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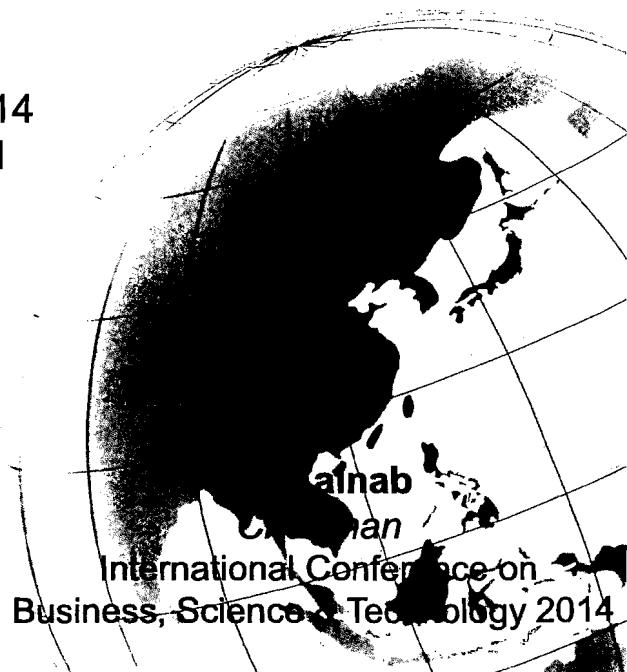
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Women Directors Involvement in Malaysia

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ABSTRACT

Empirical studies found that women are under-represented on corporate boards despite their high participation in the workforce. In Malaysia, the establishment of Ministry of Women, Family and Community Development plays a role in boosting the women roles. In year 2004, the Malaysian Government has imposed the public sector agencies to appoint 30% women to be involved at the decision making levels. In 2011, the government extended the policy to the private sector and set 2016 as the year for meeting the target. This paper seeks to determine the level of women participation on boards in 2010 and examine the profiles of the women, as well as the companies that appoint women to their boards. Based on 831 Malaysian listed companies, we find that a majority of women directors are of Chinese ethnicity, non-independent directors, and have an accounting and other business-related academic background. Many of them are family-related to other directors. This study contributes significantly to the policy makers and the authority responsible for promoting women to become directors.

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INTRODUCTION

Malaysian women are highly important contributors to the country's economic and social development. Their access to health and education and their participation in the economy have increased rapidly over the years. However, the issue highlighted in this paper is on the under-representation of women in the top management, particularly on the corporate boards has become a major concern for corporations, government policymakers, the media and researchers across the globe. The proportion of women in top management is not in line with the rising proportion of women in the workforce. The importance of women in top management and the values that they bring into companies are some of the things that should not be ignored.

In 2011, the Malaysian Cabinet has approved a policy where corporate companies must achieve at least 30 percent representation of women in decision-making positions by 2016 (The Star, June 27, 2011). This policy is an extension of a similar policy introduced in 2004 for civil services which saw an increase of women participation at the top management level from 18.8 percent in 2004 to 31.2 percent in 2010 (The Star, 28 June, 2011). The policies show that the Malaysian Government is serious about empowering women and encouraging them to move further ahead in their careers by becoming corporate decision makers.

Research suggests that women play a significant role in enhancing board effectiveness and company performance. Several surveys have been conducted to examine the representation of women on boards of Malaysian companies. A study by Abdullah *et al.* (2012) on all public listed companies in 2008 shows that women occupied 7.7 percent of the board seats. According to a survey by Bank Negara, the number of top women appointments in 200 companies listed in Bursa Malaysia as of November 2010 was only 7.6 percent, and only 45 women or 6 percent were appointed to become board members of financial institutions as of April 2011 (The Star, 28 June, 2011). Ahmad-Zaluki (2012) finds that female representation as board of directors in 228 Malaysian companies prior to the IPO is only about 8 percent. This percentage is almost similar for the subsequent four years (IPO year and three-year post-IPOs). By using a subsample of 89 companies that appear as top 500-companies in 2011, the percentage of female directors increases only 2.5 percent from the pre-IPO year.

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Except for the study by Abdullah *et al.* (2012), other Malaysian studies merely examined a selected sampled companies, for example the top 100 or 300 companies (Bank Negara, 2011; Abdullah and Ku Ismail, 2013; and Zainal *et al.*, 2013). All companies listed on Bursa Malaysia in 2010 are the subjects of our investigation. We analyze the profile of women directors as of 2010 to give a better picture of who the women directors are. This study will be of a significant contribution to the Malaysian business environment as it will provide insightful information about women directors and unveils the importance of women as corporate top decision makers.

The remaining of the paper is structured as follows. Next, a review of literature will be presented, followed by a discussion on research methods. Then, we will present and discuss the results. Finally, this paper ends with a conclusion section.

