Strengthening Gender Diversity in Corporate Leadership – Proposal to MAS

PAP Women’s Wing

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BACKGROUND

1. In support of the nation-wide SGfuture conversation series, the People’s Action Party Women’s Wing (WW) initiated a project to gain insights into the aspirations of Singapore women. This culminated in the 16 July 2016 publication of a paper titled “SGfuture: Women’s Perspectives and Aspirations” covering four broad themes:
   - Leadership and Social Impact
   - Employment and Entrepreneurship
   - Family and Caregiving
   - Financial Well-Being

2. Among the key recommendations, we believe the time has come to strengthen diversity in corporate leadership, specifically women’s representation on the boards of directors of public listed companies. This paper outlines our rationale and specific proposals.

RATIONALE

3. Advancement of women to top corporate appointments and board directorships pale in comparison to the clear demonstrations of professional excellence and attainment of leadership positions in many fields. Women’s representation on the boards of companies listed in Singapore remains low at 9.7% when compared to advanced economies such as United States (19%), Germany (25%), UK (26%), France (33%) and Norway (36%). Even within Asia, China (13.2%), India (13.5%) and Hong Kong (12.1%) are ahead.

4. The progress has also been dismal. In 2013, the percentage of women in SGX-listed boards was 8.3% in 2013. At this rate, even by 2030, the level of
representation would have just passed 15%. This is in spite of a healthy pipeline where well-qualified women occupy some 30% of the senior executive positions, which, according to a March 2017 report based on Grant Thornton’s annual survey of 5,500 businesses in 36 economies, is above the average among countries in the Asia-Pacific region, including Japan (7%), India (14%), New Zealand (20%) and Australia (23%).

The Singapore Parliament has had at least 20% women members since 2006.

5. Furthermore, as reported in a National University of Singapore Business School study on 1 March 2017, women on board of Singapore-listed firms were paid on average 43 per cent less than their male counterparts.

6. In fact, the low representation of women reflects poorly on the degree of openness of our corporate leadership community.

Korn Ferry in their Diversity Scorecard 2016 report found that companies with at least 10% female board representation averaged a 6.4% ROA (return on assets) and a 14.3% ROE (return on equity) over a three-year period. In comparison, companies with less than 10% female board representation averaged only a 5.2% ROA and an 11.8% ROE during the same period. The Singapore Board Diversity Report 2014 found that boards with at least one female director had an average ROA of 3.3% versus 0.3% for those that did not have any gender diversity. Similarly in a report by McKinsey, Diversity Matters 2014, companies in the top quartile of gender diversity were 15 percent more likely to have financial returns that were above their national industry median.

As there is ample evidence on the value of board diversity, it is also brings into question whether boards in Singapore have availed themselves of all possible talents that can help bring the companies forward.
7. However, we should be clear that the objective is not affirmative action or tokenism. Neither is a push for more inclusion of women on boards in Singapore incongruent with meritocracy.

8. Instead, the objective is to recognize and address the significant barriers that women encounter. For example, one limiting factor is the tenure of Singapore directors which is the highest in the region. The low turnover of board directors limits the opportunities for new directors to be inducted. Another study suggests that over 80% of board search committees use criteria that tend to favour those already serving as directors. Since there are few women in this category, the odds are stacked against more women being inducted on boards. Other barriers faced by women include the likely heavier share of family responsibilities or exclusion from certain types of networking that diminish their visibility as a result.

PROPOSALS

9. We believe that by having more women leaders on board, companies will be in a stronger position to update HR practices to attract potential women leaders and boost their development. But this will not happen quickly enough without intervention.

10. Promotional efforts and moral suasion do not appear to have led to firm commitments by board leaders to broaden their search and to develop diverse board representation that strengthen corporate governance and advance business goals. Only 33% of boards surveyed considered diversity of representation an important attribute. We have two specific proposals.

11. Proposal #1 - We believe that a declared ambition for 20% of directorships on SGX-listed companies to be held by qualified women by 2020 will help to focus minds and galvanise action.
12. Proposal #2 – We believe it is critical for boards of public listed companies to set targets on board diversity. Besides disclosing these targets, the boards should also outline the steps they intend to take to meet their goals. We call on the Monetary Authority of Singapore (MAS) to specify such a requirement in the Code of Corporate Governance in the forthcoming update. This sends a clear signal for companies to take board diversity seriously. Companies that fail to comply should explain why they cannot set diversity goals or have not made progress.

CONCLUSION

13. PAP Women’s Wing believes diversity in corporate leadership promotes good governance and sustained business performance. Despite the business case for gender diversity and availability of strong candidates, there remains a significant gap between the realisable and actual levels of female board representation that is closing at a slow pace.

14. On our part, we will continue to actively promote mentorship for aspiring women leaders. We will actively support organisations that want to create and put into operation networks to mentor the next generation of women leaders.

References:
OECD Women Leadership 2016 Report
Diversity Action Committee (June 2016)
Grant Thornton, Women in Business: New Perspectives on Risk and Reward
Korn Ferry, Diversity Scorecard 2016 Report