Dignitaries at the 30% Club launch included (from left): Tan Sri Megat Zaharuddin, Dato' Sri Idris Jala, Dato' Sri Najib Tun Razak, Dato' Sri Rohani Karim, Tan Sri Zarinah Anwar, Tan Sri Jeffrey Cheah and Elizabeth Passey

The next corporate revolution

Gender diversity in corporate boardrooms has become increasingly important in recent years. It makes sound business sense and it benefits companies operating in an environment of heightened competition and stock market volatility.

THE lack of women in senior decision-making roles is a global issue. All over the world, women are under-represented on corporate boards and on executive committees. A 2011 study by McKinsey & Company titled *'Women Matter: An Asian Perspective'* found that in 10 Asian markets, women only account for 6% of seats on corporate boards and 8% of seats in executive committees on average. Although these figures are higher in Europe and the US, companies in those countries are still far from achieving gender equality in the workplace and in top managerial positions.

However, the business case for recruiting more women into senior positions is sound, and companies must be prepared to change the status quo if they expect to improve their business performance. Numerous studies on companies have revealed a positive correlation between women in leadership positions and a company's financial performance.

Like many regulators and astute corporate leaders around the world, Malaysia recognises the business and economic case for encouraging greater gender diversity within entities and on company boardrooms. In the 10th Malaysia Plan, targets have been set to increase the number of women in decision-making positions to 30% by the end of 2016 and to grow female participation in the workforce to 55% by the end of 2015.

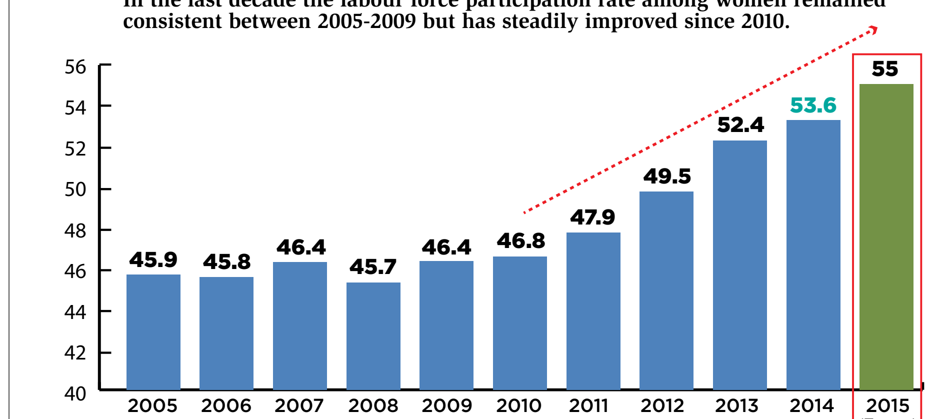
The what, why and how of gender diversity in the private sector was discussed at the launch of the 30% Club in Malaysia on May 8 (see box story). At this event, Prime Minister Dato' Sri Najib Razak reiterated the Government's commitment to ensure women's contribution is maximised to improve diversity and inclusiveness in the private sector. "I am pleased to announce that the female labour participation rate has increased from 46% in 2009 to 53.6% last year. This translates to an additional 600,000 women in the workforce and an extra 0.3% to GDP growth each year. When women succeed, we all succeed," says Najib.

"The participation of women impacts our economy and our aspirations to become a developed nation. For this reason, TalentCorp works closely with employers on our flexWorkLife.my initiative, which focuses on flexible work arrangements (FWA) as a key strategy to retain women in the workforce. We are seeing a brain drain of Malaysian women talent, whereby female labour participation rates fall particularly as women reach their late 20s and early 30s principally due to family commitments. Wider adoption of FWA among corporate Malaysia can certainly reduce this exodus of talent," says Johan Mahmood Merican, CEO of Talent Corporation Malaysia (TalentCorp).

In addition, TalentCorp has also launched a Career Comeback programme in March 2015 which incentivises companies who recruit women on career breaks. These interventions during the formative years in a career are important not only to increase women in the workforce but also to ensure that Malaysia has a strong pipeline of future women corporate leaders.

Women Labour Force Participation Rate in Malaysia from 2005-2014 (%)

In the last decade the labour force participation rate among women remained consistent between 2005-2009 but has steadily improved since 2010.



The what: an aspirational target of 30%

Given the steadily increasing number of women entering the workforce, the focus has now turned to tripling the number of women in corporate boardrooms. Women only account for 10.3% of board positions in 1Q2015 and a strong push is needed to increase this number to 30% by the end of 2016.

"Progress is slow in getting women on boards. If there is no intervention by the Government, based on historical trends, we would only achieve the target of women occupying 30% in corporate boardrooms in 84 years or in 2099," says Dato' Sri Idris Jala, Minister at the Prime Minister's office and CEO of the Performance Management & Delivery Unit (PEMANDU).

The target of 30% was set as it represents a point of critical mass and is an aspirational goal. "With this number, women are not a minority on the board of directors seeking permission to be heard. 30% is the proportion at which contributions of a member of a minority group are valued in their own right," says Elizabeth Passey, a steering committee member of the 30% Club in the UK.

