



Board Gender Diversity in ASEAN

IN PARTNERSHIP WITH



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UNIT



Creating Markets, Creating Opportunities

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	SG	Singapore
APEC	Asia-Pacific Economic Cooperation	SGX	Singapore Exchange
ASEAN	Association of Southeast Asian Nations	SSE	Sustainable Stock Exchange
CEO	Chief Executive Officer	SSGA	State Street Global Advisors
CFO	Chief Financial Officer	STEM	Science, Technology, Engineering and Maths
CSR	Corporate Social Responsibility	TH	Thailand
DAC	Diversity Action Committee	TR	Thomson Reuters
DWN	DuPont Women's Network	UN	United Nations
EIU	Economist Intelligence Unit	UNESCO	United Nations Educational, Scientific and Cultural Organization
ESG	Environmental, Social and Governance	US	United States
EU	European Union	VN	Vietnam
GES	Global Economic Symposium	VIOD	Vietnam Institute of Directors
HOSE	Ho Chi Minh Stock Exchange	VWEC	Vietnam Women Entrepreneurs Council
ICDM	Institute of Corporate Directors of Malaysia	WCD	Women Corporate Directors
IFC	International Finance Corporation	WEF	World Economic Forum
ILO	International Labour Organization		
IMF	International Monetary Fund		
IN	Indonesia		
MY	Malaysia		
NAWEM	National Association for Women Entrepreneurs of Malaysia		
NUS	National University of Singapore		
OLS	Ordinary Least Squares		
OECD	Organisation for Economic Co-operation and Development		
PH	Philippines		
R&D	Research and Development		
ROA	Return on Assets		
ROE	Return on Equity		
SCWO	Singapore Council of Women's Organisations		
SDGs	Sustainable Development Goals		
SEC	Philippine Securities and Exchange Commission		
SET	Stock Exchange of Thailand		

Foreword

Collectively, the nations that constitute the Association of Southeast Asian Nations (ASEAN) represent a remarkable economic success story. Many have transitioned from a legacy of poverty and conflict into powerful engines of growth, with rising foreign investment, stable job markets, increased domestic spending and a growing middle class.

And yet, these nations are facing some headwinds. Some challenges, such as trade volatilities and slowing growth, may capture headlines. Others, such as a lack of female presence in the boardrooms of Southeast Asian nations and throughout the senior leadership pipeline, deserve more attention than they receive. In fact, a recent report from the International Labour Organization warns that business growth in Asia could become severely curtailed if companies do not recruit and promote more women.

Indeed, a growing body of global evidence points to the business benefits of greater female representation on boards and in senior management. They include stronger financial performance, better corporate governance, improved disclosure and transparency, enhanced employee and community relationships, and more robust environmental reporting, among others.

This new report from The Economist Intelligence Unit and IFC, *Board Gender Diversity in ASEAN*, underscores the importance of paying more attention to the gender gap in Southeast Asia's executive cadre and boardroom. It is a comprehensive analysis of more than 1,000 companies in six ASEAN countries plus China, exploring the impact on business performance when women have a place at the boardroom table. The report establishes a clear connection between firms with more women on their boards and better financial performance. Despite the strong business case, it

also notes that the percentage of women on boards in the region remains low.

This disparity highlights that substantive change inside Southeast Asia's boardrooms can be difficult to achieve, given gender stereotypes and a male-dominated culture. This report also offers concrete recommendations on ways to accelerate the pace of change, including the shifts in mindset and attitude required to truly transform this dynamic.

IFC's support for this research—part of a global series of studies on the positive effects of increased gender diversity in business leadership—is aligned with its overarching mission of driving private sector-led development to create markets and opportunities. It is our hope that by tapping into the vast potential offered by women in business, Southeast Asian companies can become stronger, more sustainable and more attractive to investors. In turn, they will remain powerful drivers of inclusive economic growth, helping to continue the positive trajectory in a region that has seen millions lifted out of poverty in recent decades.

Vivek Pathak

IFC Regional Director, East Asia and the Pacific

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Executive summary

While gender gaps in labor market participation and educational attainment have narrowed, women around the world still encounter a glass ceiling when trying to reach the company boardroom, where female representation remains low. Policy-makers, business leaders, institutional investors and women's business organizations are increasingly paying attention to this issue and are working to improve board gender diversity. However, progress has been slower than desired. Although women in some countries in Western Europe now account for 30–40 percent of board membership in some of the largest listed firms, these percentages are far lower in many other regions, including Southeast Asia.

Our study advances the case that having women in business leadership positions is good for company performance, confirmed through an analysis of more than 1,000 companies in six countries belonging to the Association of Southeast Asian Nations (ASEAN): Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. We also included one regional non-ASEAN member, China, to provide a point of comparison. In addition to identifying statistical linkages that support the assertion that board gender diversity has a positive impact on company financial performance, we conducted a thorough literature review and extensive interview program with regional business leaders to understand how board gender diversity influences company behavior. Our study found that the business case for board gender diversity is strong and relates not just to performance, but also to corporate governance, reputation and fairness.

KEY FINDINGS

State of play in ASEAN

- According to our analysis, Thailand is the most gender-diverse country in the ASEAN region, with women holding 20.4 percent of board seats in listed companies, followed by Vietnam (15.4 percent) and Indonesia (14.9 percent).
- In other senior management positions, we found that listed companies in ASEAN have a better track record for gender diversity. Women hold approximately 32.8 percent of senior management positions in the Philippines—the highest in the region. In Thailand, women account for almost 29.7 percent of senior management positions. Indonesia has the highest proportion of female board chairs (11.7 percent), followed by Vietnam (7.8 percent) and Thailand (7.6 percent). Our findings highlight a mismatch between women's representation in senior management and in the boardroom, suggesting that an additional set of barriers exist in the region for women seeking boardroom positions.

Drivers of board gender diversity in ASEAN

- We found that board gender diversity is influenced by company-specific factors, such as industry and ownership structure. Numerous other drivers can also push companies towards a more gender-diverse agenda, such as the presence of activist stakeholders, foreign investors disseminating global best practices, and a diverse client base. Although most of these drivers are less common in ASEAN than in Western Europe, there is evidence that they will gradually grow in importance as companies in the region become more global.


Impact of board gender diversity in ASEAN

- In our analysis of the six ASEAN countries, we found that companies with more than 30 percent female board membership were associated with greater company financial performance, compared to companies with no women on their boards and companies where women accounted for less than 30 percent of board membership. In companies with no women board members, the average Return on Assets (ROA) was 2.4 percent. In companies where women accounted for more than 30 percent of board membership, the average ROA was 3.8 percent.

- Through our statistical modelling, we found that if a company's board diversity increases from zero (an all-male board) to at least one woman on the board, its ROA is likely to increase by 1.4 percent, keeping all other factors constant. If diversity increases to more than 30 percent female board membership, the ROA is likely to increase by 1.2 percent.
- Our findings support the argument that companies with a higher proportion of women on their board are generally associated with greater financial performance.

Challenges, opportunities and recommendations for greater board gender diversity in ASEAN

- Among our interviewees, changing corporate governance codes to promote board gender diversity was seen as imposing less of a burden on companies than measures such as quotas (which have been implemented in numerous Western European countries). Some ASEAN countries have already started to change their corporate governance codes, including the Philippines and Singapore, both of which have added gender diversity language. Stock exchanges can also lead the way by promoting gender diversity measures and targets among listed companies.
 - Advancing board gender diversity also requires policies that ensure women have opportunities to rise to senior leadership roles. Both the regional literature and our expert interviewees highlighted the importance of retaining women in the workforce, particularly later in their careers, when many women in the ASEAN region leave for family reasons (for example, to help children prepare for major examinations, or to take care of elderly relatives). This tends to depress women's career progression when they return to the workforce. Offering employees flexible work arrangements would be a welcome step forward, as well as establishing legislation to expand parental leave to include men.
 - Women in the ASEAN region are also adversely affected by cultural stereotypes about female attributes. Female workers in the region are often seen as having more empathetic maternal qualities, deemed less suitable for top executive positions than the aggressive, confident leadership styles more often associated with men. This is exacerbated by the existence of male-dominated "old-boys' networks", which tend to be in charge of board appointment processes. Moving towards more formal selection mechanisms for board membership and offering aspiring female candidates greater visibility (through cross-company networks, or country-wide directories of existing female board members) can help to address this problem.
 - The importance of leadership commitment and top-down change cannot be over-emphasized. Companies that are committed to board gender diversity must communicate their intentions from the top of the organization, supported by a clear and transparent action plan. There should also be a clear focus on establishing programs and talent pipelines that identify, nurture and promote female talent, and on recruiting female leaders to act as mentors and role models for a new generation of women.
 - Finally, advocacy organizations have an important role to play, as do institutional investors that recognize the need for board gender diversity. International groups like the 30% Club and Women Corporate Directors (WCD) already have a presence in the region and are actively promoting greater female representation on boards, and in business leadership positions in general. However, local women's business organizations must also play a leading role, both by facilitating the placement of women on boards, and by working alongside governments to help design and implement the necessary strategies to promote gender diversity in their national contexts.
- Ultimately, much more needs to be done to reach a level of board gender diversity that is commensurate with



women's role in society and in the workplace in the ASEAN region. However, we found evidence at both the country and company levels that ASEAN countries have the potential to make important strides towards achieving board gender diversity in the coming years, by addressing both the universal barriers that affect women around the world and the unique cultural and structural barriers at play in the region.

There is compelling evidence that in order for board gender diversity to have a significant impact on company

performance and behavior, a critical mass of women must be in business leadership positions. This has yet to be achieved, which means that the biggest benefits of board gender diversity are yet to be seen.

As long as policy-makers, business leaders and societies in general recognize the importance of gender diversity across the workforce, and commit to taking action to improve it, the region's progress to date can provide the necessary momentum to break the glass ceiling for women on boards in the future.

The business case for board gender diversity

WHY IS BOARD GENDER DIVERSITY SO IMPORTANT?

This study advances the case that board gender diversity is good for company performance in the ASEAN region. Making this case is essential for firms to embrace board gender diversity as both a viable and a necessary strategy for success, rather than simply a morally desirable objective. After all, change is not easy; embracing board gender diversity requires a fundamental shift in corporate cultural paradigms and additional effort to find talent outside of established networks. However, the rewards of board gender diversity will more than make up for this extra work.

Our study emphasizes that firm performance is not the only reason why governments and business leaders should embrace diversity. First, the social case for diversity is strong enough in itself: businesses in the ASEAN region have increasingly diverse workforces, where women play crucial roles in almost all operational aspects, from the shop floor to senior management. There is no reason why company boards should not reflect this diversity. Second, senior female leaders have similar academic qualifications to their male counterparts, which suggests that there is no shortage of talent.

Finally, increasing women's presence on company boards widens the talent pool from which they can draw, driving



operational excellence, and bringing unique insights and fresh perspectives, which enable stronger decision-making. For example, women may bring different leadership traits, introducing a more varied and comprehensive set of competencies to the boardroom. It has also been suggested that women can (in general) be more flexible in their views, more open to different ways of thinking and less command-oriented than men, facilitating more open discussion between board members, reducing groupthink and improving relations between board members and employees. Evidence also shows that women are interested in engaging with environmental, social and governance (ESG) issues, which are vital for enhancing a firm's reputation and impact.

HOW CAN FIRMS ENSURE THAT DIVERSITY DRIVES PERFORMANCE?

While our analyses provide compelling evidence that board gender diversity can improve company performance, numerous barriers may prevent diversity from automatically translating into better bottom lines for businesses. Firms can ensure that diversity drives performance by identifying and

removing these barriers. One particular challenge is the risk of tokenism—appointing women in order to fulfil a quota, appease investors or make the firm appear more progressive and diverse. Firms can mitigate this risk by appointing women based on skill and merit, and by ensuring that women's contributions are not played down or dismissed. Critical mass theory also suggests that the risk of tokenism diminishes once women account for a certain proportion of board seats (in general, 30 percent).

The potential for gender bias among local investors also poses a challenge in countries where cultural norms call women's leadership abilities into question. The presence of international investors can help to alleviate this bias, as they are likely to view improvements in board gender diversity as a positive development. Finally, there is a risk that boards will not take full advantage of the skills and perspectives of female members. Women need to be given genuine opportunities to contribute in order for board gender diversity to improve performance—for example, appointing them to key committees and including them in strategic planning and decision-making processes.

Chapter 1

Board gender diversity in ASEAN

Board gender diversity has improved across all regions over the last two decades. In the early 2000s, there were only a handful of countries in Western Europe where women held more than 10 percent of board seats. Today, many countries exceed the double-digit threshold. There is also increasing awareness among businesses, governments, institutional investors and the public about the need to build more inclusive workplaces in general, all the way up to the highest echelons of management and directorships. Diversity can provide benefits to firms and raises both the quantity and quality of female leadership.

This study focuses on six countries in the ASEAN region: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The study also includes one regional non-ASEAN member, China, to provide a point of comparison. Most of these countries have made important strides towards achieving greater gender diversity in the boardroom. However, there is room for improvement. In many countries, for example, a large number of companies still have all-male boards. There is also a mismatch between boardroom representation and the number of women in senior management positions, revealing a further glass ceiling that needs to be overcome—even for women at the highest levels.

In this chapter, we explore the scale of board gender diversity in the ASEAN region.

1.1 CURRENT STATE OF PLAY IN ASEAN

Companies across the world are facing scrutiny with respect to who is sitting in their boardrooms. There is also increasing pressure from shareholders and other stakeholders to ensure sustainable business growth, which requires diversity of thought and experience at the highest levels of company management. Since the first comparative studies were conducted in the last decade, most regions have made important advances towards board gender diversity. However, despite this progress, women's representation on boards still falls well below their overall participation in the workforce and higher education, and in some cases below their share of management positions. In many countries, cultural norms have frustrated efforts to achieve higher levels of gender diversity. In others, governments and

regulators have taken proactive measures to ensure that businesses open their boardrooms to more women—for example, by imposing disclosure requirements on listed firms, or by setting quotas.

ASEAN is currently one of the most dynamic regions in the world. Women's economic participation in the region has increased, evidenced by the fact that more and more women are graduating from university and entering the workforce. However, leadership at the apex of companies still lacks gender diversity. Across the six ASEAN countries included in our study, we noted considerable variations in board gender diversity. According to our analysis, Thailand is the most gender diverse, with women holding 20.4 percent of board seats in listed companies, followed by Vietnam (15.4 percent) and Indonesia (14.9 percent).

Women in business leadership positions across ASEAN and China, 2017 (% of women in positions)

	ASEAN AVERAGE	INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	CHINA
Board membership*	14.9	14.9	13.5	13.2	11.9	20.4	15.4	12.7
Board roles								
Board chair	7.1	11.7	6.1	3.9	5.2	7.6	7.8	4.4
Executive director	13.8	-***	14.0	12.4	11.8	19.7	11.1	9.7
Non-executive director	14.3	-***	10.4	14.7	11.1	19.7	15.5	11.5
Independent director**	13.4	14.6	13.9	8.9	11.3	18.1	-***	14.6
Audit committee	14.6	19.0	11.2	13.1	9.9	19.8	-***	18.7
Other leadership roles								
Senior management	25.2	18.4	26.2	32.8	27.2	29.7	16.8	13.5

Source: Economist Intelligence Unit analysis.

*Board of directors for all countries except Indonesia; board of commissioners for Indonesia

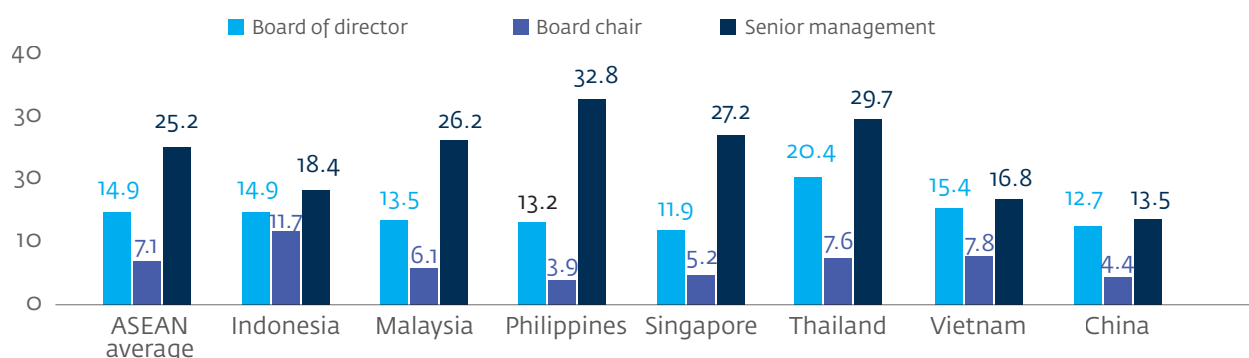
**Independent commissioner for Indonesia

***Data gaps due to unavailability of raw data

In other senior management positions, we found that listed companies in ASEAN have a better track record for gender diversity. In the Philippines, women hold 32.8 percent of senior management positions—the highest in the region. In Thailand, women account for 29.7 percent of senior management positions, while in Singapore women hold 27.2 percent of senior management positions. Indonesia has

the highest proportion of female board chairs (11.7 percent), followed by Vietnam (7.8 percent) and Thailand (7.6 percent). Our findings highlight a mismatch between women's representation in senior management and in the boardroom (as depicted in the figure below), which suggests that an additional set of barriers exist in the region for women seeking boardroom positions.

Proportion of females in board, board chair and senior management positions, 2017 (%)



Source: Economist Intelligence Unit analysis.

