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Reframing the board diversity issue: set 25 by 25 target

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STUDIES upon studies have shown there is clear association between a board's gender diversity and company performance. Yet Singapore has been softer than usual in pushing the agenda. In our views, a "softly, softly, catchee monkey" approach cannot work. We need to move the needle boldly, with specific execution targets and timelines.

Board diversity is not about women's rights or women's issues. It is also more than a simple addition of different perspectives. Last year, a report by McKinsey showed that diversity also helps to attract talented employees by building strong role models and improve decision-making quality. In 2017, Morgan Stanley's examination of the tech companies found that those with better gender diversity deliver higher returns to shareholders. Credit Suisse, also in 2017, said companies with at least one woman director deliver better returns compared to those with all-male boardrooms. It also found that companies where women made up at least 15 per cent of senior management were 50 per cent more profitable than those where less than 10 per cent of senior managers were female.

Deloitte, in its recently released *Women in the Boardroom – A Global Perspective* report, provided a sense of where we are right now in terms of female representation on company boards. Compared to G7 countries, women participation in Singapore's boards is low, higher only than Japan. Prime Minister Shinzo Abe has publicly set a bold goal to have 30 per cent of all leadership positions to be filled by women by 2020.

Thirty per cent seems to be a target that is used by many advocacy groups and researchers. The 30% Club (30percentclub.org) in UK and the Thirty Percent Coalition (30percentcoalition.org) in the US were set up with the aim of having women make up at least 30 per cent of the members on every board.

CRITICAL MASS

Why 30 per cent? The thinking behind the 30 per cent movement is that it is not enough to have a "token female" in order to tick the diversity box. A number of research studies have suggested three female board representations, in a typical 10-12-member board, as the critical mass necessary for female directors to be able to fully participate and exert a positive effect on an equal footing relative to male peers.

In Singapore, the Diversity Action Committee (DAC) statistics show that over the last five years, the percentage of women representation in SGX-listed companies' boards has only grown by a mere 0.5 per cent per year. At this rate, we will have to wait until the year 2038 before we see 20 per cent representation or year 2059 to see a 30 per cent mark. Clearly, we need another approach. The DAC, along with BoardAgender and the People's Action Party's Women's Wing, have advocated a target of 20 per cent by 2020, which will probably pass uncelebrated given the current level of representation and progress.

We believe setting an explicit hard target with a fixed deadline will be the impetus necessary to reframe board diversity in Singapore. We think 25 per cent by 2025 is a reasonable hard target to set.

And we can kickstart the "25 by 25" target by especially encouraging government-linked companies to lead the way. What better way to influence the private sector than taking the high ground and setting an example? After all, listed GLCs account for up to one-third of SGX's market capitalisation.

Austria requires all state-owned enterprises to have at least 25 per cent female representation. Greece, Portugal and Taiwan ask for one-third. France, Iceland, Norway and Luxemburg require 40 per cent. Quebec (Canada), Finland and Israel government entities have the highest bar of equal representation of male and female members.

We have had plenty of discussions on the topic of gender balance with little or at best slow success. It is time to reframe the conversation with specific actions and hard targets.

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