Literature review:

National Policy on Women:

The progress in the advancement of the cause of women in Malaysia should be viewed within the context of the overall framework of national development policies, plans, and objectives. This is because efforts and plans to improve the status of women are integrated and incorporated into the various long-term sectoral planning and the National Five-Year Development Plan. The relevant policies are the New Economic Policy (1971-1990), the National Development Policy (1991-2000), and Vision 2020. More specifically, based on recognition of the need to ensure that women share equitably in the development processes in all sectors of growth and national life, the National Policy on Women was adopted by the Government in 1989. The objectives of the National Policy on Women are to ensure equitable sharing of resources and development opportunities between men and women and to integrate women into all sectors of development in accordance with their capabilities and needs (Ahmad, 1998).

The Government of Malaysia reaffirmed its commitment to improve the status of women at the United Nations Fourth World Conference on Women, held in Beijing in September 1995. The Beijing Declaration and the Platform for Action were unanimously endorsed by all participating members of the United Nations. Malaysia has specifically committed itself to strengthen the implementation of the National Policy on Women in order to: (i) involve more women in decision-making; (ii) safeguard their rights to health, education, and social well-being; (iii) remove legal obstacles and discriminatory practices; and (iv) ensure access to and benefits of development particularly in science and technology (Ahmad, 1998).

To improve the status of Malaysian women, Government and NGOs in collaboration with universities, and the private sector, work together through a national machinery. The National Advisory Council on the Integration of Women in Development (NACIWID) was set up in 1976 as the coordinating and advisory body on women's affairs. Following this, a Women's Affairs Division was formed in 1983 as the focal point for women's affairs in the country. The implementation of the National Policy for Women started during the 6Malaysia Plan, which expressed an increased awareness of and concern for women's issues (Ahmad, 1998).

Women in Government Service:

Trends in women's participation in the government sector are important insofar as government is still the single largest employer, although the share of the private sector is increasing rapidly. Government policies therefore directly and indirectly impact on policies and approaches of employers in the private sector. Government officers also develop policy advice for government and implement the same. The advancement of women, with gender sensitive policy making and program/project design and implementation, is dependent upon their access to higher levels of policy agenda setting, and decision making, in politics and government. It is also dependent upon the creation of gender awareness and sensitization, among both men and women responsible for policy making, implementation of programs and projects, monitoring and evaluation.

Women's participation in government service has increased rapidly between 1980 and 1991, from 27 percent to 33.6 percent. Several factors are important in this regard, the most significant being women's increasing participation in education. It was also in part due to the expansion of the health and education sectors, and the increased opportunities in government service for teachers and health workers. There is a positive correlation between the educational attainments of women, and their labor force participation rates. Women have increasingly opted to join the government services. This has to do with the expansion of government employment from the 1960s until the 1980s, during which period, government extended its scope to include support services to provide for the rapid social and economic development of the nation. Women's entry into government service also helps illustrate attitudinal changes among parents, who recognize that girls have educational and professional potential, which provides options for them outside of marriage.

Employment patterns reveal that women are concentrated in labor-intensive operations in manufacturing as clerical workers, equipment operators, production workers, and service workers — positions that require little pre-employment training. As a result, employers have little incentive to retain older, experienced workers; and in times of cyclical retrenchment, the rule "first in, first out" applies. Women with factory experience who have

taken time out for child rearing find that they have lost any accrued seniority when re-entering the labor force (Ariffin 1994a, World Bank 1995).

At the administrative and managerial level, there are proportionally fewer women (1.7 percent) than men (4 percent). However at the combined professional and technical level, there are proportionally more women (12.7 percent) than men (8.4 percent) due to the size of the health and education sector and the preponderance of women in teaching and nursing. Women are also more likely to be found as clerical and service workers than men. Despite the importance of the manufacturing sector, proportionally, more men are production workers (38.9 percent) compared with women (23.9 percent) (Ahmad, 1998).

Prior Empirical Studies in Malaysia:

The poor representation of women in top management is also a major issue in Malaysia. According to the Woman, Family and Social Development Department (MWFSD), in 2010, women constituted almost half the Malaysian population and they made up 47.3 percent the country's workforce. By 2015, the government hopes to increase that to 55 percent (The Star, 9 March, 2011). In fact, in recent years, a majority of students in tertiary education, including in Malaysia are females. Currently, there are more than 60 percent females at government-assisted universities in Malaysia. As a result, more women are entering into the workforce. Thus, the pool of potential and qualified women who could serve on the board is large. However, women's representation on the board of Malaysian companies has not been reflective of the workforce statistics. A survey by the Ministry of Woman, Family and Social Development (MWFSD) on 50 companies reveals that the participation of women on the BODs from the year 2001 to 2005 was constant at about 10.2 percent. Alas, the figure decreased significantly to 7.6 percent and 5.3 percent in 2006 and 2007, respectively. In 2008, the figure stood at 7.7 percent (Abdullah *et al.*, 2012).

