

Women Directors in Malaysian Boardroom

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Abstract: The issue of women in boardroom has become an important agenda in corporate world, and extensively discussed by academics and professionals. In Malaysia, the emphasis to have women directors in Malaysian public listed companies (PLCs) has started in 2010, where the Malaysian government announce that PLCs to have at least 30% of female board members by the year 2016. The purpose of this study is to examine the level and the profile of the women directors in Malaysian PLCs in year 2016. The results suggest that women directors only account for less than half of the expectation, and almost 40% of the sampled firms do not have a single women in boardroom. By separate industries, none of the industry comply with such announcement. The presence of women is seen only to fulfill the government's requirement, but not to empower them with decision making and monitoring role.

Key words: *Gender diversity, Women directors, Board of directors, Malaysia*

INTRODUCTION

The role of women in boardroom has become one of the important topics discussed among academics and professionals. Previous studies identified several benefits related to having women representatives in corporate board, such as increased firm performance [1-3], increased social responsibility performance [4-9] and board strategic control [10]. Furthermore, the presence of women in boardroom is also associated to better monitoring [11] as women directors have better attendance records in board meetings compared to their counterparts [11].

Given the benefits of having women directors in boardroom, emphasis to place this group in the decision making level has taken place not only in developed, but also in developing countries. In Europe, countries such as Norway has made target to have 40% of women in corporate boardroom as early as in year 2008, while the United Kingdom (UK), Finland and Sweden, have implemented voluntary standards to promote gender balance in the boardroom [12]. Meanwhile, in Malaysia, representing the developing countries, the strong

emphasis to place women in decision-making levels has started since 2004, where the Malaysian government announced that 30% of the decision-making level in public sector must be filled by women managers. The policy was extended to the private sectors, particularly to the PLCs in 2010. By year 2016, Malaysia has surpassed its quota of 30% women in the public sector, at policy maker level, with 35.6% in the top management group[13]. However, for private sector, specifically the PLCs, only 17.9% of women are identified in the corporate board of the Top 100 firms [14]. Furthermore, despite the announcement made by the government to inculcate women role in corporate boards, findings suggest that 17 out of the Top 100 firms have none female board member [14].

The above scenario has triggered the question on the seriousness of Malaysian PLCs in empowering women at decision making level. Therefore, the purpose of this study is to further examine the level of women representative in the corporate board of Bursa Malaysia listed firms. Specifically, this study firstly examines the presence of women directors in Malaysian firms' boardroom and to observe if there is an increase in the

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percentage of women in boardroom prior to and post of the announcement made by the Malaysian government in year 2010. Secondly, this study also examines the profile of the women directors, in terms of the academic qualification of the women directors, their affiliation to professional bodies, their number of years of experience and their position in the corporate board. The findings of this study is hoped to provide preliminary evidence on whether the announcement made by the Malaysian government to empower women in decision making level is moving on track.

This paper will be organized as follows: first is on the introduction, followed by review of related literature, the research design and methodology, and the findings and discussion. Finally, the conclusion and suggestions for future research.

LITERATURE REVIEW

The Benefits of Having Gender Diversity

The pursuit for gender diversity is catalyzed by the important role played by women in corporate decision making that cannot be taken lightly. Past studies identified that firms with presence of women directors have better monitoring compared to the male dominated board [11]. Women directors posits the act of high commitment by having better attendance records in board meetings [11], which explains why women directors positively influence firm performance [3, 15], social responsibility performance [11] and board strategic control [10].

The relationship between women's presence and firm performance however, vary according to the academic qualification held by the women directors [3]. Women directors with a university degree will give significant positive effect to firm performance compared to women directors without a university degree, who will have a smaller or insignificant effect on firm performance [3]. Furthermore, the association of gender diversity with firm performance can give positive effect when the representation of women directors reaches certain threshold. One study suggests that positive performance can only be realized when women representative contributes 30% of the board of directors [1], but will negatively affecting firms' performance when the women representation is less than the threshold. Other study, that was conducted in a transitional economy,

suggest that the performance of firms having one or two female directors is better compared to firms with none female directors, however, when the women representation reaches 20%, the positive effect may cease [2]

Past studies also justify that the presence of women directors is highly correlated to corporate social performance [4-9]. Women directors are found to focus more on the human aspects of social responsibility, which involves employees, community and charity [6]. They are more pro-social behavior [8], induce high levels of "emphatic caring" [4] and are more oriented on philanthropic activities compared to their male colleagues who are economically oriented [7]. The concentration on the human and philanthropic aspects will then increase the morale of the employees [9] and in turn will enhance firm reputation [5].