Tan Sri Zarinah Anwar, one of the three founding chairs for the local 30% Club describes the target of 30% as a means to an end. "Companies work by setting a target, a KPI, and a deadline. This figure of 30% is a target for companies to aim for, but the ultimate goal is to increase the number of women leading and overseeing management at public companies. We are not talking about putting women as token figures. We want well equipped, capable women that can add value to the business," says Zarinah. The other two founding chairs of this club are Tan Sri Megat Zaharuddin Megat Mohd Nor and Tan Sri Jeffrey Cheah.

In a bid to spur the number of women in corporate boardrooms, countries such as Norway, France and Spain have passed legislation stipulating mandatory quotas. Malaysia, like Australia, the US, the UK, Canada, Singapore and Hong Kong has taken a voluntary approach in getting more women on boards and in senior management position.

At the launch, Najib announced that government-linked companies will, by policy, allow their executives to serve as a board member on other listed companies and encouraged all listed companies to follow suit in addition to leveraging on the pool of serving women executives in appointing board members. One example is Hamidah Naziadin, who is Group Chief People Officer and Head of Corporate Resources for CIMB who, last year, was appointed to the board of Maxis Berhad.

> "Government-linked companies will, by policy, allow their executives to serve as a board member on other listed companies."

"The Prime Minister's announcement is a timely call to emulate the likes of Maxis and respond to claims made by other listed companies that there aren't enough board-ready women candidates. Listed companies should be looking to the significant and growing pool of C-suite women executives to enhance their board diversity, both in terms of gender and age," explains Johan.

Another new measure that can dramatically boost awareness on gender diversity is a collaboration between Bursa Malaysia and the Securities Commission Malaysia (SC) requiring public-listed companies to disclose the composition and diversity of their board of directors and top management in terms of gender, ethnicity, and age in their annual reports.

This measure reinforces the Government's focus on diversity and inclusion, following on from Bursa Malaysia's requirement that, effective January 2015, all listed companies disclose in their annual reports, the company's diversity policy in terms of gender, ethnicity and age in terms of management and overall workforce. Under Najib's administration, the Government has already achieved the target of 30% of women in decision-making positions ie grade JUSA C (top management) and above. However based on a 2013 survey of listed companies by TalentCorp and PwC, the representation of women in top management of listed companies stood at only 24%.

> "PLCs are now required to disclose the composition and diversity of their board of directors and top management in terms of gender, ethnicity and age in annual reports."

Najib stressed that the goal of increasing female participation at decision-making levels of corporate Malaysia was not about tokenism, as diversity brings fresh perspectives and robustness to boards and management. "Inclusiveness and sustainability clearly lead to a virtuous circle" said Najib, given the numerous research showing diversity contributing to better long term performance and corporate governance.

Reinforcing the point, Johan shares that the Government's introduction of the requirement for listed companies to disclose the composition of top management as important in driving the diversity agenda because "as they say in the corporate world, what gets measured, gets done".

The Ministry of Women, Family and Community Development, NAM Institute for the Empowerment of Women (NIEW), PEMANDU and TalentCorp have also been looking at ways to build a pool of board-ready female leaders and ways to increase and retain women talent in the workforce.

"There is a big push towards increasing gender diversity. PEMANDU and TalentCorp have been working in partnership with the private sector to increase and retain women talent. Getting women on corporate boards won't happen on its own. The 30% Club in Malaysia is aimed at drumming up demand among corporations to get more women in decision-making roles," says Johan.

The why: an extremely strong business case

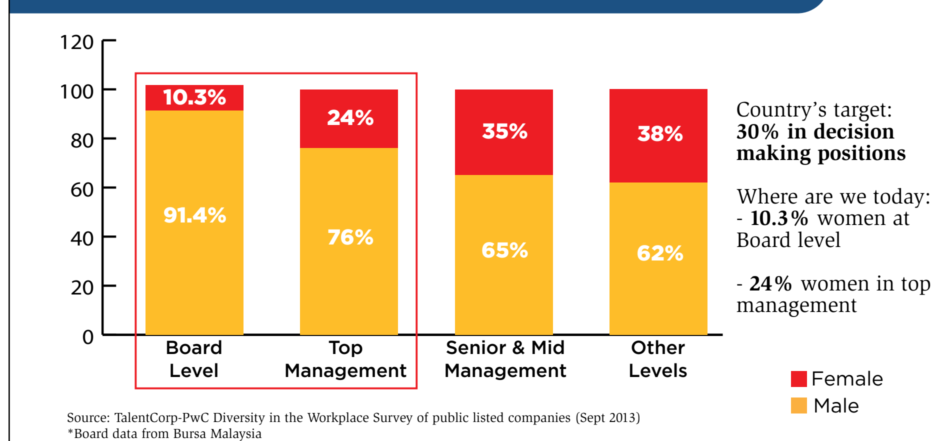
Gender diversity in decision-making positions is found to be beneficial for many reasons. Last year, Credit Suisse Research Institute found that companies where women accounted for over 15% of senior management achieve an average return on equity of 14.7% in 2013. Companies where women accounted for fewer than 10% of senior managers made an average return of 9.7%.

