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Narrowing the Gender Gap in Singapore Boardrooms

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International Women's Day came and went on 8 March 2016. The gender diversity gap in Singapore's corporate boardrooms is narrowing, albeit slowly, as compared with neighbouring countries such as Malaysia, Indonesia and India who have leapfrogged over us after setting targets and quotas for female board directors.

The latest figures from the Diversity Action Committee (DAC) showed that the percentage of women on boards of SGX-listed companies has gone from 8.3 per cent in 2013 to 8.8 per cent in 2014 and 9.5 per cent in 2015. In a year where the total number of directorships declined, 30 women were appointed in 2015 and 38 per cent of them were debutante directors, compared with 32 per cent for men.

These improving numbers may be attributed to various initiatives launched over the last two years, including:

The formation of the DAC in August 2014 to bring about real changes to women's representation on boards. The DAC reached out to multiple stakeholders to heighten awareness, worked with executive search firms to include women candidates in their assignments, and developed a pool of board-ready women.

BoardAgender brought together a group of 50 influential men and women in July 2015 called SG50 Champions of Change to promote gender diversity as a national agenda for businesses.

SID set up a Diversity Subcommittee in April 2014 and launched the Nominating Committee Guide in August 2015, during which 220 Singapore companies signed the Board Diversity Pledge.

Nevertheless, Singapore continues to trail behind the global average. In Asia, we are behind New Zealand (the highest at 17 per cent), Australia, China, India, Hong Kong, Indonesia and Malaysia; we are only ahead of South Korea and Japan, which is nothing to be proud of. While the number of all-men boards in Singapore has declined, it is still significant at 41 per cent as at end-2015 – this being a year or more after Minister Grace Fu singled out a handful of them publicly.

RE-THINKING QUOTAS

A light touch and moral suasion has been Singapore's preferred approach to encourage greater female participation on corporate boards and senior management. Is it time to adopt a more proactive stance for higher diversity levels?

Take Norway, which has a 40 per cent quota for women directors. The policy enforced since 2008 has transformed the boardrooms of Norway's listed companies: female directors have closed the pay gap with male ones, even as their numbers surged. Other Scandinavian countries have followed suit, as will the European Union by 2020.

However, the Norwegian experience also highlighted the risks of how a talent war for women to fill the board quota meant that women may be picked for non-executive director roles before they have gained enough experience in management. Having to appoint women for the sake of meeting a fixed quota can smack of tokenism.

There should be no doubt that board appointments should be by meritocracy, where an individual's capability and fitness to serve on the board is the primary focus, irrespective of gender. What is required is the availability of more platforms and opportunities for corporations to be exposed to these women candidates and not exclude them from the selection process.

ASPIRING TO HIT 20 PER CENT BY 2020

Unlike quotas, targets can be set by an organisation at its discretion, with specific measurable objectives and timeframes to achieve them. While voluntary, targets may also be strongly encouraged by external factors.

Towards this end, SID's Diversity Subcommittee has set an aspirational target of being an enabler for women directorships in Singapore to reach 20 per cent by 2020. To even reach 11 per cent, we would need another 75 more women directors. Therefore, companies should be strongly encouraged (if not required by regulation) to set their own diversity targets and disclose these publicly and their plans to achieve them.

For a start, larger companies such as those in the Straits Times Index (STI) could lead the way. The DAC report showed that the STI companies had only 10.2 per cent women directors, which is not very much higher than the overall 9.5 per cent figure. The STI companies can do so much better and we should hold them to a higher standard.

In the UK, the Davies Report released in October last year showed that there are no more all-male boards in the FTSE 100. The STI still has nine. Companies in the FTSE 100 have 26.1 per cent women directors on their boards compared to only 19.6 per cent on the boards of FTSE250 companies. The larger listed companies in the UK that are followed more closely by international investors have done much better than the rest. So should our STI companies.

One STI organisation that made good progress recently is Ascendas Reit. In November last year, it appointed two new female directors. They now make up 20 per cent of A-Reit's board and immediately A-Reit meets the 20 per cent aspirational target. Other STI companies should not wait too long to fulfil this target.

In advancing the cause of greater board diversity, a multi-pronged approach that includes encouragement, persuasion, openness, target-setting and disclosure has the best chance of ensuring better gender balance and board effectiveness the Singapore way. ■