At the regional ASEAN level, we found that on average, 39 percent of companies had no female board members, 61 percent of companies had at least one female board member and only 16 percent of companies had more than 30 percent female board membership. In Thailand, the country that topped our study, the vast majority (88 percent) of companies had at least one woman on their board. In Singapore, only 6

percent of companies had more than 30 percent female board membership, and 42 percent had no women on their board. The figures for China were on par with the ASEAN average, especially the percentages of companies with no women on the board (39 percent for ASEAN, compared to 40 percent for China) and companies with at least one woman on the board (61 percent for ASEAN, compared to 60 percent for China).

Extent of board gender diversity across companies, 2017 (% of companies)

	ASEAN AVERAGE	INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	CHINA
If a company board includes no women	39	60	37	36	42	12	47	40
If a company board includes at least one woman	61	40	63	64	58	88	53	60
If more than 30 percent of company board members are women	16	31	11	9	6	21	18	11

Source: Economist Intelligence Unit analysis.

The global state of play

Western Europe remains the world leader in board gender diversity, with women holding more than 20 percent of board seats in many countries, and significantly more in countries such as Norway (42 percent), France (40.0 percent) and Sweden (31.7 percent).¹ This progress reflects a more hands-on approach by governments, as well as favorable cultural attitudes towards diversity across society, the media, and agents that influence businesses, such as institutional investors.

The proportion of board seats held by women nearly doubled between 2010 and 2016 among countries in the Organisation for Economic Co-operation and Development (OECD). The biggest gains were observed in a small number of Western European countries that have adopted policies to promote inclusion. By far the most proactive policy involves the use of government-imposed gender quotas, first introduced by Norway in 2003. Since France and Italy established quotas in 2011, the share of board seats held by women in these countries has skyrocketed,

from 12 percent in 2010 to 37 percent by 2016 in France, and from 5 percent to 30 percent in Italy. Over the same period, the share of board seats held by women in Germany increased from 13 percent to 27 percent, according to the OECD.² These results stand in stark contrast to the United States, where women hold 14.2 percent of board seats. Despite being an early champion of gender equality in the boardroom, a lack of proactive policies has resulted in the country falling behind its European peers in recent years, with studies showing either minimal growth or even a decline in female board representation.

Progress has been slower in terms of increasing the number of boards with a female chair. In Western Europe, barely 4.4 percent of boards have a female chair, according to a 2017 study³—lower than in Africa, Australia, New Zealand and the Middle East. In France, for example, just 2.7 percent of companies had female chairs, despite women holding 40 percent of board seats in companies listed on the SBF 120 (the main stock market index).



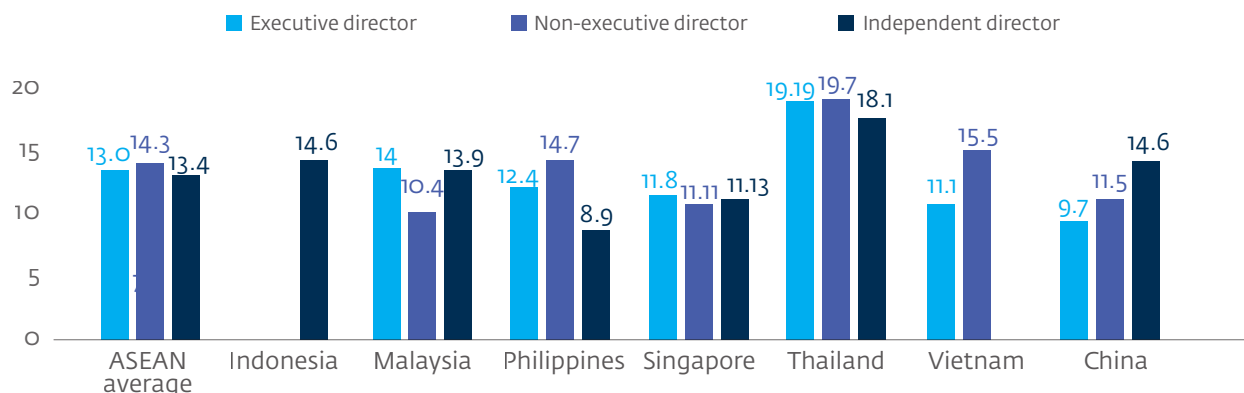
No consistent trend in terms of the types of directorships held

Company boards include a mixture of executive directors, non-executive directors and independent directors. Executive directors⁴ are members of a company board who also have management responsibilities. Non-executive directors are members of the board, but are not involved in the day-to-day operations of a company and are not considered independent (usually due to ties with controlling or other relevant shareholders). Independent directors are board members who have no material interests in the firm (unlike shareholders, former executives or directors, customers, and so on). In most Western countries, having a large number of independent directors is considered best practice. Independent directors help to promote good governance by strengthening the supervision of company executives; strategic direction, planning and budgeting; and compliance with legal and regulatory requirements. It has been

suggested that the positive impact of female board members may be most strongly felt in these positions, especially as many female non-executive directors are members of the controlling family in family-owned firms.⁵

In our analysis of gender diversity in listed ASEAN companies, we found a modestly higher proportion of female non-executive directors, compared to female executive directors, in the majority of the countries studied. Only Malaysia and Singapore bucked the trend, while Thailand had similar shares of both, as highlighted in the figure on the next page. At the ASEAN level overall, the figures for executive and non-executive directors were almost on par. This is an important difference between ASEAN and Western countries, where the proportion of female non-executive directors is noticeably higher.⁶ The preponderance of family-run firms in ASEAN, where women are more likely to hold executive directorships, is the most plausible explanation for this difference.

Proportion of females in executive, non-executive director and independent director positions, 2017 (%)



*There is no data available on executive/non-executive director positions in Indonesia. There is also a lack of data on independent director positions in Vietnam.

Source: Economist Intelligence Unit analysis.

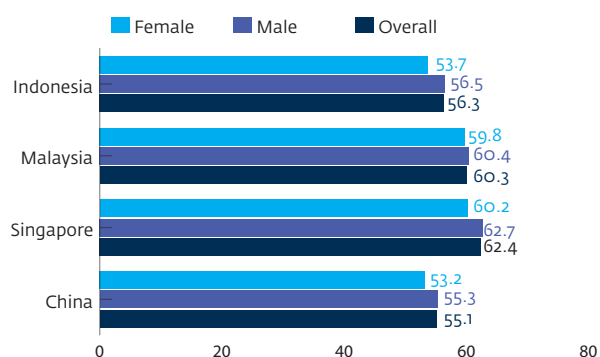
Existing literature—such as Adams and Ferreira’s 2009 study on board gender diversity—also suggests that women may be more likely than men to sit on committees with monitoring responsibilities, such as audit, nominating and governing committees; and less likely to sit on risk and compensation committees.⁷ Given that women are typically appointed to a board by existing male board members, this may reflect a belief that women are more risk-averse than men. This may be partly true⁸, but should not be the sole reason for denying women a position on these committees. Through our analysis, we found that women accounted for 14.6 percent of audit committee membership in the ASEAN region overall. Thailand had the highest share of women on audit committees (19.8 percent), followed closely by Indonesia (19.0 percent). China also had comparatively high female representation on audit committees (18.7 percent).

Characteristics of ASEAN female directors are in line with global counterparts

Our study did not compile data on the characteristics of female board members in the ASEAN region (such as age or educational attainment), but other global surveys have captured this information. Research suggests that aside from minor differences, female board members in ASEAN tend to be younger than their male counterparts, and they tend to have business-related degrees.⁹

According to a 2016 survey by global executive recruitment firm Egon Zehnder,¹⁰ the average age of female board members in Asian countries was 57.6 years, compared with 61 years for their male counterparts. The age difference between male and female board members in Asia, which averaged 3.4 years, was also among the narrowest in the world. Malaysia was particularly notable in this regard, with an age difference of just 0.6 years. The age difference globally was 3.4 years, with average ages of 61.2 years and 57.8 years for male and female board members, respectively. In Western Europe, the age difference was 4.1 years (males: 59.1 years, females: 55 years). The United States and Canada reported smaller age differences (2.9 years), but slightly higher average ages (63.7 years for men and 60.8 years for women).

Average age of board members for selected Asian countries, 2016 (years)



Source: 2016 Global Board Diversity Analysis (Appendix), Egon Zehnder.



In terms of qualifications, male board members in some ASEAN countries tend to have higher academic qualifications than their female counterparts. This contrasts with some European countries, such as the United Kingdom, where women have higher levels of education, on average.¹¹ In Singapore, for example, higher proportions of male board members had master's and PhD degrees compared to female board members. With the exception of Singapore, however, differences in the numbers of women and men holding bachelor's and postgraduate degrees were not particularly large, which suggests that ASEAN countries do not lack educated women to sit on their boards. In Malaysia, approximately half of all male and female board members had bachelor's degrees, and a higher proportion of female board members had master's degrees, compared to male

board members. Higher tertiary enrolment rates for women in all six ASEAN countries in this study and in China suggest that the pool of female talent extends to the workforce as a whole.

Despite having a lower share of board seats, the characteristics of women in boardrooms in the ASEAN region (and in China) appear to be broadly similar to those in Western countries. While later chapters explore the unique difficulties that women in the region face in obtaining a directorship, these similarities suggest that many of the main factors that explain a lack of board gender diversity have global relevance. The next chapter discusses these factors and explains how they influence board gender diversity at country and company levels.



Key takeaway

Although ASEAN is one of the most dynamic regions in the world and women's economic participation has increased, leadership at the apex of companies still lacks gender diversity. According to our study, Thailand has the greatest board gender diversity in the region, with women holding 20.4 percent of board seats in listed companies, followed by Vietnam (15.4 percent) and Indonesia (14.9 percent).

ENDNOTES

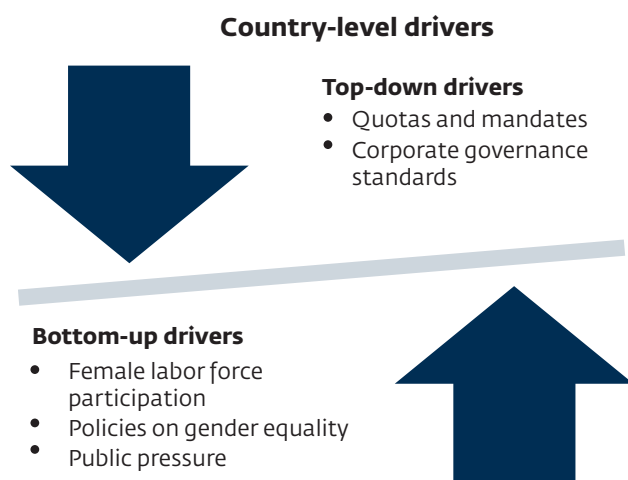
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Chapter 2

Drivers of board gender diversity in ASEAN

Advancing gender diversity requires a combination of country- and company-level initiatives. Over the past two decades, efforts to encourage board gender diversity have relied on both direct measures, such as introducing gender quotas and developing or revising corporate governance standards; and indirect measures, such as promoting greater female labor force participation, or gender equality in general.

Board gender diversity is also influenced by company-specific factors, such as industry and ownership structures. Numerous other drivers can also push companies towards a more gender-diverse agenda, such as the presence of activist stakeholders, foreign investors disseminating global best practices, and a diverse client base. Although most of these drivers are less common in ASEAN than in Western Europe, there is evidence they will gradually grow in importance as companies in the region become more global.



2.1 COUNTRY-LEVEL FACTORS THAT DRIVE BOARD GENDER DIVERSITY

Advancing board gender diversity starts at the country level, with governments influencing the company-level environment through direct or indirect measures. Quotas and corporate governance standards are the most common top-down policy tools for increasing board gender diversity. Other policy tools that aim to develop more gender-diverse societies can also indirectly influence board gender diversity—for example, increasing female labor force participation and introducing gender equality policies.

Changing the game from top down, and from bottom up

Western European countries have generally taken the lead in imposing top-down direct measures, the most visible of which are mandatory quotas. Norway first established mandatory quotas in 2003, and a number of European Union (EU) countries have since followed suit. Quotas have typically been accompanied by pronounced increases in board gender diversity, although their impact on firm performance is still unclear.¹

Beyond quotas, other direct measures include revising corporate governance codes. This is seen as a less burdensome top-down method of achieving board gender diversity. These codes can require companies to publicly disclose the number of women on their boards, to take gender diversity into consideration for boardroom appointments, and to publicize their policies on gender diversity and their progress towards achieving it. This “comply or explain” approach—adopted in countries such as Canada and the United Kingdom—provides a middle ground between implementing quotas and taking a laissez-faire approach, which makes it appealing to countries concerned about the regulatory burden associated with quotas and/or possible impacts on company performance.



The United Kingdom incorporated gender diversity disclosure requirements in 2012, and the share of board positions held by women has since risen from 18.2 percent to 26.3 percent (in 2016), according to Korn Ferry (a global organizational firm). This represents significantly faster growth than in previous years. Canada incorporated gender diversity disclosure requirements in 2014 and experienced similarly rapid growth in the share of board positions held by women, which increased from 18.3 percent in 2014 to 25 percent in 2016.

Governments in the ASEAN region have been much less active in promoting board gender diversity than in Western Europe, but a number of interesting interventions should provide clearer evidence in the coming years in terms of which policies might work best in the region. Malaysia has undoubtedly been

the most aggressive in pursuing board gender diversity, as the first country in the region (and one of the few in the world, outside of Western Europe) to set a target for female board representation. Countries like the Philippines, meanwhile, have seen their regulatory agencies integrate some of the best practices from Western Europe into their corporate governance codes (discussed in the box below). Thailand, which boasts the highest share of female board seats in our study, has also introduced an extensive set of measures to improve diversity, largely driven by the business sector. In all three countries, most of these measures are quite recent, and it is too early to gauge their success (or failure). However, the difficulties encountered by the Malaysian Government in enforcing its target suggests that more flexible measures may be more suitable in the ASEAN region.

Malaysian, Filipino and Singaporean regulators take the lead

Malaysia established an ambitious gender target of 30 percent female board representation, to be achieved by 2016. It was unable to meet this target, however, and has since pushed the deadline back to 2020. The target is now 30 percent in the top 100 publicly-listed companies. The government is planning to step-up its efforts to reach this new target by “naming and shaming” publicly-listed companies that fail to appoint more women to their boards. This was done in January 2018. Malaysia is also one of only two places in Asia (alongside Hong Kong) where the 30% Club operates—an international campaign of board chairs and business leaders that promotes a (voluntary) target of 30 percent female board representation.² The Malaysian chapter of this organization was set up in 2015. Despite these efforts, our study found that just 13.5 percent of board seats in Malaysia are currently held by women, raising questions about how quickly the targets will be met.

The Philippine Securities and Exchange Commission (SEC) revised its code of corporate governance for listed

firms to recommend the establishment of policies on board diversity, including (but not limited to) gender. The revised code particularly recommends an increase in the number of female directors, including female independent directors. The code echoes much of the literature on board gender diversity, which argues that a more diverse board contributes to a reduction in groupthink, in turn promoting more efficient decision-making. The code only came into force in January 2017, so it is too early to measure its effectiveness in promoting board gender diversity. Our study found that 13.2 percent of board seats in the Philippines are currently held by women—a level almost identical to that of Malaysia, despite the absence of a target. Singapore has also adopted a gender perspective in its most recent revision of its code of corporate governance, which came into effect on January 1, 2019. The new code requires listed companies to publicly disclose their board diversity policy in their annual reports, and to describe their progress in attaining their targets. The code does not set these targets, however; instead, it suggests using peer criteria.³



Thailand's higher levels of female boardroom representation may be influenced by its engagement in other initiatives designed to promote female business leadership. Thailand is one of the few East Asian countries that is part of the Equal Futures Partnership, and it has undertaken several steps at the country level to comply with the requirements of this initiative, which seeks to promote women's participation in public life, including business life (Indonesia is also a member of this partnership). This includes creating the National Women's Development Fund, a financial resource

to improve women's potential and career opportunities; and the Women Enterprise Incubation Centre, which was established to provide advice for women entrepreneurs, and to organize activities to develop business knowledge for women in career-building and access to information and rights.⁴ Although many of these initiatives are not unique to Thailand, few other ASEAN countries have established such a comprehensive set of measures, which suggests they may be partly responsible for Thailand's higher rate of board gender diversity.

Effect of country-level drivers globally: reviewing the evidence

There are several country-level factors and policies that may facilitate the inclusion of women in boardrooms. Through our extensive literature review, we were able to identify some of the major factors and policies that have been highlighted across studies and their impacts on greater board diversity globally. A summary of some of the key findings is provided below.

