Lowdown on gender diversity

Q: Is it really that important to have gender diversity on company boards? How exactly does gender diversity help?

– Joey

A: There is increasing convergence around the idea that more diverse boards are more effective and responsive. Boardroom diversity is not limited to gender diversity — directors can also contribute different industry backgrounds or complementary expertise to a firm.

Gender diversity is enjoying considerable attention globally and it is becoming one of the standard corporate governance indicators used to benchmark countries and companies. The argument most frequently used to increase female participation on corporate boards is that there is a business case for doing so. Most studies have shown that firms with more gender-balanced boards also tend to perform better.

However, it is not easy to determine the extent to which, and how, female board members influence company performance, and the extent to which the more profitable companies tend to hire more women directors. This is why scholars are now studying the “black box” of women directors’ roles and effects on companies.

Despite increasing evidence that a diversity of perspectives within a board of directors has its advantages, statistics show that female participation in boardrooms is quite low, and improves only marginally over time.

Some countries have taken action to improve gender diversity, for instance, by incorporating guidelines in their corporate governance codes or by mandating minimum quota through legislation.

There are advantages and disadvantages of regulation or mandated quota.

The proponents will argue that without government intervention, gender balance will not be achieved soon enough. Even with a large pool of very capable women available, and evidence of business advantages, the proportion of women directors will remain low.

On the other side, there is the view that merit alone should determine director appointments and that intervention may lead to the appointment of “token” directors, and that this is not the right way to go.

The Board Diversity Report recently published by the Centre for Governance, Institutions and Organisations of NUS Business School, in partnership with BoardAgender, provides relevant statistics on gender diversity in Singapore’s listed firms that can inform the discussion and help individual companies and regulators decide on future steps. The study is available at bschool.nus.edu.sg

– Marleen Dieleman, Associate director, Centre for Governance, Institutions & Organisations, NUS Business School

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