Board diversity delivers results

Improvement in corporate governance and financial performance, as measured by return on assets and return on equity: NUS study

The headlines:

Board diversity delivers results

Source: The Business Times

Date: 15 January 2014

The article begins:

Of the 677 locally-listed companies studied, 7.9 per cent or 377 of the total number of board directorships were held by women. Some of them held more than one directorship in a listed company.

While this is slightly higher than last year’s figure of 7.2 per cent and 0.9 per cent in the first report released in 2011, Dr D’Souza said movement had been at a snail’s pace and more needed to be done to promote gender diversity in corporate boards. As there is already a strong business case for the benefits of doing so.

“The time has come to move from raising awareness to action,” she said. “I am happy that more people are discussing this, including in government and board rooms.”

Work-life balance

Acting Minister for Manpower, Tan Chuan-Jin, was among the guests of honour at the launch of the report. In his speech, he said that while “in Singapore we have a level playing field, the report makes clear reading. Though we are moving in the right direction, women continue to be under-represented in leadership positions.”

As women make up half the labour force, there was no performance at board level among Singapore Exchange-listed companies, he noted.

Mr Tan said that as many women often struggle to find the balance between work and home, more must have a greater share of parental responsibilities as well as higher-level responsibilities at work and rise to more senior roles.

The study found first 13 companies with three or more women on their board, with one of them, Maxis International, having four women. Leading companies with investment company Temasek as a substantial shareholder had more women on their boards, with 8.4 per cent of their directors being female. Family-owned firms did even better with 8.5 per cent.

Most developed countries have more than 15 per cent women directors, a level twice that of Singapore.

The report also pointed out that female directors were better paid than their male counterparts, though not on market value.

The study was commissioned by the Centre for Governance, Institutions & Organisations (CGIO) at NUS Business School, and the study showed that companies that appointed a new woman director recorded improved ROA and ROE for the next three years, making a strong business case for the appointment of women directors.

An empirical analysis of the relationship between the proportion of female directors and company performance also showed that more gender diversity in boards had a positive effect on company performance.

Room for improvement

While some of the largest companies in Singapore still have all-male boards, with the proportion of companies without women having remained high at 58.2 per cent, the study found that 13 companies had three or more women on their boards, with 8.4 per cent of their directors being female. Family-owned firms did even better with 8.5 per cent. Most developed countries have more than 15 per cent women directors, a level twice that of Singapore.

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Female representation on SGX-listed company boards

- Singapore: 7.5%
- India: 8.4%
- Australia: 11.5%
- Malaysia: 9.6%
- Hong Kong: 8.3%

Women constitute 11.5% of directors on the boards of the largest companies in Singapore.