Global Gender Diversity

The presence of women directors in the boardroom is associated with good governance [11, 12] and performance [3, 15], as such, there is a growing focus on inculcating gender diversity in corporate boards. The effort involves developed and developing countries, and discussion and arguments on gender diversity has taken place among academics and professionals.

In Europe, many countries have established the minimum quota for female representation in the corporate boards. Norway, being the first country to impose such quota, had targeted for 40% of females in public listed firms in 2008 [16], while Spain and France targeted 40% female in listed companies to be achieved in 2015 and 2017 respectively [12]. Furthermore, countries such as UK, Finland and Sweden, have implemented voluntary standards to promote gender balance in the boardroom [12].

The presence of women can be seen as encouraging in the financial services industry. For instance, in Norway, women accounts for 34% of board members, where 25% holds position as executive directors [17]. In UK, women represents 23% of board members, with 14% accounts as executive committee members [17]. In 2017, the UK statistics increased to 25% of board members and 18% for executive members [18].

In Malaysia, representing the developing nations, having women as policy makers has been made as one of important agenda by the government. In year 2004, the government requires the public sector to have at least 30% of women in the decision making level [19]. Malaysia proudly achieve the target for public sector, where at the end of 2016, 35.6% of women is positioned in the top management group [13].

With regards to Malaysian private sector, different scenario has been observed. In 2009, there were only 4.2% of women representatives in Malaysian public listed companies, slightly lower compared to its neighbor, Singapore, with 5.7% [20]. To promote gender diversity, the same policy was extended to the private sector in 2011, where 30% of corporate boards of public listed companies must be filled by female representatives by year 2016 [21]. However, with regard to the private sector, specifically the public listed firms, the target is yet to be achieved. Recent findings indicate that women representatives in Top 100 Malaysian public listed companies only accounts for 17.9% [14]. Furthermore, it is also noted that 17 out of the Top 100 firms have none female board member [14]. This scenario has triggered the question on the seriousness of Malaysian public listed firms in empowering women at decision making level. Therefore, it is the intention of this study to find out the presence of women directors that sits in the boardroom of Malaysian PLCs.

RESEARCH DESIGN AND METHODOLOGY

The population of this study is the firms listed on Bursa Malaysia for the year 2016. A total of 300 samples have been selected using simple random sampling, where each item in a population has an equal opportunity to be chosen as a sample [22-24]. This method has been chosen since it enables the findings to be generalized throughout the population [23]. The 300 samples are then being segregated between 10 industry types according to Bursa Malaysia categorization (Refer Table 1).

The data is captured from the 2010 and 2016 annual reports of the sampled firms. The year 2010 is chosen as it marked the year where the announcement for Malaysian listed firms to have at least 30% female directors has taken effect. Meanwhile, 2016 marked the year where listed firms should have at least 30% of female directors in their boardroom.

Prior to data collection, the 300 samples were screened for annual reports availability. At this stage, it was found that 50 samples need to be discarded due to 2010 annual report unavailability. The initial and final sample is as shown in Table 1.

Table 1: Sample

Industry	Initial Sample	Final Sample
Construction	11	8
Consumer Product	49	45
Finance	15	13
Hotel	2	2
Industrial Product	75	71
Plantation	3	3
Properties	35	35
REIT	7	4
Technology	15	11
Trading and Services	88	58
TOTAL SAMPLE	300	250

The main variable, the women directors, is measured using two measures; (1) the number of women directors in the corporate board, and (2) the percentage of women in the corporate board relative to the total board members. The study also examines the academic qualification of the women directors, their affiliation to professional bodies, their number of years of experience and their position in the corporate board. The analysis is done using descriptive statistics.

RESULT AND DISCUSSION

The first objective of this study is to examine the presence of women directors in Malaysian firms' boardroom and to observe if there is an increase in the percentage of women in boardroom prior to and post of the announcement made by the Malaysian government in year 2010. In Table 2, the results reveal that in year 2016, out of 250 firms under study, only 154 firms which accounts for 61.6% have at least one female representative sitting on the board of directors. This scenario explains that regardless of the announcement made in 2010 to empower women by requiring every firm to have at least 30% of women representation in the corporate board, there are still firms that do not have any female representative in the board of directors, which accounts for 38.4%. This situation however, shows improvement compared to a past study where it was

found that between years 2008 and 2011, 57% Malaysian firms do not have women representative on the board [25].

When the firms are categorized according to industry, the results reveal that firms the finance industry do take the Government's initiative seriously, as none of the

firms under study are without women representation in the corporate board. On the other hand, Plantation and Construction industries depict the highest percentage of firms having only male representatives in the corporate board.