Several studies have found that quotas mandating a specific number of women on boards have an uncertain effect on board diversity. While useful in theory, some studies conclude that quotas may be too narrow a policy tool to address some of the more systemic issues of female under-representation.⁵ For instance, a 2011 study by IFC suggested that quotas encouraged tokenism and a lack of commitment from existing board members.⁶ However, a 2017 study by Solimene et al. found that the introduction of quotas supported a significant rise in the share of women on the boards of some of Europe's largest companies.⁷

Corporate governance standards with recommendations on board diversity are largely believed to be positive drivers of board diversity. Adams and Kirchmaier (2013) found that the existence of corporate governance codes was positively correlated with director participation.⁸ Similarly, a Thomson Reuters study (2016) found that regional trends in female board representation were driven largely by regulatory requirements.⁹ Gallego-Alvarez and colleagues (2010) looked at the corporate governance approach through the lens of social cohesion and economic growth. They argued that while this approach promoted social cohesion, the economic impact was only realized if corporate governance regulations led to an increase in corporate value.¹⁰

Other macroeconomic factors such as greater female labor force participation and policies that promote gender equality function as external drivers of board diversity. A 2016 study by the International Monetary Fund (IMF) found a stronger correlation between gender diversity in senior positions and the financial performance of companies in sectors where women accounted for a larger share of the labor force.¹¹ Similarly, a 2016 study by the Asian Development Bank (ADB) found that government policies promoting gender diversity in business leadership improved the social conditions required for gender equality, which can have a trickle-down effect on board diversity.¹²

The benefits of labor force diversity

Unsurprisingly, countries with narrower gender gaps in the labor force tend to perform better in terms of board gender diversity, even in the absence of direct measures to enhance it. A 2016 comparison study of corporate governance in Singapore and Vietnam suggested that higher female labor force participation in Vietnam may explain the higher levels of board gender diversity, despite poorer corporate

governance practices and a weaker institutional base.¹³ Our study appears to corroborate this finding: Vietnam has one of the highest percentages of board seats held by women, and it also has the highest female labor force participation rate (nearly 80 percent), according to the World Economic Forum's (WEF) Gender Gap Report 2017. Thailand, which has a female labor force participation rate of 70 percent, also has one of the highest percentages of board seats held by women.

“We tend to accommodate trends in the international capital market, and diversity. We feel that not only is it the global trend, but it also adds value to the company.”

ADA INGAWANIJ
FORMER EXECUTIVE VICE PRESIDENT
THAI INSTITUTE OF DIRECTORS

Labor force composition is not the only structural factor that explains gender diversity outcomes; a country's socio-economic environment matters as well. In particular, the presence of more progressive attitudes towards women in the workplace can help to increase board gender diversity. The Vietnamese Government has long been an advocate of

gender equality, and the country performs better than many of its ASEAN peers on many equality metrics.¹⁴ For example, its “National Strategy on Gender Equality for 2011–2020”¹⁵ sets ambitious targets for women in political leadership positions, as well as in the labor market. While there are no targets for top managerial positions and board seats, this broader focus on gender equality creates a positive environment for achieving diversity in the upper echelons of management, including in the boardroom. This was reflected in the results from a 2017 study,¹⁶ which found that a far larger share of female Vietnamese employees had positive views of their companies’ policies, efforts and progress towards gender diversity than their richer Malaysian and Singaporean counterparts.

The Diversity Action Committee and Singapore Council of Women’s Organisations

Singapore has made significant advances towards achieving greater female representation in the boardroom and has launched several initiatives that demonstrate its commitment to this goal. For example, Singapore’s code of corporate governance requires companies to consider diversity as an integral part of the board nomination process. Two advocacy groups in Singapore have been instrumental in raising awareness about the under-representation of women on company boards: the Diversity Action Committee (DAC) and Singapore Council of Women’s Organisations (SCWO).

DAC: In August 2016, the DAC made recommendations to the Monetary Authority of Singapore to strengthen the code of corporate governance, as a matter of immediate priority. The organization developed guidelines and an action plan to achieve an ambitious three-tier target for companies listed on the Singapore Exchange (SGX): 20 percent female board representation by 2020; 25 percent representation by 2025; and 30 percent representation by 2030.¹⁷ Some companies have already reached this target: Mapletree Commercial Trust (40 percent female board representation), Singapore Post Limited (40 percent) and Parkway Life REIT (38 percent). Other companies are quickly closing the gap, including Hutchison Port Holdings Trust, Singapore Press Holdings Limited, Singapore Telecommunications Limited, Hi-P International Limited and OUE Commercial Real Estate Investment Trust (all with 33 percent female board representation).

SCWO: The SCWO runs the Women’s Register—a platform for networking, education, mentorship and the promotion of female directorships for women of all ages. Its outreach arm is known as BoardAgender, and it provides a forum to raise awareness of the economic benefits of an inclusive and gender-balanced business. It recently launched the SG50 Champions of Change, calling on every business leader to promote gender-balanced businesses in Singapore.

2.2 COMPANY-LEVEL FACTORS THAT DRIVE BOARD GENDER DIVERSITY

The characteristics of individual companies are also important determinants of board gender diversity. No two firms are the same, but research has shown that factors such as the industry in which a firm operates, ownership structure, and diversity in leadership can determine the likelihood of a company having a higher or lower proportion of female board members. Understanding the impact of these company-level factors makes it easier to create the right mix of policies to drive progress towards board gender diversity, particularly if progress is observed to be slower among certain types of firms or in certain industries.

Industry: The industry in which a firm operates is often associated with board gender diversity. For example, manufacturing firms tend to have lower levels of diversity than firms in the service industry. This may be because manufacturing firms are more likely to have a lower share of female employees overall, as well as company cultures that discourage the promotion of women into top managerial positions and the boardroom. In our study, we found that the consumer staples, consumer discretionary, healthcare and financial industries were the most likely to have the highest proportions of women on company boards across all countries, with women accounting for an average of 15–20 percent board membership in these industries. The table

below lists the three industries with the highest proportions of female board members for each country in our study.

From a sectoral perspective and in line with global patterns, companies in the financial and consumer sectors have the highest board gender diversity, while information technology and utilities companies have the least gender-diverse boards. This is likely a result of women’s under-representation in high-tech industries and heavy manufacturing, and greater representation in industries that require more direct engagement with clients. One of our interviewees, Grace Xiao, global head of Public Private Partnerships, UCB Trading (Shanghai) Co., Ltd., contrasted “male-dominated” sectors with the pharmaceuticals industry, where she noted the presence of many strong female sales representatives.

A 2009 study¹⁸ conducted in Germany and Spain found that female candidates for leadership positions were seen as less qualified in industries perceived as “male”. Some studies have also shown that firms closer to the final consumer—such as consumer goods companies—tend to perform better in terms of board gender diversity, reflected in the higher proportions of female board directors in such industries.¹⁹ According to Deloitte (2017),²⁰ consumer businesses ranked among the top three industries with the most board seats held by women in six out of seven regions, while financial services ranked among the top three in five out of seven regions.

Gender diversity across industries: top three industries with the highest representations of women on company boards, 2017

RANK	INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	CHINA
1	Industrials (26%)	Healthcare (27%)	Industrials (20%)	Consumer discretionary (15%)	Consumer discretionary (24 %)	Consumer staples (24%)	Utilities (18%)
2	Real estate (20%)	Financials (20%)	Financials (16%)	Real estate (15%)	Consumer staples (24%)	Consumer discretionary (20%)	Consumer staples (15%)
3	Consumer staples (15%)	Energy (19%)	Consumer staples (15%)	Financials (14%)	Financials (20%)	Real estate (19%)	Healthcare (14%)

Source: Economist Intelligence Unit analysis.

“Who is actually shopping for your food, shopping for the clothes for everyone? Generally it is women. We know and we have an instinct of what the market needs. If you are on a board and you are all male and you are deciding on, for argument’s sake, what shampoo to develop, or what market to target, even buying real estate, buying houses, why wouldn’t they have a woman? You need that point of view.”

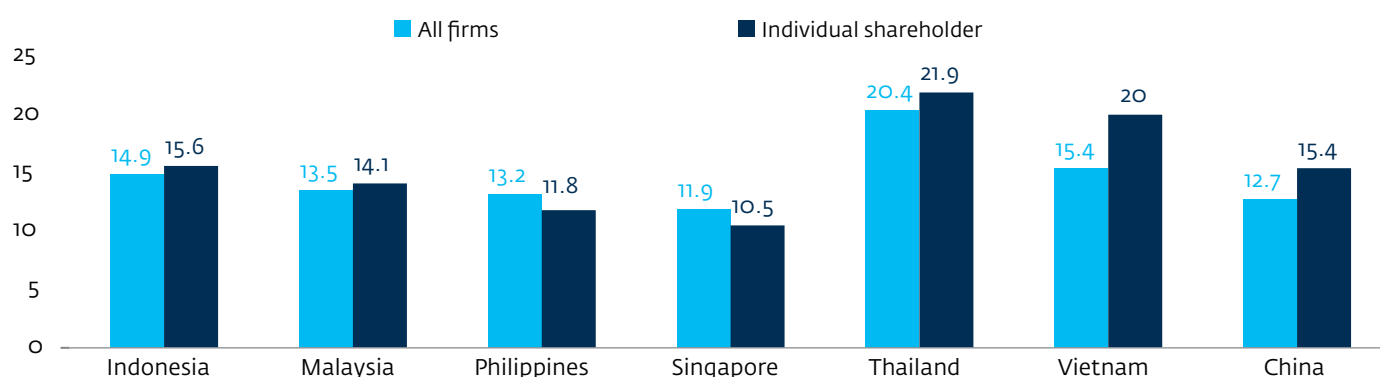
IDA TIONGSON
PRESIDENT, OPAL PORTFOLIO INVESTMENTS (SPV-AMC) INC., AND TRUSTEE, INSTITUTE OF CORPORATE DIRECTORS, PHILIPPINES

Ownership structure: There is evidence that smaller, family-owned firms tend to have more women on their boards.²¹ This is largely due to the smaller talent pools found in these firms, which make female family members more likely to have board positions (and in the longer term, encourages the integration of women who are not family members). In countries where stakeholder pressure on larger companies is weaker (as is the case in ASEAN), these small family firms may be the standard-bearers for board gender diversity. Our study found that in most ASEAN countries, and in China, firms with a single shareholder (which tends to indicate family control) had higher shares of women on their boards in all but two countries: the Philippines and Singapore.

Family ownership of a firm also tends to drive board gender diversity in ASEAN companies, where the distinction between owner and manager is, generally, less pronounced than in Western firms. An Indonesian study²² found a negative link between female executives and total firm assets and suggested that women may struggle to find opportunities for advancement in larger firms, but may benefit from family ties with the founder or controlling shareholder in smaller, family-owned firms. In Malaysia, family-owned companies are more likely to have female board directors: around seven-in-10 firms are family-owned in Malaysia, and family members account for 85 percent of company board membership.²³ In countries where family ownership is the dominant form of company organization, this is one of the main factors contributing to higher proportions of female board members.

Diversity in leadership: Our analysis highlighted the importance of diversity in driving further diversity. According to a study by Konrad and Kramer (2006), companies with at least three female directors undergo a cultural change, which encourages even greater diversity.²⁴ Interlocking directorships (where one board member serves on various boards) can also help to disseminate the values of gender diversity and best practices. In Asia, companies with a female CEO have 22 percent female board representation, compared with 7.2 percent among companies with a male CEO.²⁵

Board seats held by women, by shareholder type compared to overall figures, 2017 (%)



Source: Economist Intelligence Unit analysis.

Effect of company-level drivers globally: reviewing the evidence

Based on our review of the existing literature, we identified company-level drivers that can potentially influence board gender diversity, ranging from company image to the desire to attract more investors. The studies we reviewed discussed a number of these drivers, four of which emerged as the most influential across the literature. The first of these drivers is company recognition of the benefits of board gender diversity. A 2010 IFC study summarized the potential benefits of having more women on boards, including financial performance, a focus on risk management and a better understanding of consumer markets.²⁶ Recognizing such benefits provides a much-needed push for companies to diversify their boards.

Second, companies may be able to attract a variety of investors by increasing female board membership. Indeed, a 2017 Deloitte study found that investors were among the most influential advocates for change, and that some had even been pushing back on companies that were not doing enough to promote boardroom gender diversity.²⁷

The third driver is company desire for a better reputation or business image. As a 2012 Credit Suisse study explained, when a company appointed more women to its board, it sent a positive signal to the market about its focus on corporate governance. It could also indicate that the company was doing well.²⁸ In a 2008 survey of 335 European companies, 50 percent of respondents reported that a “diversity charter” had a beneficial effect on a company’s reputation.²⁹

Finally, shareholder activism provides an impetus to appoint more women to boards. A 2011 Global Economic Symposium (GES) study found that institutional shareholders were pushing to nominate and create their own databases of diverse directors.³⁰

Role of institutional investors

Governments are not the only agents of change when it comes to board gender diversity; external pressure from institutional investors to have more diverse boardrooms is also an increasingly important factor. For example, prompted by organizations like the 30% Club, many large investment funds have announced their intention to push companies they invest in to promote board gender diversity, and to vote against the re-election of board chairs or nomination committees that do not do enough for diversity. This has exacerbated companies’ fears of negative publicity if they are “named and shamed”. In the

United Kingdom, for example, the chair of the parliamentary Business, Energy and Industrial Strategy Committee publicly called on the 10 FTSE 350 firms that retained all-male boards in 2018 to “drag themselves out of the dark ages”.³¹ US-based State Street Global Advisors (SSGA) famously launched its “Fearless Girl” campaign (best known for placing its statue of a girl in front of Wall Street’s bull), which explicitly threatens to vote against all nominated board members of any company that does not meet its gender diversity criteria.³² Australia’s largest pension fund, AustralianSuper, has also started to vote against directors of companies with no female representation on their board.³³



This kind of pressure is not yet widespread in ASEAN. Indeed, many of our interviewees expressed disappointment in the passive attitude of many local institutional investors towards gender diversity. However, this pressure is likely to become more intense as discussions about gender diversity become more commonplace, and as the benefits for firm performance become more widely discussed and accepted. In particular, the need to attract foreign investors will function as an important catalyst, bringing greater awareness of gender issues to the region and helping to compensate for the lack of activism among local shareholders. As one of our Vietnam interviewees explained:

"I talk with some foreign investors who invest in our listed companies and they have the view that when there are women on the board they feel the company is more efficient and they have better performance than others. According to the foreign investors who invest in our listed companies and in general, I believe that in our community in Vietnam they recognize a lot of women who are very successful in business."

TRAN ANH DAO
DEPUTY CEO,
HO CHI MINH STOCK EXCHANGE

Push for more gender-diverse boards: the case of State Street Global Advisers and BlackRock

In recent years, several large institutional shareholders have been pushing for greater female representation in the boardroom. Frustrated by the slow pace of change, they are taking the campaign directly to their investees and warning them that they are prepared to vote against directors if a firm does not show a commitment to increasing diversity.³⁴

SSGA and BlackRock are two firms at the forefront of this recent campaign. SSGA defines a company with “minimal female representation” as one where less than 15 percent of the directors are women. Such companies are encouraged to address their diversity issues in order to avoid backlash from disgruntled institutional investors. SSGA has indicated that it has already voted against directors at more than 500 companies that failed to address board diversity. It has also noted gender diversity improvements at over 150 companies, achieved through either a withhold vote or engagement.³⁵ An SSGA guidance note from 2017 placed the issue firmly within the mainstream by positioning gender diversity as a mechanism for achieving effective board leadership, which it views as “foundational to good governance and positive investment outcomes”.³⁶

Similarly, BlackRock has used its annual publication of engagement priorities as a platform to underscore the importance of board diversity, and gender equality in particular. In 2018, the company amended its proxy voting guidelines to include an expectation that companies have at least two female directors, threatening a withhold vote for companies that chose to ignore these comments.³⁷ According to the Harvard Law School Forum on Corporate Governance and Financial Regulation, this pressure for greater diversity in boardrooms follows some recent and notable business scandals, and is a response to the historic under-representation of women and people of color on boards. Institutional investors’ actions are also being viewed as an effort to change perceptions about their passivity by taking an active stance in pushing companies to adopt corporate governance best practices.³⁸

Pressure to build more gender-diverse boards will also come from within companies, and from other external drivers. For example, Harry O’Neill, partner, CEO and Board Practice, Heidrick & Struggles, explained that an enlightened chair focused on improving board diversity could have a considerable impact (later chapters discuss the positive impact that a business leader committed to diversity can have on shaping a company’s agenda for inclusion). Diversity

in the boardroom also has a strong relationship with the diversity of a company’s consumer base—an important consideration in ASEAN, where women are increasingly becoming consumers in their own right.³⁹ A diverse board is more likely to meet the needs of diverse consumers, and if a company’s brand is associated with diversity, the risk of reputational backlash is a strong incentive to continue strengthening its inclusion agenda.



Key takeaway

Governments in ASEAN have been much less active in promoting board gender diversity than in Western Europe. Malaysia has taken the most aggressive approach, and countries like the Philippines have seen their regulatory agencies integrate some of the best practices from Western Europe into their corporate governance codes. Thailand—which boasts the highest share of female board seats in our study—has also introduced measures to help it align with global standards on gender diversity.

Governments, however, are not the only agents of change when it comes to board gender diversity. Pressure to build more gender-diverse boards can come from within companies and from external drivers—for example, external pressure from institutional investors to have more diverse boardrooms is an increasingly important factor. The characteristics of individual companies are also important determinants of board gender diversity.

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Chapter 3

Impact of board gender diversity on company performance

To advance the business case for greater gender diversity in boardrooms, many authors have empirically studied the relationship between gender diversity and company financial performance. We add to this literature by analyzing the relationship in the six ASEAN countries and China.

In our analysis, we found that companies with more women board members were associated with greater financial performance, measured using two financial metrics: Return on Assets (ROA) and Return on Equity (ROE). On average, ASEAN companies that had boards with more than 30 percent female membership had an average ROA of 3.8 percent, compared to 2.4 percent for companies with no women on the board. Similarly, companies that had boards with more than 30 percent female membership had an average ROE of 6.2 percent, compared to 4.2 percent for companies with no women on the board.

These results confirm a strong business case for including more women in business leadership positions in ASEAN firms.

3.1 IMPACT ON COMPANY FINANCIAL PERFORMANCE

Studies have found that gender diversity in the boardroom creates value and gives companies a competitive edge, and many have linked it with superior financial performance. Female board members are perceived as having a positive impact on a board's monitoring capabilities, bringing different viewpoints and skill sets, successfully engaging stakeholders and introducing different leadership styles.

