Why boards need to ensure gender diversity

The board of directors is supposed to take a strategic approach towards making sure their company has what it needs to perform well. Indeed, the Code of Corporate Governance from the Monetary Authority of Singapore (MAS) says an essential part of the board’s role is to ensure that the necessary financial and human resources are in place for the company to meet its objectives.

The recent report by Mr. David Gerald, president of Securities Investors Association (Singapore), that it is not the burden of boards to focus on gender diversity is, therefore, surprising, coming from an organization that says it champions the rights of investors.

On the other hand, it is encouraging to see the Diversity Task Force (DTT) comprising industry leaders from the private and public sector, announcing various proposals a few weeks ago to improve gender diversity in Singapore companies.

The DTT was initiated by Speaker of Parliament Halimah Yacob, during her previous term of office as Minister of State (Social and Family Development). The move was prompted by the growing concern that women in Singapore continue to be underrepresented on boards, and in top-level senior management positions.

While the DTT’s proposals mark a start to improve gender diversity, corporate boards need to take stronger and faster action if they are to maximise financial results and fully achieve their objectives. Indeed, research showing that having more women in senior roles leads to better results clearly demonstrates the importance of gender diversity.

WOMEN POWER

Analysis by Catalyst, a United States-based non-profit that provides research and information about women at work, shows that companies with high representation of women on the board of directors outperform those with low representation by 44 per cent on return on sales (ROS), 60 per cent on return on invested capital (ROIC) and 40 per cent on ROE.

Here in Singapore, the NUS Business School and BoardAgender, an arm of the Singapore Council of Women’s Organisations whose aim is to raise awareness of the economic benefits of gender balance, similarly found correlations between the ratio of women on the board and firms’ returns on assets (ROA) and ROE.

Boardrooms are not the only place where women make a difference. Convinced of McKinsey’s findings that companies with a higher proportion of women in their management committees achieve the best performance and companies with the highest level of gender diversity in top management outperform their sector in terms of ROE, operating results and stock prices.

While the Diversity Task Force’s proposals mark a start towards improvement in gender diversity, corporate boards need to take stronger and faster action if they are to maximise financial results and fully achieve their objectives. Indeed, research showing that having more women in senior roles leads to better results clearly demonstrates the importance of gender diversity.