990's, Shell had made a conscious decision to ensure a greater number of women in senior leadership positions and created opportunities for women to progress to the top. At the Group level a policy was instituted and targets set to raise the percentage of women in the most senior leadership levels. We showed our seriousness by incorporating this target into the KPIs of all our country chairmen. We elevated gender diversity to a key business strategy and country chairmen were held accountable.*



*In order to deliver on this strategy, we had to create a conducive environment at work to attract and retain women talent. In Shell Malaysia we established the Shell Women's Aspiration Network which I'm glad still exists today. I was then the most senior woman in Shell Malaysia and so it was left to me to spearhead the establishment of this Network in Malaysia. Similar networks were established in other Shell companies across the world. The Women's Network provides a source of motivation for women employees; it created a space for women to connect and support each other in developing and advancing their careers. We also worked closely with management to develop female talents through mentoring, identified women role models that young women can aspire to, get advice and network on a social basis. We organized speaking engagements by Shell leaders and awareness sessions to help them understand issues women face and lobbied for changes in HR policies to help retain talented women in the workforce. We probably were the first to introduce a policy allowing women to work from home.*

*I was also a member of the Shell Global Diversity Council chaired by the Group Chairman which discussed challenges, looked at best practices and policies required to address issues on diversity across Shell's operations worldwide.*

The Government had also proposed to 'name & shame' by publishing the list of PLC with no women on board representation.

**Q:** Would such only encourage companies to appoint for the sake of complying with the target rather than their (women's) merits?

*We have contacted these companies to offer our assistance. The issue that is often raised is that there are no suitably qualified women to appoint or they don't know where to find qualified women candidates. To dispel the notion that there are no competent women candidates and to assist companies in their search for suitable women candidates, the ICDM has a registry of potential board candidates that include competent women candidates which companies can source from.*





*The 30% Club has also been working with Lead Women, a consultancy on gender diversity, to assist companies in shortlisting suitable women candidates for their boards from Lead Women's registry of women candidates.*

*Many of the women on the registries of candidates have been evaluated, trained and undergone mentorship to prepare them for board positions. So there is no question that they are not appointed on merit.*

Tan Sri Zarinah who is a Pro-Chancellor of Universiti Teknologi MARA and former member of the Academic Advisory Council of University Teknologi Petronas also advocates 'age' inclusiveness. She opines that the younger generation are more apt to e-commerce, more adaptable to the disruptions in technology, and are change agents. They bring added value to the board.

The McKinsey Global Institute estimates that equality in the job market would yield an additional £20 trillion to global GDP by 2025. However, what could not be measured in the absence of this, is the lost ideas, the unrealised dreams, the businesses never built and the opportunities missed. There is an urgent need to integrate gender equality in our work across the board, there after track delivery through results on jobs and business's financial performances. Encouraging women to take leadership positions would have little effect if it were not backed up by government and company policies that make it possible for women to combine a career with family life. A higher percentage of women in the workforce means higher generation of wealth, more taxes paid and therefore better public services and welfare. Equality for women "remains the great unfinished business of the 21st century," Clinton said in her headline speech at the UN commemoration of International Women's Day. "No country in the world, including my own, has achieved full participation.", she continued.