The presence of women in leadership positions is also linked to overall employee satisfaction, which in turn leads to a more productive workforce and contributes to company growth.¹ Regional experts add that diversity on a board can improve

performance and increase innovation in a company. Women on boards are also seen as contributing to improvements in firms' environmental, social and governance (ESG) standards, primarily through greater focus on corporate social responsibility, community engagement, human rights and ethical conduct.

Through our study, we contribute to this evidence base by comprehensively analyzing the impact of board gender diversity on company performance in six ASEAN countries and China. Our study combines statistical analysis of company-level data with key findings from interviews with senior stakeholders to understand women's impact on company processes and operations, which can lead to better financial performance.

Indicators of company financial performance

Several metrics are commonly used to measure company financial performance. These measures are broadly divided into two categories: accounting-based measures and market-based measures. Accounting-based measures are considered to be good indicators of a company's profitability. Based on our review of the existing literature, we noted that two robust accounting-based measures are most frequently used to assess performance: ROA and ROE.

Definitions of key indicators selected for our study

- **ROA:** A short-term measure of company performance, which measures the net profit that a company earns, before interest and taxation, as a percentage of total assets.
- **ROE:** A short-term measure of company performance, which measures net income as a proportion of total equity and captures how well a company uses investments to generate earnings growth.

Company-level analysis of simple averages for ASEAN shows a strong relationship between greater board diversity and company financial performance

We examined 1,836 companies from six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) and China.² Companies were included in the sample if they had disclosed data on gender board representation for 2017. For these six ASEAN countries and China, we first examined patterns in financial performance for companies across three levels of gender diversity:

- If a company board includes no women
- If a company board includes at least one woman
- If more than 30 percent of company board members are women.

When we calculated simple averages—i.e. the mean ROE and ROA of all companies at each level of gender diversity—we found that on average, companies with more women on the board were associated with greater financial performance.

Financial performance of companies in ASEAN countries and China using simple averages, 2017 (%)

REGION/ COUNTRY	GENDER VARIABLE	AVERAGE ROA	AVERAGE ROE
ASEAN (six countries)	If a company board includes no women	2.4	4.2
	If a company board includes at least one woman	3.7	5.8
	If more than 30 percent of company board members are women	3.8	6.2
China	If a company board includes no women	5.7	10.3
	If a company board includes at least one woman	5.8	10.7
	If more than 30 percent of company board members are women	6.0	9.9

Source: Economist Intelligence Unit analysis.

ROA values for companies with at least one female board member or more than 30 percent female board membership were found to be higher than ROA values for companies with no women on the board: companies where women



accounted for more than 30 percent of board membership had an average ROA of 3.8 percent, companies with at least one woman on the board had an average ROA of 3.7 percent, and companies with no women on the board had an average ROA of 2.4 percent. While the trend was similar in China, the differences were smaller compared to the ASEAN regional average.

ROE values for companies with at least one female board member or more than 30 percent female board membership were also found to be higher than ROE values for companies with no women on the board: companies where women accounted for more than 30 percent of board membership had an average ROE of 6.2 percent, companies with at least one woman on the board had an average ROE of 5.8 percent, and companies with no women on the board had an average ROE of 4.2 percent.

Using a statistical model to examine the relationship between gender diversity on the board and financial performance

Next, we ran pooled regressions to analyze the statistical impact of board gender diversity on financial performance (ROA and ROE). In this approach, we analyzed ASEAN countries as a group and controlled for country-level effects (using country dummies). Our findings are summarized in the table below.

Financial impact of board gender diversity in ASEAN companies using a statistical model, 2017

GENDER VARIABLE (KEEPING ALL OTHER FACTORS CONSTANT)	INCREASE IN FINANCIAL VARIABLE
If a company board includes at least one woman	1.4% increase in ROA
If more than 30 percent of company board members are women	1.2% increase in ROA
If there is a 10 percent increase in women at both the board level and the senior management level	0.7% increase in ROA 1.0% increase in ROE
If there is a 10 percent increase in women at the senior management level	0.3% increase in ROA 0.6% increase in ROE

Source: Economist Intelligence Unit analysis.

We found that if a company's board diversity were to increase from zero (an all-male board) to having at least one woman on the board, the ROA would likely increase by 1.4 percent on average, keeping all other factors constant. If board diversity was to increase to more than 30 percent female board membership, the ROA would likely increase by 1.2 percent on average, compared to having 30 percent female board membership or less. Findings from our regressions support the results from our previous analysis using simple averages and strengthen our argument that companies with a higher proportion of women on their board are generally associated with greater financial performance.

In addition to examining thresholds for board gender diversity, we examined whether increases in gender diversity at both the board and the senior management level were associated with greater firm financial performance. Analyzing the six ASEAN countries as a group, we found that for every 10 percent increase in gender diversity (female representation) in board membership and senior management positions combined, the ROA would likely increase by 0.7 percent and the ROE would likely increase by 1.0 percent, on average. For every 10 percent increase in gender diversity in senior management positions alone, we found that the ROA would likely rise by 0.3 percent and the ROE would likely increase by 0.6 percent, on average. In all cases, an increase in gender diversity was positively associated with improvements in financial performance.

Overall, our statistical findings align with the views of our expert interviewees, who stressed the positive impact of having women on boards of directors, and in business leadership positions in general, on overall company performance. For instance Harry O'Neill, partner, CEO and Board Practice, Heidrick & Struggles, noted that when looking at company performance in general, diverse companies tended to perform better, compared to non-diverse companies. In his opinion, there had been considerable improvement in terms of gender representation and an increased focus on getting the right numbers of women in place at an operating level. Possible relationships between greater gender diversity and company performance are explored further in the next section.

Relationship between board gender diversity and financial performance globally

The global literature on the impact of board gender diversity on company performance is mixed. There are many studies that comprehensively show improvement across at least one of the indicators of performance in firms that have more women on their board. However, there are also a number of studies that have found either a negative or neutral association between gender diversity and performance. Many of these studies analyze the relationship between diversity and stock market indicators of company value, which is different from profitability/accounting performance. Some authors, for instance, argue that the negative reaction of the market to appointing a woman to the board may be due to analyst or investor bias, which can be more pronounced in some markets and impact statistical results.

A 2012 Credit Suisse report found that companies with at least one woman on the board outperformed—in terms of share price performance—those with no women on the board over the course of six years. However, this effect was witnessed post-2008 (when the global economy was not stable), relative to the 2005–2007 period (when economic growth was robust). The report concluded that relative share price outperformance by companies with women on the board may be inconsistent, but greater balance on the board brings less volatility and more stability through the business cycle.³

Adams and Ferreira (2009) studied a sample of US firms and found that female directors performed better in terms of committee attendance and participation, allocating more effort to monitoring responsibilities. However, their results suggested that the average effect of gender diversity on company performance was negative.⁴

In contrast, the latest research from MSCI ESG shows that companies with strong female leadership generated an ROE of 10.1 percent per year, compared to 7.4 percent for those without such leadership.⁵ Similarly, a 2015 study on women on the boards of Australian companies found a positive association between board diversity and company financial performance (ROE, ROA and Tobin's q) after controlling for several firm-specific and governance variables.⁶

Country-level regressions show mixed results for specific ASEAN countries

In addition to our ASEAN-specific analysis, we conducted analyses individually for all countries in our study (six ASEAN

countries, plus China). It was difficult to identify broad patterns across ASEAN countries and China, but positive relationships between gender diversity and financial performance were found. A summary of the key significant results is provided in the table on the following page.

Financial impact of gender diversity at the country level using a statistical model, 2017

COUNTRY	GENDER VARIABLE (KEEPING ALL OTHER FACTORS CONSTANT)	CHANGE IN FINANCIAL VARIABLE
Singapore	If there is a 10% increase in women at both the board level and the senior management level If there is a 10% increase in women at the senior management level	1.5% increase in ROA 1.8% increase in ROE
Thailand	If there is a 10% increase in women at the board level	0.7% increase in ROA
Malaysia	If there is a 10% increase in women at both the board level and the senior management level If there is a 10% increase in women at the senior management level	1.6% increase in ROE 1.1% increase in ROE
Philippines	If there is a 10% increase in women at the board level	2.0% increase in ROA
China	If there is a 10% increase in women on audit committees	0.2% increase in ROA

Note: We have only included country-level results that showed significant statistical results. As such, not all six countries are featured in this table.

Source: Economist Intelligence Unit analysis

We found that for every 10 percent increase in gender diversity in board membership and senior management positions combined, there would likely be a 1.6 percent increase in ROE in Malaysia and a 1.5 percent increase in ROA in Singapore. In the case of senior management positions alone, for every 10 percent increase in gender diversity we found that there would likely be a 1.1 percent increase in ROE in Malaysia and a

1.8 percent increase in ROE in Singapore. In the case of China, we noted a positive result when testing for the significance of female membership on audit committees: for a 10 percent increase in gender diversity on an audit committee, there would likely be a 0.2 percent increase in ROA. It is important to note that although the coefficients were small, the direction in all cases remained positive.

Other empirical studies on Asia

In the Asia region more broadly, several studies have evaluated the impact of board gender diversity on company performance. In 2015, Korn Ferry studied 10 Asia-Pacific countries and found that companies where women accounted for 10 percent or more of board membership had a higher ROE (3.6 percent) and ROA (1.3 percent) than companies where women accounted for less than 10 percent of board membership.⁷ In 2016, the ADB⁸ found similar results: higher ROE (3.5 percent) and ROA (0.9 percent) among companies with at least one female board member.

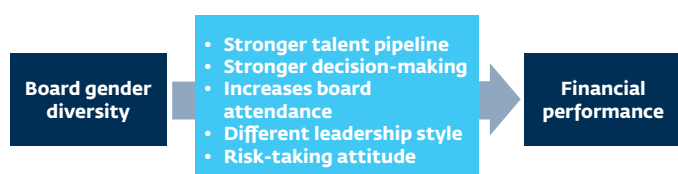
However, a negative relationship has been observed in some Asian countries: the Korn Ferry and ADB studies found that board gender diversity was negatively associated with ROE and ROA in Malaysia; and an ASEAN study focused on the banking sector found that board gender diversity was negatively associated with company performance in Malaysia.⁹ According to the literature, these negative results could be attributed to women being more risk-averse than men, resulting in the implementation of slightly less risky strategies by boards with female members.¹⁰



Drawing on information gleaned from our expert interviewees, Section 3.2 of this report examines possible reasons why greater gender diversity could be associated with improved company financial performance, particularly gender diversity in board membership and senior management positions.

3.2 THE LINK BETWEEN BOARD GENDER DIVERSITY AND FINANCIAL PERFORMANCE

To understand the link between board gender diversity and company financial performance, and why greater gender diversity might foster greater financial performance, it is important to consider the non-financial impacts of success that result in better financial performance, such as reputation, decision-making, risk-taking and leadership styles.



Through both a review of the existing literature and findings from our own interviews, we identified the following key non-financial factors.

Hiring more women provides access to a wider pool of talent

The presence of women on boards can add value to a company's bottom line in several ways. First, when a company is open to hiring female board members, it automatically widens the talent pool from which it can draw. This allows the company to attract top talent to drive operational excellence. Expanding the talent pool is especially important in the ASEAN region, where more than 70 percent of senior executives said that companies struggled to build a steady supply of top talent, according to the Human Capital Leadership Institute (a think tank based in Singapore). A number of interviewees were optimistic about the region's talent pool, stating that there were currently a lot of women in senior management positions. Although the numbers are not as extensive as in the male talent pool, there are high proportions of female senior managers who could be board members.

Diverse perspectives in decision-making minimize the adverse effects of groupthink

A gender diverse board benefits from unique insights and fresh perspectives, enabling stronger decision-making. Gender diversity also facilitates more open discussion between board members, reduces groupthink and improves relations between board members and employees.¹¹ Our interviews with regional experts strongly supported these findings. For example, interviewees agreed that the presence of female board members reduced groupthink, which they considered highly valuable—especially given the widely held view that all-male boards often operate as a sort of “old-boys’ network”. Interviewees noted that even bringing a single diverse perspective into an otherwise homogeneous group can shift decision-making and prevent groupthink, which otherwise encourages less dynamic discussions and negatively affects performance. Having more women on boards can also help to increase cognitive diversity, contributing to stronger decision-making and leading to a greater understanding of the needs and demands of the global market. This allows companies to sharpen their ability to spot reputational risks that may otherwise be missed entirely.

Boards with greater numbers of women tend to have better board governance

Gender-diverse boards have also been found to improve corporate governance. For instance board attendance improves, which means that board members are better informed and better equipped to make effective decisions to drive performance. Good board attendance is often considered a proxy for good governance. A study by Adams and Ferreira (2009)¹² analyzed the attendance behavior of male and female directors in the United States and found that women were 30 percent less likely to experience attendance problems than their male counterparts. Furthermore, the authors found that the presence of female directors contributed to a 9 percent reduction in male director attendance problems.

Greater female representation leads to more flexible leadership

Women are believed to be more flexible in their views and more open to different ways of thinking than men. They are also seen as less command-oriented, which helps to nurture a friendlier and less confrontational atmosphere, not only in the boardroom but also in relationships with employees. Interviewees confirmed that women often have a different leadership style, generally speaking. According to Tran Anh Dao, deputy CEO, Ho Chi Minh Stock Exchange (Vietnam), board meetings were friendlier when there were female board members, as women tended to gather ideas inclusively and then arrived at effective conclusions. Women are also associated with comparatively different emotional quotients and may be able to bring up perspectives that are not necessarily obvious to men, who can be more focused on the tangible. Studies¹³ have claimed that certain attributes are predominantly associated with males or with females, while a few are considered gender neutral. Women are considered to be more empathetic and socially responsible, while men are considered to be more tolerant of stress and more self-confident.

Women are considered to be more risk-averse than men

It is often assumed that women are more risk-averse than men, and that diversity produces more risk-averse behavior. However, it has also been argued that in top leadership positions, women have a risk-taking attitude that is not substantially different from that of their male counterparts. For example, Chen and colleagues (2017)¹⁴ found that greater board gender diversity among US-listed firms was positively associated with financial risk and with lower reputational risk (like tax avoidance), while Sila and colleagues (2016)¹⁵ found no evidence of a link with equity risk. Interviewees in the Philippines acknowledged that many of the large businesses in their country were run by women who were very entrepreneurial and knew how to manage risk.

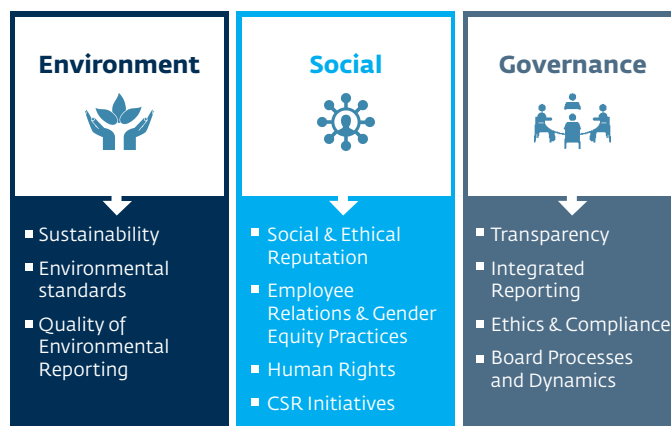
Greater female representation creates a more transparent working environment

Having women on board committees with monitoring responsibilities—such as auditing, nomination, compensation and corporate governance committees—helps to create a more transparent corporate environment. One study found a positive link between board gender diversity and performance in firms with weak governance, which suggested that women’s commitment to monitoring played an important role.¹⁶ Another study¹⁷ showed that firms with women on audit committees had lower audit fees, more effective internal controls and greater integrity in financial reporting. Although some of our regional experts claimed that there were no major gender differences in committee membership, others suggested that women were more likely to assume monitoring roles due to their backgrounds as accountants or lawyers, which were more suitable for such activities.

Improving environmental, social and governance performance

There is considerable evidence that women on boards contribute to improving a firm’s ESG standards. A recent literature review by IFC¹⁸ found positive correlations between board gender diversity and firms’ approaches to environmental issues, such as environmental performance and reporting, as well as the pursuit of environmental initiatives. Gender-diverse firms were also seen to have a more positive social impact inside and outside the firm in areas such as corporate social responsibility, community engagement, human rights and ethical conduct, as well as improving business culture, worker relations and work–life balance. Firms with more female directors were shown to have better corporate governance practices, such as internal controls, transparency, ethics and compliance. Although not directly related to company performance, these benefits can improve a firm’s reputation and standing relative to its rivals.

Link between ESG Standards and presence of women in senior leadership



Source: IFC (2018).

How can firms ensure that diversity drives performance?

Our analysis provides compelling evidence that board gender diversity can improve company performance. However, the fact that global and regional studies have failed to find conclusive links between diversity and improved performance demonstrates that numerous barriers may prevent diversity from automatically translating into better bottom lines for businesses.

One particular challenge is the risk of tokenism—appointing women to positions in order to fulfil a quota, appease investors, or make the firm appear more progressive and diverse. Motivations such as these may mean that women are not appointed based on skill or merit, or that a woman’s contributions (however valid) are played down or dismissed. However, critical mass theory suggests that the risk of tokenism diminishes once women account for a certain proportion of board membership (in general, 30 percent).