"Gender diversity makes business sense. This is seen around the world as an increasingly important attribute after the 2008 global financial crisis. The goal of 30% is simply a quantitative target that results in a positive qualitative outcome," says Datuk Ranjit Ajit Singh, chairman of the SC.

In other words, inequality can be seen as a genuine business risk and should be treated as such, observes Passey. "Women on boards bring different perspectives to the difficult issues facing today's corporations. There is less danger of 'groupthink'. If all members of a board think the same way, they tend to miss blind spots because they all see the same points. Women with different backgrounds, experiences and perspectives tend to think differently compared with men. Such diversity of thought brings an opportunity to spot something new. This results in better decision making," says Passey.

From left: Johan, Ranjit, Passey, Lo and Brand formed the panel for a discussion on Lead the Change: Getting Women on Boards

Female representation by levels



Source: TalentCorp-PwC Diversity in the Workplace Survey of public listed companies (Sept 2013)
*Board data from Bursa Malaysia

Since the board of directors make decisions that impact the organisation, gender diversity is regarded as increasingly important because it represents a significant proportion of a company's constituents. Simply put, organisations that lack gender balance do not represent the society in which they operate.

Iain Lo, chairman of Shell Malaysia and managing director of Sarawak Shell Bhd and Sabah Shell Petroleum Co Ltd found that gender diversity was an imperative business decision as women constitute half the number of employees in Shell and half its customer base. "This drove the need for gender diversity. An internal survey also found that the healthiest parts of the organisation were led by women managers. So it was easy to conclude that women make good leaders," says Lo.

Women currently occupy 25% of Shell's boardrooms and Lo is looking at achieving the target of 30% female representation. "The challenge is in finding women with technical skills. But we found that putting women on boards and senior positions is a good retention tool. It gives them a sense of identity. We also found that allowing board members to serve on boards of other companies which are not in direct competition with Shell allows them to see what other industries are like. This also helped to retain our talent," says Lo.

Another strong case for why diversity is needed in the workforce was given by Helen Brand, CEO of ACCA, who drew on the findings of a recent ACCA study "Increasing Gender Diversity to Boost Performance" which emphasises on the business case of diversity. "This is a way of maximising value from human capital. A diverse board is better positioned to thrive in today's global economy where the pace of change is accelerating. Companies seeking to create value need to manage and report on their human capital and how they are developing it and increasing it," says Brand.

With the case for 'why' more women should be in leadership positions established, Johan says the focus is now on the 'how'. "I believe it comes down to mindset. We have to share the idea of getting more women on boards and start seeking a commitment from corporate decision-makers to do this," says Johan.

The how: just do it!

To break the proverbial glass ceiling and accelerate the pace of change at the highest ranks, Idris suggested three steps, starting with advocating the idea of putting more women in corporate boardrooms to business leaders, shareholders and investors. The next step is for companies to source and identify board-ready women and the final step is to place these women in corporate boardrooms.

A major challenge is the propensity for a subconscious bias towards men in top positions, notes Ranjit. "Inertia can continue unless someone in power is proactive. Investors can also provide this push by asking for gender diversity on the boards of companies that they have invested in. Essentially, what we need is a change in mindset to remove the bias that prevents gender diversity from occurring," says Ranjit.

Johan refers to the success of the originating 30% Club in the UK. There the percentage of women on the boards of the top 100 Financial Times Stock Exchange (FTSE 100 index) increased from 12.5% in 2011 to 23.5% in 2015. Having adopted a target of 30% women on the board or management committees, individuals volunteered their time to initiate real change amongst the business community. Now, every company in the FTSE 100 has at least one female director.

Passey offers several measures that were found to be effective in the UK. "The 30% Club is a 'he for she' story. This means that those in power, the chairmen and other men in decision-making positions need to lead the way. Men that are retiring from a board can suggest that their replacement be a lady. Men can also act as sponsors for women. What we found was that women tend to be over-mentored and under-sponsored in comparison to their male peers. This can change if more men start advocating for women and facilitating their access to more upwardly mobile opportunities," she says.

GROWTH THROUGH DIVERSITY

THE 30% Club started in the UK in 2010 with a goal of placing women on the boards of companies in the Financial Times Stock Exchange 100 index (FTSE100). At that time very few women held senior roles and Helena Morrissey, founder of the UK 30% Club, felt that a concerted push including a specific numeric objective was needed to improve gender balance at senior levels. Since then the 30% Club has been actively building momentum and awareness of this issue.

"There has been a shift in mindset with the 30% Club. Leadership shown by top businessmen and women have transformed gender diversity into a core business issue. It is not a gender issuer or a special interest issue," says Elizabeth Passey, steering committee member of the UK 30% Club.

Supporters of the 30% Club are key business figures that volunteer their time to develop female talent. They include Warren Buffet, chairman and CEO of Berkshire Hathaway; Larry Fink, CEO of Blackrock, the world's largest asset manager; Sherly Sandberg, COO of Facebook Inc.

The 30% Club in Malaysia is the seventh club in the world and two other countries, Canada and Italy, will be launching their own clubs later this year.