Table 2: The Presence of Women Directors in Corporate Board

Industry	Count			Percentage		
	Without Female Directors	With Female Directors	Total	Without Female Directors	With Female Directors	Total
Constructions	5	3	8	62.5	37.5	100.0
Consumer Products	20	25	45	44.4	55.6	100.0
Finance	0	13	13	0.0	100.0	100.0
Hotels	1	1	2	50.0	50.0	100.0
Industrial Products	31	40	71	43.7	56.3	100.0
Plantation	2	1	3	66.7	33.3	100.0
Properties	12	23	35	34.3	65.7	100.0
REITs	1	3	4	25.0	75.0	100.0
Technology	6	5	11	54.5	45.5	100.0
Trading and Services	18	40	58	31.0	69.0	100.0
TOTAL	96	154	250	38.4	61.6	100.0

The analysis is extended to examine the increase in the percentage of women directors between year 2010 and year 2016. The results depicted in Table 3 reveal that the overall percentage of women directors increase, from 10.07% in year 2010 to 12.47% in 2016. Furthermore, despite the slight decrease in the board size (7.52 in 2010, and 7.44 in 2016), the number of women directors increase from 0.76 in 2010 to 0.94 in 2016. In term of number, in year 2010, Malaysian firms depicts 0.76 women directors, however, the number increase to 0.94 in 2016, with an increase of 23.68%.

The 10.07% of women directors in year 2010 is higher compared to findings by previous studies that suggest 8% [25]. This may be due to the panel data used by the previous studies which incorporate the percentage of women directors a number of years prior to year 2010, where the presence of women may had been very low. In term of the number of women directors, this findings of this study suggest 0.76 person, slightly higher than the findings in past research with 0.6 person [25] and 0.57 [15].

Table 3: Percentage of Women Directors in Malaysian Listed firms

	2010				2016				Increase in Mean %
	Min	Max	Mean	SD	Min	Max	Mean	SD	
BSize	3.00	18.00	7.52	1.97	4.00	17.00	7.44	1.88	-1.06
WomDir	0.00	4.00	0.76	0.86	0.00	4.00	0.94	0.96	23.68
PercWom	0.00	50.00	10.07	11.18	0.00	50.00	12.47	12.09	23.83

Variables Definition:

BSize_2010 = Board Size, measured by the number of directors sit on the board; WomDir = Women directors, measured by the number of female directors sit on the board; PercWom = Percentage of women directors, measured by the number of women directors over board size.

N = 250

The data is further analyzed to examine if the increase in the percentage of women directors exists in all industry. The results depicted in Table 4 reveal that except for Plantation and Real Estate Investment Trusts (REITs) industries, all other industries show increase in the number and percentage of women directors. The highest increase can be seen in the finance industry, where in year 2010, women directors only represent 11.86% but escalates to 26.24% in year 2016, representing an increase of 121.25%. This statistics show that female representation in Malaysian finance

industry is up to the level of those in United Kingdom which accounts for 24-26% [17, 18], although far from competing with Norway which has 34% of women representatives [18]. The second highest having women representation is the Trading and Services industry (10.75% in 2010 and 14.62% in 2016), with an increase of 36%, while Hotel industry marks the third in line with 7.14% in 2010 and 12.5% in 2016, accounts for 7.07% increase in the percentage of women directors.

Table 4: Percentage of Women Directors in Malaysian Listed Firms According to Industry

Industry	2010			2016			Increase / Decrease		
	BSize	WomDir	PercWom	BSize	WomDir	PercWom	BSize	WomDir	PercWom
Constructions	8.88	0.50	5.12	8.13	0.63	6.30	-8.45	26.00	23.05
Consumer Products	7.58	0.84	10.80	7.51	0.89	11.70	-0.92	5.95	8.33
Finance	8.54	1.08	11.86	7.77	2.00	26.24	-9.02	85.19	121.25
Hotels	6.50	0.50	7.14	7.00	1.00	12.50	7.69	100.00	75.07
Industrial Products	7.28	.61	8.41	7.41	0.77	10.42	1.79	26.23	23.90
Plantations	7.33	0.33	6.67	7.33	0.33	6.67	0.00	0.00	0.00
Properties	7.49	0.94	12.29	7.63	0.97	12.25	1.87	3.19	-0.33
REITs	6.50	1.00	16.35	6.75	0.75	11.94	3.85	-25.00	-26.97
Technology	7.09	0.55	7.70	6.27	0.55	8.28	-11.57	0.00	7.53
Trading & Services	7.59	0.79	10.75	7.45	1.10	14.62	-1.84	39.24	36.00
Total	7.52	0.76	10.07	7.44	0.94	12.47	-1.06	23.68	23.83

Variables Definition:

BSize_2010 = Board Size, rmeasured by the number of directors sit on the board; WomDir = Women directors, measured by the number of female directors sit on the board; PercWom = Percentage of women directors, measured by the number of women directors over board size.