The potential for gender bias among local investors also poses a challenge in countries where cultural norms call women’s leadership abilities into question. This can lead to investors favoring companies where boards are

predominantly male, which they may equate with better leadership. This may help to explain why companies may not see a more pronounced improvement in performance after increasing board diversity. For example, investors may have a perception that women lack the necessary human capital and business experience to be effective board members¹⁹ and may react negatively to their appointment. Greater presence of international investors can help to alleviate this bias, as they are likely to view improvements in board gender diversity as a positive development.

Lastly, there is a risk that boards will not take full advantage of the skills and perspectives of female members. Women need to be given genuine opportunities to contribute in order for board gender diversity to improve performance. Once women have assumed their seats on a board, it is important to appoint them to key committees (such as audit, finance and strategy committees) and to include them in strategic planning and decision-making processes in order to fully leverage their skills. A 2008 study by McKinsey & Company²⁰ identified nine leadership behaviors that were critical for improving organizational performance and found that women were more likely than men to demonstrate a number of these behaviors, including being a good role model, inspiring others and engaging in participative decision-making. Facilitating opportunities for female board members to actively implement leadership behaviors such as these will help to translate board gender diversity into improved company performance.

Having board gender diversity can also help instill a sense of belonging in female employees. According to Grace Xiao, Global Head of Public Private Partnerships, UCB Trading (Shanghai) Co. Ltd, "diverse leadership actually helps morale, helps people feel they belong to the company".

"Women have a different style, generally speaking, of leadership. Women are more inclusive, more open to different viewpoints. They are not command and control types of leaders and are more likely to empower people. Those are very good traits and with more women in leadership, you are going to have that kind of culture. It is a culture that gets down to the organization and people feel more. I think it creates an environment that brings out the best in people. I think it motivates people. That's another reason why having a better balanced leadership produces better results."

HELEN YANG
MANAGING DIRECTOR
ELECTRONICS & IMAGING
CUSTOMER SERVICE, DUPONT (CHINA)



Key takeaway

Overall, companies with a higher proportion of women on their boards are generally associated with greater financial performance, measured through both ROA and ROE. On average, we found that ASEAN companies that had boards with more than 30 percent female membership had an average ROA of 3.8 percent, compared to 2.4 percent for companies with no women on the board. Similarly, companies with more than 30 percent female board membership had an average ROE of 6.2 percent, compared to 4.2 percent for companies with no women on the board.

Having higher proportions of women on boards can provide numerous benefits to companies, including access to more talent, diversity in decision-making, the creation of a more transparent working environment and improvements in ESG standards.

ENDNOTES

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Chapter 4

Obstacles to advancing board gender diversity

In this chapter, we identify and analyze key obstacles to enhancing board gender diversity in the ASEAN region, based on our review of the existing literature and targeted expert interviews. We found that women face an uphill struggle to reach the region's boardrooms, compared to their male counterparts, due to a combination of country- and company-level obstacles that have been widely observed in global and country-specific literature. For example, cultural norms and traditions increase the risk of women leaving the workforce, influence perceptions about women's aptitude for leadership and reduce the likelihood that women will be considered for top positions.

While some of these challenges are experienced by women in other parts of the world as well, there are unique structural and cultural factors in the ASEAN region that create additional hurdles for women, such as women leaving the workforce for family reasons later in life, when they are in positions of seniority. "Old-boys' networks" are also pervasive in the region, even in otherwise meritocratic societies like Singapore.

There is no evidence that a talent gap exists between men and women in the region, which suggests that achieving board gender diversity should be a priority for ASEAN businesses.

4.1 COUNTRY-LEVEL OBSTACLES PREVENTING WOMEN FROM RISING TO SENIOR POSITIONS

Asian women predominantly drop out of the workplace due to household pressures

Advancing board gender diversity requires policies that ensure women have opportunities to rise to senior leadership roles. Work-family balance has long been recognized as a major barrier to women climbing the corporate ladder. Even in more developed countries around the world—where childcare facilities are more widely available, and where parental leave is more generous—a much higher proportion of women than men are compelled to leave the workplace after having children. This phenomenon, known as the "leaky

pipe problem", usually happens mid-career, which tends to depress career progression when women return to the workforce.

Women who do not drop out of the workforce after having children often face the burden of being the primary caregiver in addition to their growing workplace commitments. According to interviewees, women have to surmount more obstacles and "juggle more balls in the air" than men, primarily because cultural norms dictate that women are responsible for looking after children and households. A 2016 survey¹ found that the competitive education systems in China and Singapore also compelled many women in senior positions to take time out of the workforce when their children reached a certain age in order to help them prepare for major examinations. This barrier, which has been

referred to as the “maternal wall”, has a further impact on women’s career progression. While more affluent countries like Singapore are likely to offer flexible work arrangements to try and address these challenges, take-up is often low because these arrangements can be seen as evidence of a reduced commitment to the job.

“At PwC, we did a survey of women aged 28 to 40. Although 82 percent of Malaysian women valued flexibility at work, 47 percent felt nervous about the impact of having children on their career – what they called the ‘motherhood penalty’. [Some] 55 percent of them felt that they were overlooked for career-advancing opportunities. Certain assumptions are also made about women – for example, superiors think that when a woman gets married, she can’t possibly travel or can’t be given overseas opportunities.”

PAULINE HO

ASSURANCE AND PEOPLE PARTNER
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30% CLUB, MALAYSIA CHAPTER

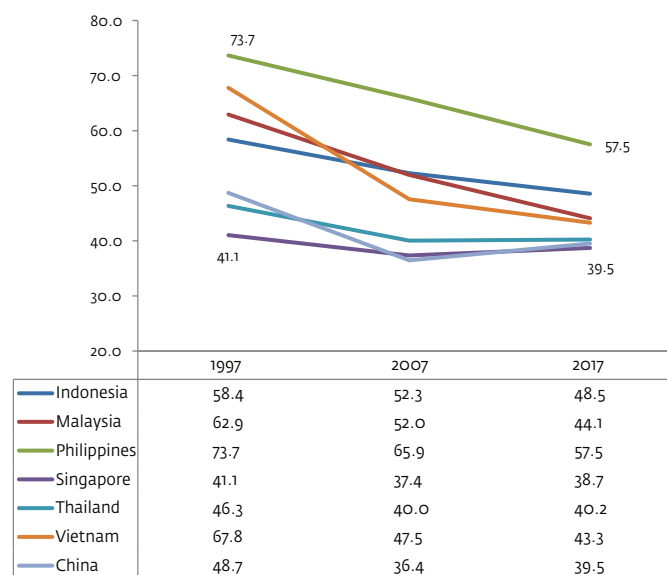
Together, these responsibilities mean that some women seeking top positions feel they have to forgo having children altogether. According to some interviewees, a large proportion of female leaders who make it to senior levels did not have children.

The need to care for older members of the family, who often live in the same household, also drives workplace drop-outs among women in the region. Earlier in women’s careers, the presence of extended family members (such as grandparents) can be beneficial, as they can assist with childcare. Later in their careers, however, women face pressure to leave the workplace to care for these elderly

family members, often just before they are able to make the leap from senior management positions to the C-suite or the board. Interviewees, particularly in China, confirmed that women were expected to take responsibility for caring for elderly family members, who were highly dependent on them for cultural reasons.

A country’s dependency ratio is the ratio of dependents (people younger than 15 or older than 64) to the working-age population (those aged 15 to 64). As shown in the figure below, these ratios are declining for most of the countries in our study, but they remain within the range of 40–60 percent, implying a relatively high level of dependence.

Age dependency ratio, by country, 2017 (%)



Source: World Bank Data (2017).

Universal stereotypes about female attributes and behavior persist

Unconscious bias has long been identified as a major factor affecting women’s prospects in the workplace—at all levels. Stereotypical ideas about “good” leadership frequently focus on qualities traditionally perceived as masculine, which undermines women’s prospects of making it into the C-suite or on to the board. Studies focused on Asia² have found that



female workers are often seen as having more empathetic, maternal qualities, which are deemed less suitable for top executive positions than the aggressive, confident leadership styles more often associated with men. According to interviewees, women tended to have a different approach. They tended to ask a lot of questions, asked for input and feedback, to include the team in decision-making, and to build relationships.

Women also tend to be discouraged from emulating a more aggressive leadership style to get to the top, either as a result of cultural norms about female behavior (for example, that it is not acceptable to be outspoken) or because they are worried about being typecast as “bossy”. Those who do manage to secure top positions may also be subject to the misplaced belief that their promotion is the result of positive discrimination, rather than a reflection of their skill and experience. As a result, progression into the upper echelons of leadership is constrained for women, regardless of whether they conform to cultural norms or reject them.

This challenge of unconscious bias was brought up by numerous interviewees. In the context of Singapore, interviewees noted that while there had been much discussion about the importance and benefits of board gender diversity, many companies were still not fully convinced. Some company boards are also not comfortable recruiting directors who they do not know, or who may not hold the same views on gender roles in family and business. There is also still a perception that men are “more qualified” than women. As a result, leaders are often men, who in turn connect better with other men. Alicia Yi, managing director,

Asia Pacific Consumer Market at Korn Ferry International (Singapore), noted that one would expect to see a much better gender balance at the top in Singapore, given that women accounted for half the college-graduated population and were very active in the business world. She identified “headwinds and unconscious bias” as reasons for Singapore’s current lack of gender balance in the upper echelons of business.

Gender differences in self-evaluation can compound stereotypical assumptions about female employees and allow men to self-promote themselves into the top positions, regardless of whether they are best suited to the role. A 2016 Credit Suisse report³ highlighted studies that showed that most female MBA students tended to self-report their own performance as equal to their co-workers, while most male students reported themselves as above average. Interviewees noted that this challenge was particularly acute in Asian societies, where cultural norms mean that women tended to play down their achievements. Charlene Ge, vice president of HR, climate, control and security, Asia at United Technologies (China), explained that this in part reflected traditional values and women’s upbringing in the region, where they were encouraged not to boast about themselves or behave too aggressively. Other interviewees noted that young women often did not pursue top positions because they wanted to wait until they were “perfect” for the role, by which time it may be too late.

Interviewees noted that cultural expectations could also inhibit men from supporting female advancement at work. For example, negative attitudes towards male caregivers can prevent men from dropping out of the workforce to look

after their children (which would free up women to continue at work), while traditional ideas about male breadwinners can fuel embarrassment about men earning less than their spouses. Interviewees further emphasized that women would never ask men to help them take care of children at home, because women were expected to fulfil the role of primary caregiver. Changing attitudes, such as these, undoubtedly presents one of the biggest opportunities to achieve gender diversity in the Asian workplace.

Is there enough talent?

In discussions about board gender diversity, it is sometimes

argued that there is not enough female talent to create more gender-inclusive boardrooms, and that a push for gender diversity will lead to less-qualified women being given token directorships, which will be detrimental to company performance. The evidence, however, suggests that this so-called talent gap may be a myth, at least in developed countries. For example, one 2015 US study by MSCI⁴ showed that even though a higher proportion of male directors had C-suite experience compared with female directors, differences in non-C-suite leadership experience were negligible between the two genders, and female directors actually outperformed male directors in terms of educational attainment.

What makes a good board member?

Having token female board members is not conducive to promoting the capabilities of women in business and may even be detrimental to company performance. But, what makes a good board leader in the first place? It is difficult to make quantitative assessments about the quality of board members, except in areas such as attendance; beyond that, a company's success is not easily attributable to the contributions of individuals on the board. Nevertheless, there is broad agreement on certain qualities any good board member must have, regardless of gender, including the following:

Engagement: Engagement can be measured directly in terms of attendance, but merely attending board meetings is not enough. A good board member must come prepared, understand the challenges and opportunities facing the firm, and know the ways in which they can influence decision-making.

Context: Experience is vital to being an effective board member, but a growing number of women on boards means that many will be sitting in board meetings for the first time. However, even newcomers can make valuable contributions when they are sitting on the right boards—for example, boards of companies in the same industry, or with similar business models. The business's stage of development is also important, given that the experience that benefits a large, established firm may not necessarily translate well in a start-up.

Mentorship: Assuming the role of mentor is crucial for board members, who must take it upon themselves to identify and nurture talent within their firms. Good board members are committed to passing on their expertise and experience to future generations.

Be brave! A good board member must be willing to speak out and change minds. However, humility is also a good trait, particularly as a newcomer, because board membership is an ongoing learning experience.

When we looked at the six ASEAN countries plus China, our study did not reveal much evidence of a talent gap. Most of the countries in our study already have relatively high levels of female participation in the labor force, as well as a large pool of qualified women with technical backgrounds, although there is evidence of talent gaps in certain industries. The region also has higher-than-average numbers of women in senior executive positions compared to other parts of the world, as well as larger numbers of female CEOs. For example, a 2016 study by Credit Suisse⁵ found that 5.4 percent of CEOs in emerging Asian economies were women—higher than the global average of 3.9 percent. The region also had nearly twice as many female chief financial officers (CFOs) as Europe and a higher number of female business unit heads than North America. This provides the region with a pipeline of talent to achieve board gender diversity.

Female educational attainment figures in ASEAN also do not show evidence of a talent gap: female literacy rates exceed 90 percent in all six countries, and tertiary enrolment rates are even higher among women than men. However, a gender gap begins to appear when looking at participation rates for young workers as a whole, and this gap gets progressively worse at the senior management and boardroom level.

Talent pipeline, ASEAN countries, 2017 (%)

COUNTRY	FEMALE TERTIARY STUDENTS (% OF TERTIARY STUDENTS)	FEMALE WORKERS, AGE 30–39 (% OF WORKERS, AGE 30–39)	SENIOR MANAGEMENT (% OF FEMALES)	BOARD SEATS (% OF FEMALES)
Indonesia	51.9	38.2	18.4	14.9
Malaysia	52.3	39.0	26.2	13.5
Philippines	55.5	36.0	32.8	13.2
Singapore	51.6	49.5	27.2	11.9
Thailand	57.7	46.9	29.7	20.4
Vietnam	54.2	49.1	16.8	15.4
Average	53.7	41.2	26.0	15.7

Source: UNESCO, ILO, Economics Intelligence Unit analysis.

At the country level, none of our interviewees cited a lack of female talent as a constraint on board gender diversity either. Indeed, in line with educational enrolment data, interviewees noted that women were as well educated (if not better educated) than men. However, they did report

higher workforce dropout rates among women, despite having the necessary educational qualifications.

Interestingly, there does not seem to be a strong link between board gender diversity (or female participation in the workplace in general) and female representation in politics. In our study, Thailand performed best in terms of board gender diversity but it has the lowest share of women in parliament, as well as the lowest number of female ministers in government. In contrast, Singapore performed the worst among the six ASEAN countries in terms of board diversity, but has an above-average share of women in parliament.

Parliamentary/ministerial positions, ASEAN countries, 2017 (%)

COUNTRY	BOARD SEATS (% OF FEMALES)	PARLIAMENT (% OF FEMALE SEATS)	MINISTERIAL POSITIONS (% FEMALE)
Indonesia	14.9	19.8	22.9
Malaysia	13.5	10.4	5.7
Philippines	13.2	29.5	20.0
Singapore	11.9	23.0	5.6
Thailand	20.4	4.8	4.2
Vietnam	15.4	26.7	9.1
Average	15.7	19.0	11.3

Source: UNESCO, Economics Intelligence Unit analysis.

Key takeaway

In ASEAN, women face an uphill struggle to reach the boardroom, compared to their male counterparts. While some of the challenges are experienced by women elsewhere in the world as well, there are unique structural and cultural factors in the ASEAN region that create additional hurdles for women. For example, women are often expected to leave the workforce later in their careers to care for elderly family members, and “old-boys’ networks” are pervasive throughout the region. Cultural expectations and unconscious bias are also prominent, region-specific inhibitors that could prevent female advancement at work.

4.2. COMPANY-LEVEL OBSTACLES PREVENTING WOMEN FROM RISING TO SENIOR POSITIONS

Selection processes rely heavily on existing networks and “old-boys’ networks”

The board member selection process contributes to the persistence of the glass ceiling in ASEAN countries. Interviewees agreed that potential candidates tended to be identified through the region’s male-dominated networks, rather than through more formal search processes, which would be more likely to identify potential female candidates from within a company’s ranks. This issue was also highlighted in a 2012 Indonesian study.⁶ Harry O’Neill, partner, CEO and Board Practice, Heidrick & Struggles, stated that while there were plenty of well-qualified women, there was no opportunity to suggest them for board appointments because companies did not use formal search processes. Instead, they find potential candidates from among those who board members already network with, who are predominantly men. This emphasis on personal friendships and connections also means that board memberships are not always awarded based on

merit. Instead, membership tends to be given to the faces that fit best and are well known.

This approach appears to be common in the region, even in countries that pride themselves on being meritocratic, such as Singapore. Interviewees in Singapore noted that Singaporeans tended to assume there was no gender bias in the workplace, but that statistics on gender balance at the C-suite level did not bear this out. Ida Tiongson, president, Opal Portfolio Investments (Spv-Amc) Inc., suggested that the problem of “old-boys’ networks” had been exacerbated in the Philippines by the fact that many of the country’s most prestigious schools only accepted boys until recently. Now that these schools accepted girls, Ms Tiongson suggested that the power of these networks may be diminished for the next generation of leaders.

Female leaders need to be visible

Even though ASEAN has a higher share of female CEOs and senior managers than other parts of the world, the cultural barriers discussed in this chapter offset the impact of these female leaders as role models for women. This problem is not limited to Asia; in the United Kingdom’s Davies Review,



many respondents expressed concern about a lack of senior women to act as role models, which they felt was limiting the number of women in senior positions.⁷ In our study, interviewees like Grace Xiao, global head of Public Private Partnerships, UCB Trading (Shanghai) Co., Ltd., noted the importance of role models and mentors in encouraging women to aspire to senior positions ("If you can be there, I can also be there"). The importance of mentorship schemes and other company policies designed to encourage direct contact between young female employees and women or men in senior positions was a recurring theme in our interviews, and most interviewees agreed that such schemes were effective in bringing more female talent to the top.

