

Speech by Minister Grace Fu at the launch of the Singapore Board Diversity Report

“Champions needed to spur diversity in leadership”

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Distinguished Guests
Ladies and Gentlemen,

Good evening. It is a pleasure to join you today at the launch of the fourth Singapore Board Diversity Report. Since its inception in 2011, this series of research reports has helped to improve understanding on the importance and progress of gender diversity in workplace leadership in Singapore.

This report joins a growing body of international research showing that valuing diversity is not an issue of achieving an **‘optical balance’**. It is about equipping companies so that they can better identify, navigate and address challenges in the business environment today.

The case for board diversity

The global geopolitical and business environment has become more complex. To operate effectively in this environment, companies must be able to marshal and maximise diverse talents and viewpoints in its leadership. Diverse boards are more able to anticipate and detect relevant trends and challenges early, to have a more holistic view of the world and to formulate suitable responses. They are more in touch with customers’ motivations, investors’ expectations, and employees’ needs.

As Marleen will soon share, the data shows that SGXlisted companies with more diverse boards outperform other companies. Companies with boards that displayed gender, age and ethnic diversity had an average Return on Assets of almost four times that of other companies (5.1%, compared to 1.3% on average for other companies).¹ The positive relationship between board diversity and better performance has been established in other international studies. For instance, a report from Credit Suisse of over 2,300 international companies found that the share price performance of large-cap companies with at least one woman on their boards was 26% higher than those without women on their boards, over the period of 2005 and 2011. A similar trend was observed in small-to-mid cap companies.²

While various forms of diversity, for example in age, gender and experience, are beneficial to the sustainability and performance of companies, I have a particular interest in gender diversity. I believe that increasing women’s representation at the pinnacle of companies will help us better harness women as a source of labour, of talent, and of resource. It will have a significant impact on the economic output of our society, our well-being as a whole and create a brighter future for our daughters and their daughters.

The state of diversity today

In Singapore, progress toward greater board diversity has been slow. On SGX-listed company boards, women comprised just 8.3% of board directors in 2013, a slight increase from 7.9% in 2012. We are still behind our regional peers and at about half of the proportions in Western developed countries.

In fact, female representation on boards has lagged behind female progress in many professional fields. For instance, over the past decade, the proportion of female lawyers in Singapore rose from 38% to 43%, and the proportion of female state court judges grew from 44% to 52%.³ The proportion of female doctors has increased from 32% in 2003 to 37% in 2013.⁴ Women currently comprise 63% of principals,⁵ 31% of non-profit board members,⁶ and 23% of elected MPs.⁷ In the business world, women hold 21% of senior management roles⁸ (e.g. C-suite roles) which is comparable to the international average.⁹ Yet when it comes to board membership, only 8% of corporate board members are women. This is far behind most developed economies where about 15-20% of board members are women.¹⁰

Clearly, improving gender diversity on boards needs concerted effort on the part of corporate leadership. The good news is that we are starting off on a much stronger footing compared to the early days of Singapore's independence. Today, we have a well-educated and highly capable female workforce whose members have established themselves in many occupations and professions.

Improving leadership diversity

To improve board diversity, a critical first step is for companies to re-examine their board selection process. There is an innate tendency to group with people similar to ourselves or sometimes those supportive of our views. We see this manifested in how companies tend to be over-reliant on personal networks in recruiting board members¹¹.

We need to encourage companies to more conscientiously broaden their search and nomination processes out of their usual social circles, for instance by developing more transparent recruitment procedures and using search firms or professional associations to source for potential candidates. Companies would also do well to identify and groom boardready candidates from within.

Last month, I was at the World Assembly for Women (WAW!) Symposium in Tokyo which discussed gender equality. During the symposium, where IMF chief Christine Lagarde gave a keynote address, I asked her her views on setting quotas. Christine Lagarde said that she used to think women should rise to senior positions on merit and should let it organically grow, but she has now concluded that quotas or targets are necessary because she said she has experienced the changes in her own firms and she felt that it was at a really slow pace. The EU is currently discussing a draft directive to require large companies (above 250 employees) to have at least 40% of nonexecutive directors positions held by women.

In Singapore, we are taking the path of encouragement and perhaps gentle prodding from time to time. I have already suggested to MAS that our Code of Corporate Governance should require companies to disclose their gender diversity policy. I urge companies to take the initiative to disclose their diversity policies, and profile them in their corporate agenda. Efforts like the CGIO-BoardAgender Diversity Ranking, which ranks SGX-listed companies by how diverse their boards are, also help to highlight best practices that others can learn from. I would also like to urge investors, particularly large institutional investors, to ask companies pointed questions about their board diversity. After all, it makes good business sense for potential investors to query companies about the rigour of their board nomination and selection process.

Building a virtuous cycle of leadership diversity and employment diversity

Board diversity is closely linked to diversity at the other levels of the company. To have women succeed at the senior leadership level, you need a healthy pipeline of female talent throughout the company. Women at the board level can help focus management attention on gender-friendly HR and talent policies, which help attract and groom female talent as the pipeline of future corporate leaders. This virtuous cycle contributes to building high-performing corporations with the ability to leverage the breadth of talent in the workforce.