N: Constructions = 8; Consumer Products = 45; Finance = 13; Hotels = 2; Industrial Products = 71; Plantations = 3; Properties = 35; REITs = 4; Technology = 11; Trading and Services = 58; Total = 250

From previous analyses, this study identifies that only 61.6% of the sampled firms, which accounts for 154 firms, have at least one female sits in the boardroom. In these 154 firms, 235 women directors have been identified. The subsequent analyses are related to the 235 women directors, in fulfilling the second objective of this study, which is to examine the profile of the women directors in term of their academic qualification and area, their affiliation to professional bodies, the number of years of their industrial experience and the role they played in the corporate board. Table 5 depicts the result.

In term of the academic qualification, majority of the female directors have college degrees (82.1%), with at

least a certificate. Most of these college graduates possess a bachelor’s degree (55.3%) and master’s degree (17.4%), while only 4.7% have PhD. This finding denotes that majority of Malaysian women directors own tertiary education level which may be beneficial in assisting their role as a director. Furthermore, the results suggest that 60% of the women directors have business academic background, which signals good exposure with relations to their activities. With regards to affiliations with professional bodies, the findings suggest that only 38.7% have affiliations. Most of them are affiliated to Accounting bodies such as ACCA, CIMA, and MICPA and are also member of MIA. Other professional bodies include LLB.

Table 5: Profile of Women Directors

		Count	%
Academic Qualification	PhD	11	4.7
	Master Degree	41	17.4
	Bachelor Degree	130	55.3
	Diploma	6	2.6
	Certificate	5	2.1
	High School	17	7.2
	Not Mentioned	25	10.6
	Total	235	100.0
Qualification Area	Business Area	141	60.0
	Non-Business Area	53	22.6
	Not Mentioned	41	17.4
	Total	235	100.0
Affiliation to Professional Bodies	Yes	91	38.7
	No	144	61.3
	Total	235	100.0
Industrial Experience	1 to 5 years	9	3.8
	6 to 10 years	14	6.0
	11 to 15 years	29	12.3
	16 to 20 years	47	20.0
	More than 20 years	116	49.4
	Not Mentioned	20	8.5
	Total	235	100.0
Executive Role	Executive Chairman	2	0.9
	Non-Exec Chairman	3	1.3
	Managing Director / Chief Executive Officer	7	3.0
	Executive Director	67	28.5
	Non-Exec Director	156	66.4
	Total	235	100.0
Monitoring Role (Audit Committee Member)	Yes	86	36.6
	No	149	63.4
	Total	235	100.0

In term of experience, almost half of the women directors (49.4%) have more than 20 years of industry experience. This scenario shows a good sign that Malaysian women directors do have the capability in conducting their role as company directors. However, the business experience and the academic background of Malaysian women directors are seen not to be utilized efficiently, as only 32.4% play executive roles (28.5% as Executive Directors, 3.0% as Managing Directors or CEO, and 0.9% as Executive Chairman). Women directors are largely seen as fulfilling the non-executive roles, which limits them from involving in strategic decision making.

Finally, the findings from this study indicate that only 36.6% of the female directors involve in monitoring activities by being in the Audit Committee.

CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

Having women as policy makers has been one of the important agenda by the government of Malaysia. Thus, this study tends to further examine the level of women representative in the corporate board of Bursa Malaysia listed firms. Firstly, this study intend to examine the presence of women directors in Malaysian firms' boardroom and to observe if there is an increase in the percentage of women in boardroom prior to and post of the announcement made by the Malaysian government in year 2010. Results shows that except for Plantation and Real Estate Investment Trusts (REITs) industries, in the year 2016, all other industries show an increase in the number and percentage of women directors compared to the year 2010.

Secondly, this study also examines the profile of the women directors, in terms of the academic qualification of the women directors, their affiliation to professional bodies, their number of years of experience and their position in the corporate board. The analysis shows that Malaysian women directors do have the capability in conducting their role as company directors through their academic backgrounds and working experiences. However the study finds that they have not been efficiently utilized due to limited roles in the board directors that doesn't involve in any vital decision making.

The findings of this study has proved to provide preliminary evidence that having the Malaysian PLCs in empowering women in decision making level is still far behind. The presence of women is only seen to fulfill the government's requirement but not to entitle them with the decision making and monitoring role.

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