Smaller, family-owned firms suffer from a slightly different visibility problem: a lack of female board members who are not family members. Female board members in these companies tend to come from the families that own them, creating a general perception that positions will be awarded primarily to family members. This may discourage other women in senior positions from aspiring to board membership. Training and mentorship schemes in these companies also tend to be biased in favor of family members or people groomed to represent the families' interests. Ricardo Nicanor N Jacinto, former CEO of ICD in the Philippines, noted that as many as half of the women in training schemes in these companies fell into these two categories, leaving fewer opportunities for women outside the family to reach the top.

A lack of visible female leaders is also problematic in industries that are traditionally male dominated, such as those with limited client and customer interaction—an area where female leaders tend to excel. Many of these industries are in science, technology, engineering and maths (STEM) fields, where women tend to be under-represented in terms of their overall participation rate and often struggle to reach top positions. A 2015 report by the United Nations Educational, Scientific and Cultural Organization (UNESCO) on women in STEM in Asia⁸ highlighted how psychosocial issues such as stereotyping tended to affect women's motivation and

confidence, which discouraged them from pursuing careers in these lucrative fields, even if they did as well as men in these subjects at school.

The final chapter in this report explores opportunities to advance board gender diversity, taking into consideration the myriad of challenges and obstacles discussed in this chapter. The experiences of companies that have taken board gender diversity seriously, and the experiences of countries that are working to integrate diversity into policy-making, suggest that none of these challenges are insurmountable, even if change does not happen overnight.



Key takeaway

In ASEAN, the board member selection process often contributes to the persistence of the glass ceiling. Potential candidates tend to be identified through the region's male-dominated networks, rather than through more formal search processes. Smaller, family-owned firms—which are large in number in ASEAN countries—also suffer from their own unique visibility problem: a lack of female board members who are not family members. In these companies, female board members tend to come from the families that own them, potentially discouraging other women from pursuing senior leadership opportunities.

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Chapter 5

Opportunities for advancing board gender diversity

Despite existing barriers that prevent women from rising to senior business positions in ASEAN countries, there are numerous opportunities to make progress towards achieving greater board gender diversity. Certain policies are critical to this effort, such as expanding parental leave to include men, and changing codes of corporate governance to include gender diversity disclosures. Companies and business leaders must also commit to improving diversity (for example, through mentoring and sponsorship programs), and must be proactive in promoting its benefits to their peers. Lastly, women can establish intra- and cross-company networks to facilitate peer-to-peer support and promote their skills and experience.

In this chapter, we identify and analyze key opportunities to enhance board gender diversity in the region, at both the country and company levels. Many companies in ASEAN countries already have success stories, having prioritized gender diversity and taken concrete steps to chip away at the glass ceiling. However, much more needs to be done to ensure that women take their rightful place on company boards.

5.1 COUNTRY-LEVEL OPPORTUNITIES FOR ADVANCING BOARD GENDER DIVERSITY

Corporate governance codes are the most cost-effective public intervention

Among interviewees, changing corporate governance codes to promote board gender diversity was almost universally seen as the key mechanism for increased female representation in boardrooms. To a large extent, this is because relying on corporate governance was seen as imposing less of a burden on companies than measures such as quotas. A 2012 Global Economic Symposium study¹ also argued that including gender diversity language in these codes reinforced companies' images as competitive and innovative. Changes to corporate governance codes have produced extremely encouraging results in European countries like Finland, which has achieved high levels of board gender diversity without imposing quotas.

In the ASEAN region, Filipino regulators have already added gender diversity language to their codes of corporate governance. Other countries in our study, however, are yet to follow suit. For example, gender diversity targets and requirements have not been included in Singapore's revised code of corporate governance (effective 2019), although it does encourage firms to enhance their search processes in order to "go beyond their immediate circles of contacts".² This highlights an opportunity for regulators in the region to adopt a more proactive approach to gender diversity, particularly as local investors have not taken an active role themselves in driving change. Interviewees suggested that local investor bases, whether institutional or retail, tended to be more passive in the region as a whole, and not just with regards to gender diversity. They highlighted opportunities for investors to assume a more active role in promoting board gender diversity, emphasizing the importance of securing institutional investor buy-in. For example, institutional investors can be encouraged to enquire about diversity at the annual general meetings of companies with all-male

boards or limited female representation (for example, where women account for less than 30 percent of board members).

“[In Thailand] gender diversity awareness and improvement does actually coincide with thorough improvement of the practice of corporate governance because we have been working on this for the past 20 years actively. So, the regulators are really supporting, investing and educating all companies on good corporate governance practices and principles. The companies have the roadmap if they want to improve corporate governance or if they want to practise what are the elements. It is not only the cultural side, but it is also on the education and advocacy of the regulators.”

ADA INGAWANIJ
FORMER EXECUTIVE VICE PRESIDENT, THAI
INSTITUTE OF DIRECTORS

Even with stricter codes, however, non-listed firms will still face far fewer requirements in terms of what they need to disclose publicly, and what they should aspire to in terms of diversity. This means that the impact of changes to corporate governance codes may take longer to trickle down to smaller, family-owned firms, which are a significant part of the business landscape in the ASEAN region. Alicia Yi, managing director, Asia Pacific Consumer Market at Korn Ferry International (Singapore), noted that the focus on gender diversity in the region's family-owned firms remained underdeveloped, and that while none of these firms were explicitly “against” diversity, they did not tend to be strict about carrying out due diligence when selecting board members. Instead, they often appoint people whom they know and trust, rather than searching for candidates who meet the board's requirements in terms of the business and market as a whole. This problem extends to the selection of female board members. Mak Yuen Teen, associate professor at the National University of Singapore, noted that many non-executive directors were part of or related to the founder family.

The power of networks: the 30% Club

Malaysia is the only ASEAN country in our study with a formal, government-driven corporate gender target. In 2004, it introduced a national policy to increase women's representation to at least 30 percent of decision-making roles in the public sector. In 2011, the Malaysian cabinet extended the policy to the private sector, mandating that women hold 30 percent of senior management positions in companies with more than 250 employees.

In 2015, the country set up a chapter of the 30% Club—a global initiative that aims to achieve at least 30 percent female board membership on FTSE 100 boards, the critical mass of female representation needed to perpetuate further diversity. The club supports sustainable, business-led voluntary change designed to improve the current gender imbalance on boards. In Malaysia, members include chairs and business leaders committed to bringing more women onto Malaysian boards.

In July 2017, the 30% Club launched a mentorship program with PwC Malaysia, where women identified as “board-ready” are paired with experienced directors or existing board members. The program aims to mentor 100 women by 2020. According to Pauline Ho, PwC Malaysia's people partner and steering committee member of the 30% Club Malaysia, the club tackled demand and supply-side factors by focusing on three pillars: the boardroom pillar, through which the club tackled the demand issue by organizing awareness-building roundtables with board or nomination committees; the talent pipeline pillar, through which the club identified board-ready female candidates and worked with individuals in capacity-building and mentorship programs; and the research pillar, through which the club sought to collect data and identify further opportunities for diversity through collaboration with research organizations (for example, gathering data on board members who may be stepping down in order to plan for suitable female replacements).

Family-friendly policies are needed, as are changes to social and cultural norms

The global and regional literature, as well as our interviewees, highlight the need for policies that will help women in ASEAN countries manage responsibilities as both business leaders and parents. As the previous chapter explained, having children can be less of a challenge in Asia than in other parts of the world—for example, because extended family members, such as grandparents, often live in the same household and can help with childcare. As a result, some interviewees described the environment as conducive to women working in many ways. Interviewees from Malaysia also discussed the importance of the country's supportive workplace provisions, including flexible working hours for parents and equal pay, which often tended to go beyond statutory requirements. Nonetheless, it is still primarily women who face the double burden of working and caring for children, along with the additional responsibility of taking care of elderly relatives. This combination of family responsibilities takes a toll on the amount of time and effort women in the region can dedicate to work, which in the longer term affects their likelihood of reaching top positions in the C-suite or the boardroom.

Paid parental leave, by country

Country	Length of paid maternity leave	Length of paid paternity leave
Indonesia	3 months	<3 weeks
Malaysia	60 days	No paid leave
Philippines	6 weeks	<3 weeks
Singapore	16 weeks (120 days)	<3 weeks
Thailand	90 days	No paid leave
Vietnam	4-6 months	<3 weeks
China	90 days	No paid leave

Source: UN Gender Stats (2018), World Policy Centre (2016).

Among the various strategies that can be implemented at the country level to tackle this problem, policies that support men to play a larger role in childcare are crucial. As discussed earlier, this will require a significant evolution in cultural attitudes, which is unlikely to be fully realized within a generation (as evidenced by the slow pace of change

seen elsewhere in the world, with the exception of certain Scandinavian countries). Some of our interviewees noted the stark differences between maternity and paternity leave as particularly problematic, with many companies offering far fewer days of paternity leave. Existing legislation in the countries in our study confirms that men have extremely limited access to paternity leave. While all ASEAN countries offer female workers at least 60 days of paid maternity leave—and up to as much as six months in Vietnam—only Indonesia, the Philippines and Singapore offer any form of government-mandated paid paternity leave in the private sector. This highlights an opportunity for governments in the region to establish legislation that provides parental leave to both women and men, signalling that responsibility for childcare is shared between parents, rather than being an exclusively female responsibility.

Declining birth rates in many countries in the region may also help to reduce family responsibilities for women and increase opportunities to stay in the workforce. Among the countries in our study China, Singapore and Thailand all had fertility rates below two children per woman, as depicted in the table below,³ and Indonesia and Malaysia were not far behind. In China, the now abolished One-Child Policy has helped to change attitudes towards women and ensure that girls receive many of the same opportunities as boys.

Total fertility rate, 2016

Country	Total fertility rate (children born/woman)
Indonesia	2.3
Malaysia	2.0
Philippines	2.9
Singapore	1.2
Thailand	1.5
Vietnam	2.0
China	1.6

Source: World Bank (2016).

Interviewees also suggested that changes could be made to education systems to increase the number of women in STEM fields. Maan Hontiveros, chair, Philippines AirAsia

(Philippines), noted that the Filipina CEO Circle is already focussed on schools and participating in lectures and seminars in order to encourage more women into science and technology fields.

Thailand's novel approach

At the nexus of company and investor interaction, stock exchanges are uniquely positioned to influence capital markets and further the aim of achieving greater female representation in boardrooms, and in senior leadership positions more broadly.⁴ The United Nations' (UN) Sustainable Stock Exchange (SSE) initiative helps stock exchanges around the world develop practices that align with the Sustainable Development Goals (SDGs), including the gender-specific targets.

In March 2018, the Stock Exchange of Thailand (SET) signalled its commitment to board gender diversity by participating in the "Ring the Bell for Gender Equality 2018" campaign, run by stock exchanges worldwide. SET President Kesara Manhusree led business leaders in ringing the bell at the opening of the afternoon market trading session in Bangkok⁵ and announced that the SET encouraged companies to appoint more women to their boards of directors and top management positions—a move that would help to grow and sustain businesses in Thailand. The SET has also collaborated with academic institutions such as Kasetsart University and Chulalongkorn University to commission research studies related to board diversity in Thailand's publicly listed firms.⁶

Two Thai listed companies, Thai Airways International PCL and Central Group, are already among the more than 1,000 companies worldwide that have signed the "CEO's Statement of Support" for UN Women's "Women's Empowerment Principles". These principles offer benchmarks for business leadership, fair treatment of women and men at work, and ensuring the health and well-being of female employees and promoting their education and training, among other things.⁷

There is less support for quotas

While there has been some interest in implementing quotas in the region, the challenges encountered by Malaysia as it introduces its target have made it harder to garner region-wide support. There does appear to be a consensus that female talent pools are large enough to support the use of quotas, but there is concern that inadequate search and nomination processes may mean that quotas merely increase the risk of tokenism.

Overall, interviewees had mixed opinions about quotas. Some explained that they were not explicitly in favor of formal quotas because they felt this achieved the aim of board gender diversity in the "wrong" way. Instead, they felt guidance and encouragement from regulators would be a more positive development, including asking all-male boards to explain their lack of diversity.

However, other interviewees suggested that all-male boards were likely to stay that way unless they were forced to make a change. For example, a number of interviewees suggested that nothing would change if there was no penalty for resisting board gender diversity, and if companies were not open to the idea that diversity improved performance. This led some interviewees to argue that change may not come soon enough without the use of formal quotas, and that "waiting" for attitudes towards diversity to change would not translate into results.

A Malaysian review suggests that this is a valid concern: only 185 out of 870 (21.3 percent) companies surveyed in 2015 disclosed their board diversity policy following changes to corporate governance in the country.⁸ As a result, some interviewees suggested that quotas should perhaps be encouraged, which would at least enable research and debate on whether or not they work.

Country-level initiatives promoting board gender diversity, 2018

Country/Initiative	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	China
Presence of corporate governance recommendations			✓	✓	✓		
Presence of official targets for board diversity		✓					
Law mandates paid/unpaid maternity leave	✓	✓	✓	✓	✓	✓	✓
Law mandates equal remuneration for females and males for work of equal value			✓			✓	
Law mandates non-discrimination based on gender in hiring						✓	✓
Non-discrimination clause mentions gender in the constitution		✓			✓	✓	
> 20 percent seats held by women in the parliament			✓	✓			✓

Source: World Bank Data (2018), Economist Intelligence Unit analysis.

Stock exchanges can do what governments have yet to

Through their financial regulators, governments can play a key role in establishing the groundwork for board gender diversity by making changes to corporate governance codes.

However, as we have seen, these efforts are still in their infancy in ASEAN. Rather than wait until regulators recognized the importance of promoting board gender diversity, the directors of national stock exchanges can take the lead in promoting disclosure of gender diversity targets, pay parity, parental leave and flexible work policies, and can help to foster networking and training for female leaders.⁹ Stock exchanges that make active efforts to improve board gender diversity are also likely to get positive publicity and

attention from investors, which could incentivize other exchanges to follow suit. Having a female stock exchange director can also help. The previous director of the Stock Exchange of Thailand, Kesara Manchusuree (2014–2018), was notable for her efforts to promote ESG standards for listed firms.¹⁰

Stock exchanges can also participate in global efforts to promote gender diversity, such as the Ring the Bell for Gender Equality ceremony that takes place every year on International Women's Day. Last year, 65 stock exchanges around the world participated in this event, including those in the Philippines, Singapore and Thailand.¹¹ This ceremony is partly organized by the Sustainable Stock Exchanges initiative—a UN-led effort to promote sustainable investment and advance the ESG agenda.



Make them known: the importance of directories and data

Publicizing the efforts of women who already sit on boards can be a simple, yet effective way of expanding the female talent pool for companies seeking to fill vacant board seats. IFC recently published Sri Lanka's first directory of this kind: Women on Boards of Companies Listed in the Colombo Stock Exchange.¹² The directory lists all the women currently serving on company boards of listed firms in the country, detailing their individual executive appointments and the industries in which they serve. In many cases, short biographies (including board committee roles and business achievements) are also provided. Directories such as this can considerably ease the burden of finding the right women for board positions.

Beyond directories, greater availability of gender-disaggregated data could help advocacy groups, researchers and the media to understand the current levels of gender diversity, and to track progress over time. At present, much of the research on gender diversity in the region comes from one-off studies, whose data and findings lose relevance over time. National statistical agencies should play their part in producing indicators on gender, but other organizations

(such as local stock exchanges and business chambers) can also be important sources for regular updates to gender-related data.

“The female leadership barrier needs to be addressed by focusing on presenting opportunities rather than placing women in key positions as a band-aid solution.”

MILDRED TAN
CHAIR

DIVERSITY TASK FORCE REGARDING WOMEN
ON BOARDS; MANAGING DIRECTOR OF ERNST &
YOUNG ADVISORY PRIVATE LIMITED, SINGAPORE

5.2 COMPANY-LEVEL OPPORTUNITIES FOR ADVANCING BOARD GENDER DIVERSITY

Change must begin from within the company, and senior leaders need to play a bigger role

At the company level, it is vital that the leadership supports board gender diversity and proactively adopts strategies in pursuit of this goal. According to a 2016 study by McKinsey

& Company, CEO commitment was one of three “game changers” that helped certain firms rank in the top tier for gender diversity. The study found that a committed CEO—male or female—ensured that gender diversity became a strategic priority for the firm, and that senior managers were on board with this priority (although the trickle-down effect weakened at the middle manager level). A 2011 study by the Global Economic Symposium¹³ specifically highlighted the importance of a male “champion of change”, referencing a strategy by Australia’s Human Rights Commission to recruit male CEOs to be advocates for gender diversity in their companies’ leadership.

Our interviewees similarly emphasized the importance of leadership commitment and top-down change, recognizing that business leadership commitment in particular is a common feature of best practices. An unequivocal statement of intent, supported by a clear and transparent action plan and communicated from the top of the organization, was identified as the first and most important step towards achieving organizational change. As leaders of organizations, boards must create an inclusive culture that is open to diversity and discussion, and must commit to advancing change on their agendas. There should also be a clear focus on establishing programs and talent pipelines that identify, nurture and promote female talent, which requires leaders to understand the barriers to women’s career development and take the necessary steps to break them down.

