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# Gender diversity: quotas, targets and cultural mindsets

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At the SID Directors' Conference in September 2014, Ms Grace Fu, Minister in the Prime Minister's Office, created a stir when she named six publicly listed companies that did not have a single woman on their boards.

Actually, Ms Fu, who is also Second Minister for the Environment and Water Resources and Second Minister for Foreign Affairs, was being kind. She could have provided a much longer list. In fact, according to *Gender Diversity on Boards: A Business Imperative* – a report by the Diversity Task Force published earlier this year – 57 per cent of 780 companies listed on Singapore Exchange (SGX) have all-male boards.

The minister's frustration at the low level of board participation by women was understandable. Women comprise only 8.3 per cent of directorships of SGX-listed companies. Our neighbours, Malaysia, Indonesia and Hong Kong, boast higher numbers. The global average is 11 per cent. The proportion of women on Singapore-listed boards is also well below the proportion of women in senior management positions (21.2 per cent), and in the universities (more than half).

"Unfortunately, progress has been slow," Ms Fu lamented. This is despite the fact that the Code of Corporate Governance has included "gender" in its guideline on diversity since May 2012.

A gender quota was mentioned by Ms Fu as "a possibility not to be ruled out", although she also said that non-regulatory means is the preferred approach.

## QUOTAS

Gender quotas would be taking the route of many European countries that are at different stages of requiring between 33 and 40 per cent of boards to be comprised of women by 2017. Norway leads the way: since 2008, it has required boards of more than 10 directors to have 40 per cent women.

In context, Norway has a long history of promoting gender equality. In 1913, it was one of the first nations to grant women the right to vote. In the early 1980s, Gro Harlem Brundtland became its first female Prime Minister. In the late 1980s, the Act of Equal Opportunity was passed. Interestingly, the Act of Equal Opportunity requires any public body, board or council to have at least 40 per cent of each gender – male and female – represented; it, therefore, is not an affirmative action just for women. Norway is also one of the first countries to have a cabinet seat with responsibility for gender equality installed in parliament.

However, in my view, legislating quotas is not the panacea to every imbalance. Circumstances and culture are important.

Positive discrimination would go against our ingrained ideal of meritocracy. Quotas can result in tokenism and undermine the achievements and abilities (or, at least, the perception) of the genuinely qualified.

One study by Ahern & Dittmar found that "quota(s) led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance, consistent with less capable boards".

Indeed, I would say that this is probably the general sentiment in corporate Singapore. In the electronic polling conducted at the SID Directors' Conference 2014, 79.5 per cent of the participants disagreed (with 41 per cent strongly disagreeing) with gender quotas.

## OTHER MEASURES

Ultimately, quotas address the effects but not the causes of gender inequality on boards.

But then, if not quotas, what else can be done?

The Diversity Task Force Report recommended 10 initiatives (gender quotas not being among them). In the interest of time, I will not get into the details of these initiatives.

My take is that the key issue is a cultural one. We have to change mindsets that have traditionally guided the core family values of Asian women being home-makers and primary caregivers. It certainly does not help that, in many instances, the selection of potential directors is still very much through the tradition of the "old boys' network".

In order for fundamental, structural and cultural change to occur, there must be a concerted effort by all stakeholders. This includes nominating committees making changes in their selection process to cast their net wider and pro-actively look at women candidates. Companies should be encouraged to build a leadership pipeline for senior women. Bodies such as SID must train more women to be board-ready (SID is working with organisations such as BoardAgender to encourage women to attend these courses).

Ideally, each company should have an aspirational target for women directors by a stated time and with a targeted percentage. To nudge companies forward, regulators could consider mandatory disclosures of plans for gender diversity.

Singapore leads in so many ways in good corporate governance practices. Board diversity, including gender diversity, is one area we can take the lead in if we collectively put our minds to it. ■