Achieving greater diversity at all levels of the company requires a concerted effort to give women opportunities for career progression. Companies could examine their leadership selection processes throughout the management chain, review and reduce HR rigidities skewing the talent pipeline, and help women who are candidates for senior management build their networks.

Some companies have designed HR policies to facilitate re-entry into the workforce, such as programmes to help former employees refresh their skills and get back up to speed. There was a very interesting article on Financial Times about how women were going back to the alumni to attract women who have left the company to return. They are taking a very serious look on how they could get more women into the management level and I was deeply encouraged by what I read and guess what, at the very end of this article on the Financial Times, it says they are aiming to reach the target of 25 per cent as set by the UK government. Some targets, some quotas seem to be allowing management to focus their attention on this issue. Others have developed an ecosystem of family-friendly measures, such as encouraging a flexible-working culture focused on performance outcomes, rather than physical presence in the office, and having thoughtful and pro-family touches like lactation rooms for mothers.

One company that has done well in this area is the Singapore office of Proctor and Gamble, which allows staff to have flexible schedules around their core operating hours, and allows most employees to work from home once a week.¹² The flexi-work scheme has led to a productivity increase. P&G won a “**Best company for mums**” award by NTUC last year. In a business environment where competition for talent is fierce, such accolades help companies to stand out and attract the talent they need.

Conclusion

In closing, I urge all of us to continue to champion diversity and to make diversity a priority. Diversity is a marker of a progressive, sound and future-oriented system – both in companies and in society at large. The principle of maximising talent applies to most groups – from building more visionary boards, to dynamic organisations, or a thriving society.

For this reason, **gender equality is not a “women’s matter”**. Both women and men benefit from greater equality. Many men, especially in the younger generation, share gender-equal norms and expectations, and desire to participate holistically in family life. Many also have working wives or daughters, and want them to achieve their potential. In the workplace, greater equality means that men benefit from working with the best people, in more productive, balanced teams.

While we have made some progress over the years, we should do more to ensure greater diversity in boards. I look forward to contributions from all of you as we work towards this important goal. Thank you.

¹ Singapore Board Diversity Report 2014 found that the 7.7% of companies that displayed diversity in gender, ethnicity and age, were also the most successful, with an average Return on Assets of 5.1%, compared to 1.3% of the other firms.

2 The share price performance of small-to-mid cap companies with at least one woman on their boards was 17% higher than small-to-mid cap companies without women on their boards, over the period of 2005 to 2011. Credit Suisse, “Gender diversity and corporate performance”, 2012. https://www.creditsuisse.com/newsletter/doc/gender_diversity.pdf

3 Data on female lawyers as at 2005 and 2013, from the Law Society. “Gender in Justice – Women in the Law in Singapore”, <http://www.lawgazette.com.sg/2005-10/Oct05-feature3.htm> and <http://www.lawsociety.org.sg/AboutUs/GeneralStatistics.aspx>. Data on state court judges as at 2003 and 2013, from OWD/MSF.

4 Data on Singapore citizen female doctors from MOH.

5 Data as at 2013, from MOE.

<http://app.msf.gov.sg/Research-Room/Research-Statistics/Principalsby-Gender>

6 Data as at 2014, from Straits Times forum writer who analysed boards from 36 VWOs in Singapore.

<http://www.straitstimes.com/premium/forum-letters/story/women-more-drawn-boards-non-profitgroups-20140930>

7 Data from Parliament, as at 2014.

<http://app.msf.gov.sg/Research-Room/ResearchStatistics/Women-Members-of-Parliament>

8 Data from the 2014 Diversity Task Force report, for female representation in senior management level of SGX-listed companies, excluding executive directors. The report noted that females are wellrepresented in senior management positions relating to HR, administration, legal, compliance and regulatory, as well as finance (30-61% of positions). But they were poorly represented in strategy/planning, operations, technology and sales (11-18%) which may be why there is a smaller pipeline of female candidates considered for board director positions, as the type of skills sought by boards tend to be from the male-dominated functions.

9 The global average proportion of women in senior management roles was 24% according to a report by Forbes Insight and Grant Thornton’s International Business Report 2013, which surveyed 13,000 business leaders in 44 economies.

http://www.gti.org/files/ibr2013_wib_report_final.pdf

10 For instance, the proportion of women on boards is 18.2% in Australia, 16.6% in the EU on average, 16.9% in the US and 20.7% in the UK. Singapore also lags behind Hong Kong (9.6%) and Indonesia (11.6%), though we are ahead of Japan (2.0%) and South Korea (1.9%) in the proportion of women on boards. Data as cited in the Singapore Board Diversity Report 2014.

11 A study by the Diversity Task Force published earlier this year found that 89% of SGX-listed companies used personal networks to recruit new directors.

12 P&G is a US-based MNC, ranked as the 40th largest global company and one of the 100 most innovative companies in the world by Forbes in 2014. 45% of its board members (five out of 11) are female. Info on the Singapore based office from “Flexibility in the workplace”, a report that showcases companies that won the “Best Companies for Mums” 2013 award by NTUC.