Finding this support in companies with traditionally minded, male-dominated leadership can be challenging, as it requires a strong understanding of the merits of board gender diversity. According to some interviewees, general managers who have studied abroad tended to have a more international view and were more likely to be open to the idea of having women in senior leadership positions. Generally speaking, however, male founders and leaders tended to be traditional, which resulted in companies being managed in more traditional ways. Despite this, there are opportunities to build critical support for board gender diversity among business leadership in the region. For example, workshops

with leading business executives, recruitment agencies and business associations could be organized to share objective data and insights on the benefits of board gender diversity, including its impact on company performance. Maan Hontiveros, chair, Philippines AirAsia, highlighted the important work that directors’ associations already do in setting up such workshops and seminars.

There are also a number of other opportunities to improve board gender diversity at the company level in ASEAN countries. For instance, formalizing and improving search and nomination processes for board positions would ensure that these processes were more transparent and inclusive. Boards and their nominating committees must consciously broaden their search criteria and present a more diverse pool of female and male candidates for consideration. Interviewees noted that boards should also challenge their nominating committees and management teams to seek board or leadership candidates who were not similar to the current profile of leaders. Alicia Yi, managing director, Asia Pacific Consumer Market at Korn Ferry International (Singapore), highlighted the importance of encouraging companies to more actively seek out diverse talent at every level. She suggested that companies could achieve this in numerous ways, including holding senior leaders accountable for achieving diversity at every level of management, monitoring and encouraging diversity, and training people in understanding the importance of diversity.

Encouraging mentorship programs within companies is also an important mechanism for increasing the number of women in senior management. Some interviewees from companies like United Technologies (China) and Heidrick & Struggles noted that women were more likely to reach senior positions if they had participated in such a scheme. Mentorship programs can inspire female leaders to seek out the necessary encouragement and training to pursue a directorship, as well as putting them on the radar for eventual promotion to the board. Having a female mentor and a male champion was seen as a particularly powerful combination.

“To move into a more senior role, most of us probably have a good boss, mentor or coach to facilitate the move—someone who can sponsor you, in a way, to move ahead in your career. Generally, companies will arrange some sort of mentorship program, with people from outside and internally.”

GRACE XIAO

GLOBAL HEAD OF PUBLIC PRIVATE PARTNERSHIPS,
UCB TRADING (SHANGHAI) CO., LTD.

Pipelines and networks for women are crucial game-changers

Companies can actively develop a long-term pipeline of female talent, focusing on both internal and external candidates with the right expertise, rather than those with previous board experience. After identifying these candidates, companies can provide dedicated board training and take steps to avoid “leakage”—for example, by starting a dedicated return-to-work program for women who have taken time off. Many large companies already do this kind of work on the management side, attempting to identify talented candidates for the C-suite. For example, Pauline Ho, assurance and people partner, PwC Malaysia, and steering committee member of the 30% Club, Malaysia chapter, described “engagement sessions” undertaken by the pipeline initiative working group of the 30% Club at large companies, where they talked to CEOs and encouraged talented women who could potentially be in the C-suite in the medium term, and could potentially become board candidates in the longer term. Similar initiatives could be launched with a specific focus on future board members, not just in large companies, listed companies and multinationals, but in any company that saw the value in diversity.

Interviewees also discussed the importance of introducing policies that would help to retain female employees and hopefully provide the company with a larger candidate

pool to choose from when appointing board members in the future. Possible policies include providing flexible work hours, promoting gender equality throughout the business and running diversity events.

In companies where such efforts are limited, women can set up their own cross-company networks to assist prospective female board members in advancing their careers through peer-to-peer support. This strengthens the likelihood of reaching the critical mass of female directors needed to achieve greater board diversity and greater workplace diversity overall. For example, one Australian study⁷⁴ showed that boards were more likely to reach the target of 30 percent female membership when they included a director who sat on another board that had already reached that target. In ASEAN, where male networks are heavily entrenched in society, the creation of female networks may be a very effective way to gain ground, particularly if women are open to opportunities beyond their own firms.

“I belong to an organization called the Filipina CEO Circle, and one of our aims is to try and bring more women into the C-suite. I am making a personal push to get more women into our engineering department and into the cockpit, and over the last two years we actively started recruiting women and getting them interested in a career in aviation, as pilots and engineers.”

MAAN HONTIVEROS

CHAIR

PHILIPPINES AIRASIA (PHILIPPINES)

DuPont's three-pronged approach in China

DuPont, a global chemicals company, has cultivated an organizational culture that strives to achieve healthy work-life balance for all employees. In particular, global offices run the DuPont Women's Network (DWN), which is dedicated to attracting and retaining women by increasing their networking opportunities. Participation is voluntary and open to all employees across the globe.

According to Caroline Yang, DuPont Women's Network leader in China, the DWN focussed on three dimensions of support for its female employees:

- **Competence:** Providing employees with training and mentoring sessions led by senior leaders or external speakers, often divided by workstream or function.
- **Life sharing:** Creating spaces for employees to share personal experiences with one another, such as how they maintain work-life balance and navigate difficult situations.
- **Networking:** Designing opportunities for employees to broaden their networks beyond their business units and engage with similar companies in the region.

By the end of 2016, DuPont in China had created a steering committee of senior business leaders who officially contribute to the DWN on a regular basis. Ms Yang believed that DWN in China had been able to reduce unconscious bias against women, improved their confidence to pursue more senior roles and increased opportunities for women to move into senior management positions.

Most countries already have some type of national directors' network in place, where female directors can play a role in promoting diversity. For example, the Institute of Corporate Directors of Malaysia (ICDM) has a group of female directors. Malaysia has also benefited from the Women Director Programme (WDP), which helps women move into senior leadership positions through networking and leadership development workshops and events, exposing potential candidates to directorship tasks. Helen De Guzman, chair, Board Diversity and Inclusion Committee, Institute of Corporate Directors, Philippines, noted similar efforts undertaken by the Philippines' Institute of Corporate Directors, including introduction of a board diversity and inclusion policy to improve compliance and

create awareness. This could encourage more boards in the Philippines to embrace board diversity, particularly gender diversity.

Vietnam is the most recent country to establish its own institute, the Vietnam Institute of Directors (VIOD), which was set up in April 2018. It will take time to draw up concrete strategies for board gender diversity, but the country has already taken some important steps. As noted by Tran Anh Dao, deputy CEO, Ho Chi Minh Stock Exchange, the Vietnam Chamber of Commerce had a specific council for women, which conducted leadership programs; and Vietnam had specific organizations for women in each city and in each company, in accordance with labor laws.

Advocacy groups can also promote board gender diversity

Dedicated diversity groups and councils have already helped to promote board gender diversity in various countries.¹⁵ This includes specialist advocacy organizations such as the Thirty Percent Coalition and 2020 Women on Boards in the United States, and the 30% Club in the United Kingdom, all of which have implemented various initiatives dedicated to increasing board gender diversity. For example, the Thirty Percent Coalition's "Adopt a Company" letter campaign¹⁶ targeted more than 150 major listed companies with no women on their boards and managed to get 22 of them to recruit women into board positions. In response to apathy at the federal level regarding board gender diversity, 2020 Women on Boards decided to lobby state governments in the United States and succeeded in passing a resolution in Illinois that urged companies to have a minimum number of women on their boards.

Women Corporate Directors: the role played by global women's networks

At present, there are relatively few advocacy organizations in ASEAN, although the region does host chapters of various international organizations. One example is Women Corporate Directors (WCD), a US-based global network of female corporate directors, including CEOs, board members and C-suite executives. The WCD aims to increase female representation on boards and grow the pipeline of qualified female board members through advocacy and mentorship. WCD currently has 80 chapters worldwide, including in Indonesia, Malaysia, the Philippines and Singapore, as well as China. A second example is the International Federation of Business and Professional Women (BPW), which has global memberships of around a quarter of a million women business leaders. It focuses on networking, skill-building and advocacy to promote the role of women in the economy and has various local federations, including in Singapore and Thailand, as well as associate clubs in Malaysia, the Philippines and China.

The 30% Club has already set up a chapter in Malaysia, but there is no word on whether further Asian chapters are planned. In the meantime, Singapore's Diversity Action Committee (DAC) offers a good template for how advocacy groups could operate in a Southeast Asian context. The DAC is led by the CEO of the Singapore Exchange (SGX), who was appointed by parliament, ensuring that the committee's recommendations will reach the highest levels of the private and public sectors. It has established a six-step plan to achieve its ultimate goal of 30 percent female board representation by 2030, which includes adding a board diversity disclosure requirement to the code of corporate governance, helping companies gain in-depth understanding of the benefits of diversity, growing the local conversation about women on boards, and working with and supporting organizations committed to board diversity. The DAC has already formally recommended various gender-related changes to the code of corporate governance, although these were not considered in the latest revision. Mildred Tan, chair of the Diversity Task Force Regarding Women on Boards and managing director of Ernst & Young Advisory Private Limited, also referenced the DAC's "Statement of Good Practice in Executive Search for Board Directors", which provides a set of guidelines for the deliberate and objective selection of female board candidates to ensure the best fit between the board and the candidate's skill set, experience and personality.

While the creation of the DAC is undoubtedly a step in the right direction, interviewees noted that there were opportunities to go further in terms of pushing for gender diversity disclosures, increasing awareness and prioritizing board gender diversity. Investor groups can also play an important role and are becoming increasingly aware of the need to incorporate board gender diversity into their agendas. The Australian Council of Superannuation Investors, for example, has called for 30 percent female board representation and has recently recommended against re-electing directors in companies with limited board gender diversity.

Finally, local women's organizations can play an important role in promoting board gender diversity by providing networking opportunities and advocating in favor of equal

opportunities for women in the business world (even if this advocacy is not strictly focused on boardroom representation, like the DAC). Almost every major country in the region has at least one organization of this kind, which helps to encourage female collaboration and build a more profound understanding of local issues facing women in business, which may often be missing from global organizations. Many of them co-operate with regional or international organizations like Asia-Pacific Economic Cooperation (APEC) or are local branches of global groups like BPW.

Examples of local women's business organizations

COUNTRY	NAME
Indonesia	Indonesian Business Women Association
Malaysia	National Association for Women Entrepreneurs of Malaysia (NAWEM)
Philippines	Women's Business Council Philippines
Singapore	Singapore Council of Women's Organisations (SWCO)
Thailand	Bangkok Now, Federation of Business and Professional Women of Thailand
Vietnam	Vietnam Women Entrepreneurs Council (VWEC)

Sources: Multiple.

LeadWomen in Malaysia: preparing women for positions on the board

Formed in 2011 (the year the Malaysian Government announced a 30 percent target for women on boards), LeadWomen provides a platform that empowers women to grow and develop as leaders and role models. The organization is making the board director recruitment process in Malaysia more innovative by bringing together potential female candidates and corporations, facilitating the placement of capable women into senior leadership and board positions for private, not-for-profit and publicly listed companies.¹⁷

LeadWomen began as one of the execution partners for a government initiative that trained more than 800 women to be board-ready through the Women Directorship Programme. With a focus on increasing the number of women in board director positions, LeadWomen now provides a one-stop solution for boards looking for high-quality candidates and candidates seeking board directorship positions. It works closely with a variety of partners (including federal, local and state governments) to organize training and networking events, enhancing the visibility of women leaders for board opportunities. Some of its popular events include "Power Lunches" and "Power Networks", which bring key decision-makers together with female board candidates, increasing women's visibility and likelihood of getting placed on boards. The CEO of LeadWomen, Dr Marcella Lucas, highlights the organization's signature Women Directors Programme, which equips women with the technical and soft skills needed to participate and succeed on a board. The program covers the following areas:

- The roles and responsibilities of a board director
- Insights on corporate governance and enterprise risk
- Financial stewardship
- Understanding board dynamics (culture, behaviors, personalities) and gender dynamics
- Creating a positive board presence.

The program culminates in a simulated board meeting, where board directors serve as observers and provide live feedback. This is followed by a networking lunch with companies that are actively looking for female directors, as well as a profiling coaching session to help candidates prepare for board position applications.

This year, the organization is looking to expand its footprint globally and has launched the first Global Women on Boards Programme with its multilateral organizations having also taken important steps. For example, the European Commission has introduced a "Women on the Board Pledge for Europe", which calls for 40 percent of board seats to be held by women by 2020; and the OECD has introduced its own "Gender Recommendations", which encourage policies to promote gender balance on boards and in senior management.



These efforts highlight an important opportunity for ASEAN to establish its own regional agenda for board gender diversity, including setting benchmarks for member states to aspire to, and encouraging the establishment of advocacy groups to support and promote this agenda.

Make work flexible and help women return to work

Making working life flexible enough to accommodate parental and other responsibilities can go a long way towards keeping women on the career path so that they can eventually aspire to board membership. Although many European countries now have national legislation that facilitates flexible work, in almost all cases this is done with the company's consent, which it may refuse to give for operational reasons. In the United Kingdom, flexible work legislation introduced in 2014 allows all employees (not just parents and carers) the legal right to request flexible working arrangements.¹⁸

With or without such legislation, companies in the ASEAN region must be receptive to requests for flexible work, particularly from their female employees, who often have to manage more family responsibilities than men. This should include providing child-friendly working hours, or work hours that can fit in with other family commitments; working from home; teleworking; or arrangements to work part-time on a temporary basis. Furthermore, companies should publicize their willingness to accept flexible work and highlight the business case for this (i.e. to retain talented female employees) in order to avoid any impression that women are getting an "unfair advantage" from these arrangements.

In cases where female employees choose to leave work, "returnships" are being embraced as an increasingly popular way to ease women's re-entry into the workforce. These are high-level internships, designed to help experienced senior professionals return to work after an extended career break. They are usually undertaken on a temporary basis (three to six months), with the possibility of being hired

permanently at the end of the placement. Returnships also help to alleviate age discrimination in the hiring process, which one recent study found was strongly biased against women in particular.¹⁹ Returnships are still in their infancy, even in Europe and the United States, and are mostly limited to sectors such as finance, consulting and technology. However, they represent a particularly attractive option for ASEAN companies, given the region's higher risk of women leaving the workforce while in positions of seniority.



Key takeaway

There are opportunities to support and improve board gender diversity, including overhauling parental leave policies and changing codes of corporate governance to require gender diversity disclosures. Declining birth rates in many countries in the region may also help to reduce family responsibilities for women and increase opportunities for them to remain in the workforce. The validity and usefulness of formal quotas is still widely debated, and a preference for corporate governance solutions persists across the region.

At the company level, it is vital that leadership supports board gender diversity and proactively adopts strategies to increase the proportion of women on boards and in senior leadership. Companies can also actively develop a long-term pipeline of female talent, focusing on both internal and external candidates with the right expertise. There is also scope for advocacy organizations in the ASEAN region to play an important role.

5.3 THE WAY FORWARD: DIVERSITY BREEDS DIVERSITY

Much more needs to be done to reach a level of board gender diversity commensurate with women's role in society and in the workplace in the ASEAN region. However, numerous successful initiatives at both country and company levels

suggest that ASEAN has the potential to make important strides towards achieving board gender diversity in the coming years, by addressing both the universal barriers that affect women around the world and the unique cultural and structural barriers at play in the region.

Demonstrating a visible commitment to board gender diversity is of critical importance. There is evidence that diversity tends to promote further diversity, prompting more widespread and inclusive searches for talent among a company's own ranks. Once a critical mass of diversity has been achieved, the push for even greater diversity tends to become automatic. Alicia Yi, managing director, Asia Pacific Consumer Market at Korn Ferry International (Singapore), explained: "Board diversity tends to be reflective of overall company practices. If a company is progressive at the board level, the chances are it is more progressive at the more senior level, and in how it develops leadership. How it looks at talent and diversity is obviously one of the areas in which it excels."

Younger male board members appear to be more open to gender diversity than their senior colleagues, which is a positive sign that ingrained cultural norms may be gradually changing. Helen De Guzman, chair, Board Diversity and Inclusion Committee, Institute of Corporate Directors, Philippines, noted that "despite comments about the boys' club, the main opposition to gender diversity on a board comes from the senior members, the older ones. If you have younger men on the board, they are more open to women directors." Even if attitudes are beginning to change, continuing to communicate the benefits of board gender diversity—particularly to male board members, both young and old—is critical to achieving greater female representation in the boardroom.

Creating an encouraging environment can also help young female leaders to become more assertive, and to aspire to leadership positions that they feel are within their reach.

Raising awareness about the benefits of board gender diversity is essential in the ASEAN region, so that leaders



can begin taking steps to move their countries and their companies in the right direction, and to quicken the pace of change where progress is already being made. We hope

that this study will help advance the business case for having more women in the boardroom, and in business leadership positions in general.

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Appendix 1: Snapshot of country metrics

Indonesia

	ASEAN average (%)	Indonesia (%)
Board membership	14.9	14.9
Board chair	7.1	11.7
Senior management	25.2	18.4
Independent commissioner	13.4	14.6
Audit committee	14.6	19.0

Note: Other board positions not available for Indonesia.



Companies with at least one female on the board **40%**

Companies with only one female on the board **28%**

Companies with an equal number of males and females on the board **3%**

Top three industries with the highest percentages of women on boards:



INDUSTRIALS

26%



REAL ESTATE

20%



CONSUMER STAPLES

15%

Malaysia

	ASEAN average (%)	Malaysia (%)
Board membership	14.9	13.5
Board chair	7.1	6.1
Senior management	25.2	26.2
Executive director	13.8	14.0
Non-executive director	14.3	10.4
Independent director	13.4	13.9
Audit committee	14.6	11.2



Companies with at least one female on the board **63%**

Companies with only one female on the board **40%**

Companies with an equal number of males and females on the board **0.3%**

Top three industries with the highest percentages of women on boards:



HEALTHCARE

27%



FINANCIALS

20%



ENERGY

19%

Philippines

	ASEAN average (%)	Philippines (%)
Board membership	14.9	13.2
Board chair	7.1	3.9
Senior management	25.2	32.8
Executive director	13.8	12.4
Non-executive director	14.3	14.7
Independent director	13.4	8.9
Audit committee	14.6	13.1



Companies with at least one female on the board

64%

Companies with only one female on the board

32%

Companies with an equal number of males and females on the board

2%

Top three industries with the highest percentages of women on boards:



INDUSTRIALS

20%



FINANCIALS

16%



CONSUMER STAPLES

15%

Singapore

	ASEAN average (%)	Singapore (%)
Board membership	14.9	11.9
Board chair	7.1	5.2
Senior management	25.2	27.2
Executive director	13.8	11.8
Non-executive director	14.3	11.1
Independent director	13.4	11.3
Audit committee	14.6	9.9



Companies with at least one female on the board

58%

Companies with only one female on the board

43%

Companies with an equal number of males and females on the board

0%

Top three industries with the highest percentages of women on boards:



CONSUMER DISCRETIONARY

14%



REAL ESTATE

14%



FINANCIALS

14%

Thailand

	ASEAN average (%)	Thailand (%)
Board membership	14.9	20.4
Board chair	7.1	7.6
Senior management	25.2	29.7
Executive director	13.8	19.7
Non-executive director	14.3	19.7
Independent director	13.4	18.1
Audit committee	14.6	19.8



Companies with at least one female on the board **88%**

Companies with only one female on the board **29%**

Companies with an equal number of males and females on the board **1.5%**

Top three industries with the highest percentages of women on boards:



CONSUMER DISCRETIONARY

24%



CONSUMER STAPLES

24%



FINANCIALS

20%

Vietnam

	ASEAN average (%)	Vietnam (%)
Board membership	14.9	15.4
Board chair	7.1	7.8
Senior management	25.2	16.8
Executive director	13.8	11.1
Non-executive director	14.3	15.5



Companies with at least one female on the board **53%**

Companies with only one female on the board **31%**

Companies with an equal number of males and females on the board **2%**

Note: Other board positions not available for Vietnam.

Top three industries with the highest percentages of women on boards:



CONSUMER STAPLES

24%



CONSUMER DISCRETIONARY

20%



REAL ESTATE

19%

China

	ASEAN average (%)	China (%)
Board membership	14.9	12.7
Board chair	7.1	4.4
Senior management	25.2	13.5
Executive director	13.8	9.7
Non-executive director	14.3	11.5
Independent director	13.4	14.6
Audit committee	14.6	18.7



Companies with at least one female on the board **60%**

Companies with only one female on the board **37%**

Companies with an equal number of males and females on the board **1.4%**

Top three industries with the highest percentages of women on boards:



UTILITIES
18%



**CONSUMER
STAPLES**
15%



HEALTHCARE
14%

Appendix 2: Detailed methodology for statistical analysis

Data source and sample selection

We used data purchased from Thomson Reuters (TR), which has a repository of company-specific gender data available from 2012 to 2018. However, gender data for any one company is only available for a single year (i.e. gender data for one company may have last been updated in 2012, while data for other companies may have been updated only once between 2013 and 2018). We noted that the largest sample of companies with both gender and financial data came from 2017. To ensure that our sample was consistent over one year, we decided to focus our analysis on only those companies with gender data available for 2017.

The final sample selected for our descriptive analysis consisted of 2,308 companies. The total sample size used in the statistical analysis was 1,836 companies. We removed companies from the sample that were missing data points that were required for our statistical analysis (e.g. debt to equity ratio, which is a control variable in our regressions). For our statistical analysis, we created separate data sets by country, industry and so on from this sample of 1,836 companies. In terms of geographical coverage, our statistical analysis covers Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and China.

Methodology: regional-level analysis

To arrive at a regional-level analysis, we combined the gender and financial data of seven countries: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and China. In the case of Indonesia, data for boards of commissioners was combined with board of director data for the analysis. We used cross-sectional ordinary least squares (OLS) regression models, including control variables, to examine whether gender diversity in these seven countries was statistically associated with company financial performance. We also included country dummy variables in the model.¹

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderpercent} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \epsilon \quad (1)$$

In the above regression equation (1), *Firm_Perform* refers to a company's financial performance, measured by Return on Assets (ROA) and Return on Equity (ROE). *fsize* is the natural logarithm of total assets considered as a proxy for company size, while *fage* is the natural logarithm of number of years since the date of incorporation of the company. *levratio* is the ratio of a company's total debt to total equity and has been considered in its natural logarithmic form. *persshareholder* is the percentage share of the largest shareholder, while *bsize* is the natural logarithm of the total number of directors on the board of the company. Lastly, *bindep* is the proportion of independent directors on the board of directors. MY, TH, SG, PH, IN and VN are the country dummy variables. *genderpercent* refers to different proxies of gender diversity in a company, defined in the table below.

GENDER VARIABLES (%)	DEFINITION
Percentage of female directors on the board	Number of female board members divided by total number of board directors * 100
Percentage of female executive directors on the board	Number of female board members classified as executive directors divided by total number of executive board directors * 100
Percentage of female non-executive directors on the board	Number of female board members classified as non-executive directors divided by total number of non-executive board directors * 100
Percentage of female independent directors on the board	Number of female board members classified as independent directors divided by total number of independent board directors * 100
Percentage of females in senior management positions	Number of female members in senior management divided by total members in senior management * 100

In addition to examining the relationship between company financial performance and women in the above-mentioned positions, we analyzed the relationship between company

financial performance and the presence of a woman as chair of the board. To test this relationship, *genderdummy* was introduced as a dummy variable in the regression equation.

GENDER VARIABLES (DUMMY)	DEFINITION
Presence of a woman as chair of the board	To capture the presence of a woman as chair of the board of directors in the company, <i>genderdummy</i> is a dichotomous variable that equals 1 if the firm has a female chair of the board and 0 otherwise

Company performance: dependent variables

We included two accounting-based measures of financial performance: ROA and ROE. ROA is calculated as the percentage of net income divided by total assets of the same year, while ROE is calculated as the percentage of net income divided by total equity of the same year.

Proxies for gender diversity: independent variables

We included gender diversity as the explanatory variable in our regression. First, we tested the proportion of women on the board of directors and then expanded this to include the proportion of women in executive director, non-executive director and independent director roles. We used the proportion of women in senior management positions as a proxy. We then expanded our study to analyze the presence of women as board chairs (dummies).

We used each of these proxies to test whether higher proportions/the presence of women in various business leadership positions leads to better financial performance for a company.

Control variables

Based on our review of the existing literature, as well as data availability across all countries, we selected certain aspects of corporate governance and ownership structure to include in our regression model as control variables. While the literature presents mixed views on the nature of

the relationship between company performance and these variables, each variable is said to have an impact on financial performance in one way or another.

Company age: This age is frequently used in corporate governance studies as it is predicted to have a positive relationship with company profitability and value. This can be attributed to greater learning as the company gains more experience. Companies can invest in research and development (R&D), hire more resources and specialize, thereby allowing for more profits and enhanced value. Numerous studies have considered company age as a control variable. For our study, we considered company age in its natural logarithmic form, which has been used in numerous other studies as well.

Company size: This size is also frequently used in corporate governance research as a control variable. However, the literature shows mixed results when assessing the direction of the relationship between company size and financial performance, as prior studies present contradictory evidence. Some studies suggest that larger companies enjoy higher growth and company value due to easy access to credit and economies of scale. For our study, we included company size using total assets, considered in its natural logarithmic form. Studies suggested using the natural logarithm form to normalize the data and minimize the value of standard deviation.

Financial leverage: Leverage is used to evaluate the gearing or long-term financial stability of a company. As leverage directly influences company performance, we decided to include it as one of the control variables in our study. We noted that some studies measured leverage by the natural logarithm of the ratio of total assets to total debt. Other studies used the ratio of total debt divided by equity. We followed the second approach. We considered leverage in its natural logarithmic form to mitigate the effect of outliers.

Percentage shares of largest individual shareholder: A number of studies provide evidence of a significant positive



association between shareholdings of large investors and corporate performance. Investors with large share ownership are believed to have strong interest in maximizing a company's value while in pursuit of their financial goals, making it an important variable to include.

Board size: The association between the number of people holding seats on the board and the company's competitive advantage appears to be a debatable issue in the literature. Some studies suggest that smaller board sizes lead to better financial performance, while others argue that there is a negative association between the two variables. Nonetheless, we noted that board size is incorporated in most studies as a control variable.

Independent directors: In the case of independent members on the board, empirical evidence presents ambiguous results. Some studies suggest that independent directors are positively related to company performance, while others reveal a negative relationship. Independent directors are considered valuable in the role of guiding and overseeing company financial reporting practices, but a number of studies report no significant relationship between the proportion of independent or non-executive directors and company performance. To control for any possible effects, we decided to include this variable in our study.

Removal of outliers

To ensure that our findings were not skewed as a result of outliers of ROA and ROE, we used the graphical method of scatter plots to remove outliers in our data sets. We considered the range in which most data points were present, and data points at extreme ends of this range were removed. However, the ranges differed from one variable to another, and from one country to another.

In the case of China, for example, we removed any company's data point for ROA that fell beyond the observed range of -25 percent to 4 percent. We selected these values because maximum data points were clustered around this range.

For Indonesia, the observed range for ROA was between -15 percent and 2 percent. We similarly removed any data point for ROA that fell well beyond this range.

To prevent any data manipulations, we decided against scaling down extreme values and preferred to consider data values as they were.

Robustness checks

Introducing additional dummy variables: In order to check the robustness of our estimations, we employed four alternative proxies for gender diversity. We then ran our model separately using company additional dummy variables. However, the sets of company performance and control variables remained the same in the model. We also included country dummies. Our regression equation is as follows:

Firm_Perform = β₀ + β₁*genderdummy + β₂*fsize + β₃*fage + β₄*levratio + β₅*persshareholder + β₆*bsize + β₇*bindep + β₈*MY + β₉*TH + β₁₀*SG + β₁₁*PH + β₁₂*IN + β₁₃*VN + ε (2)

In the equation, genderdummy refers to different dummy variables of gender diversity in a company. They are defined as follows:

VARIABLE	DEFINITION
Presence of at least one woman on the board	genderdummy is a dichotomous variable that equals 1 if the company has at least one woman on the board and 0 otherwise
Women account for more than 30 percent of board membership	genderdummy is a dichotomous variable that equals 1 if the company has more than 30 percent female board membership and 0 otherwise

Next, we combined data for board of director and senior management positions and ran additional regressions as another robustness check, using the following equation:

Firm_Perform = β₀ + β₁*genderpercent + β₂*fsize + β₃*fage + β₄*levratio + β₅*persshareholder + β₆*bsize + β₇*bindep + β₈*MY + β₉*TH + β₁₀*SG + β₁₁*PH + β₁₂*IN + β₁₃*VN + ε (3)

Here, genderpercent refers to the percentage of women in both board and senior management positions in the company. It is defined as follows:

VARIABLE	DEFINITION
Percentage of women in both board and senior management positions	Number of females in both board of director and senior management positions, divided by total number of people in both board of director and senior management positions * 100

Categories for analysis

In addition to modelling for the various senior leadership positions of women in each country, we also analyzed the impact of women in business leadership positions on a company's financial performance across companies with different characteristics. We tested these characteristics as moderating variables in the regression, examining the relationship between gender diversity and company financial performance. These categories are defined as follows:

- **Industry type:** Consumer discretionary, industrials, materials, healthcare, etc.
- **Shareholder type:** Companies where the largest shareholder is an individual
- **Company size:** Large companies versus small companies.

We used quartiles to determine high and low ranges of company size. Companies with metrics falling in the 75th quartile and above were categorized as "large", while companies with metrics falling in the 25th quartile and below were categorized as "small". We assessed company size using total assets.

To introduce these categories as moderating variables in our analysis, an interaction dummy of the gender diversity variable and a moderating variable were added into the equation. If the interaction between the gender variable

and moderating variable is statistically significant, the category is considered to be a moderator variable and thus moderation is supported. If it is not statistically significant, the category is not considered to be a moderator variable and moderation is not supported.

Moderating variable: industry type

The following regression equations were developed when considering industry type as a moderating variable. The proxies for gender diversity, with company performance and control variables, remained the same.

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderpercent} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \beta_i * \text{industrytypej} * \text{genderpercent} + \epsilon \quad (4)$$

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderdummy} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \beta_i * \text{industrytypej} * \text{genderdummy} + \epsilon \quad (5)$$

Here, *industrytypej* in the interaction term is introduced as a dummy variable. It refers to different industry groups such as consumer staples, materials, consumer discretionary, healthcare, financials, real estate, utilities, telecommunications and information technology.²

Moderating variable: shareholder type

The following regression equations were developed when considering shareholder type as a moderating variable. The proxies of gender diversity, with company performance and control variables, remained the same.

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderpercent} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \beta_i * \text{shareholdertypej} * \text{genderpercent} + \epsilon \quad (6)$$

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderdummy} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \beta_i * \text{shareholdertypej} * \text{genderdummy} + \epsilon \quad (7)$$

Here, *shareholdertypej* in the interaction term is introduced as a dichotomous variable. It equals 1 if the firm's largest shareholder is an individual investor, and 0 otherwise.

Moderating variable: company size

The following regression equations were developed when considering company size as a moderating variable. The proxies of gender diversity, with company performance and control variables, remained the same.

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderpercent} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \beta_i * \text{firmsizej} * \text{genderpercent} + \epsilon \quad (8)$$

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderdummy} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \beta_8 * \text{MY} + \beta_9 * \text{TH} + \beta_{10} * \text{SG} + \beta_{11} * \text{PH} + \beta_{12} * \text{IN} + \beta_{13} * \text{VN} + \beta_i * \text{firmsizej} * \text{genderdummy} + \epsilon \quad (9)$$

Here, *firmsizej* in the interaction term is introduced as a dummy variable. It refers to company sizes such as large companies and small companies.³

Methodology: country-level analysis

To arrive at a country-level analysis, we assessed the data set for each country separately. Seven countries were assessed: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and China. A similar regional cross-sectional OLS regression model was used to examine whether gender diversity in each of these seven countries was statistically associated with company financial performance. The control variables and gender diversity proxies remained the same.

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderpercent} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \epsilon \quad (10)$$

$$\text{Firm_Perform} = \beta_0 + \beta_1 * \text{genderdummy} + \beta_2 * \text{fsize} + \beta_3 * \text{fage} + \beta_4 * \text{levratio} + \beta_5 * \text{persshareholder} + \beta_6 * \text{bsize} + \beta_7 * \text{bindep} + \epsilon \quad (11)$$

In our country-level analysis, we further expanded our study to analyze the presence of women on audit committees. We used each of the gender proxies to test whether higher proportions of women in various business leadership positions leads to better financial performance by a company. We ran these regressions based on data availability for each country, resulting in varying sample sizes.

Categories for analysis

In addition to modelling for the various senior leadership positions of women in each country, we also analyzed the impact of women in business leadership positions on a company's financial performance across companies with different characteristics:

- **Industry type:** Consumer discretionary, industrials, materials, healthcare, etc.
- **Shareholder type:** Companies where the largest shareholder is an individual
- **Company size:** Large versus small companies.

For our sub-categories, we used quartiles to determine high and low ranges of company size. Companies with metrics falling in the 75th quartile and above were categorized as "large", while companies with metrics falling in the 25th quartile and below were categorized as "small".

We created separate data sets for each category and ran regressions for each country and each category separately. For instance, for large companies in China (using ROA as the financial variable), we filtered out and selected only those companies that met the criteria (75th percentile and above).

We then ran each regression using this data set as the base sample.

Moderating variables to better explain relationships between diversity and company performance

What is a moderating variable?

A moderating variable is a third variable that could have an effect on the relationship between an independent variable and a dependent variable. If the results of a regression after introducing this third variable are significant, there is said to be a contingent effect of the moderating variable on the relationship between the dependent and independent variables. The direction of the relationship could be either positive or negative.

To account for additional variables such as industry sector, company size and shareholder type when analyzing the relationship between company performance and gender diversity, we introduced moderating variables into our analysis. Although many of these relationships were statistically significant, it should be noted that in most cases the effect was small, resulting in weak interpretations across the categories analyzed.

The key takeaway from our analysis using moderating variables was the predominantly positive relationship between greater gender diversity and stronger financial performance, measured using both financial metrics: ROA and ROE. For instance, we found that when we introduced industry as a moderating variable while testing the relationship between ROA and ROE (financial variables) and gender diversity in board of director and senior management positions, industry type had a significant impact on this relationship in the telecommunications sector. The relationship was noted to be positive in the case of both

financial variables. Conversely, we found that when we introduced industry as a moderating variable while testing the relationship between ROA (financial variable) and gender diversity in board of director and senior management positions, industry type had a significant impact on this relationship in the telecommunications sector, but the effect was negative. The results were, therefore, inconclusive. We noted similar trends when introducing shareholder type and company size as moderating variables.

Overall, however, the relationship between gender diversity and financial performance was predominantly positive, compared to instances of a negative relationship overall.

ENDNOTES

- 1 China is considered a base country because it has the maximum number of observations.
- 2 The industry type "industrials" has been considered as a base category because it had the maximum number of observations.
- 3 "Medium" company size has been considered as a base category because it had the maximum number of observations.

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Creating Markets, Creating Opportunities