In support of women's roles and success, the Cabinet of Malaysia has approved a policy that women must comprise at least 30% females in decision-making positions in the corporate sector (The Star, 27 June 27, 2011). A recent survey by the TalentCorp and ACCA (2012) in Malaysia found that the main factor that contributes to the under-representation of women in senior positions is family commitment. Respondents also opine that the lack of social acceptance for women occupying leadership roles is another factor. It is even more difficult in a male dominated work environment. Inflexible work arrangement is another main reason why women could not climb the ladder.

In Malaysia, several empirical studies have been conducted to associate women corporate directors and firm performance. Amran (2011) finds that female-led companies have lower firm performance as compared to male-led companies. Based on the study on Malaysian family companies for year 2003 to 2007, she reveals that male-led companies have shown a higher Tobin's Q. In a study covering the period 2005 to 2006 and based on 300 large firms, Zainal *et al.* (2013) find that boards with female directors perform poorer than boards without women in terms of return on assets (ROA). In their survey of 841 Malaysian listed companies, Abdullah *et al.* (2012) support the findings by Amran (2011) in that firms whose boards are represented by women perform poorer than those without women when Tobin's Q is employed as a measure of firm performance. However, Abdullah *et al.* (2012) show that women board representation is associated with better firm performance when the ROA is used as a measure, which somehow contradicts the findings by Zainal *et al.* (2013). The fact that the studies were conducted at different times, with different sample and size, and different methods may contribute to the different findings.

Ahmad-Zaluki (2012) finds that female representation as board of directors in 228 Malaysian companies prior to the IPO is only about 8 percent. This percentage is almost similar for the subsequent four years (IPO year and three-year post-IPOs). By using a subsample of 89 companies that appear as top 500-companies in 2011, the percentage of female directors increases only 2.5 percent from the pre-IPO year. However, the increment is not statistically significant. An extended analysis on the business case for women on boards reveals that greater percentage of female representation leads to lower long run underperformance. This underperformance is much lower for companies having more foreign ethnic female representation

Methods:

The population of our study is all companies listed on the Main Market of Bursa Malaysia in 2010, totaling 844 companies. We intend to observe all the companies; however, due to the unavailability of the annual reports and missing data, we ended up with 831 companies. Data on female directors and other board information are gathered from the annual reports. Descriptive statistics are used to explain the distribution of companies with respect to women representation on boards, and the demographic background of women directors. We use four measures of women representation on boards – i. women's presence (yes or no), ii. women's presence of at least 30 percent, iii. number of women, and iv. percentage of women. The measurements are summarized in Table 1.

Table 1: The variables and their operation measures

Variables	Operation measures
Women's presence	1 - one woman or more; 0 - no women directors
Presence of 30% women	1 - 30% or more women 0 - less than 30% women
Number of women	Number of women (continuous)
Percentage of women	Proportion of women of total board members (continuous)

RESULTS AND DISCUSSIONS

Out of the 831 companies observed, 386 companies (44 percent) have women on their boards, which is a mere 1 percent increase from the 2008 figure (Abdullah *et al.*, 2012). The number of board seats held by women in a firm ranges from zero to four, averaging 0.61 per company. About 56 percent of corporate companies do not include woman to be the director. However, about 31% of Malaysian corporate companies have accepted at least one woman director to be on the board.

Table 2: Representation of women on boards (n=831)

Presence of women	Number	Percent
0	465	56.0
1	251	30.2
2	90	10.8
3	22	2.6
4	3	0.4
Total	831	100.0
	Mean = 0.61	
% of women directorship	Number	Percent
0%	465	56.0
1-9%	18	2.2
10-19%	214	25.8
20-29%	87	10.5
30% or more	47	5.5
Total	831	100.0
	Mean = 8.34%	
	Max. = 50%	

The total number of board seats occupied by women in the 386 companies adds up to 509, representing 8.34 percent of the total seats (See Table 2). Only 47 companies (5.5 percent) had achieved the 30 percent quota set for women directors. It appears that the results are about the same as those surveyed in 2008 (Abdullah *et al.*, 2012).

Upon tracing the individual women directors in each company, we observe that 439 women, (whose distribution is depicted in Table 3), held the women's 509 seats. A majority of the women (88.6 percent) sit only on one board, some with multiple directorships, six being the highest. In details, Kua Hwee Sim has four (4) directorships which are QSR Brands Bhd, Sindora Bhd, KFC Holdings and Kulim (M) Bhd. While Siti Sa'diah bt Sheikh seat on five (5) corporate board that are KPJ Healthcare Bhd, KFC Holdings, Kulim (M) Bhd, QSR Brands Bhd and Bursa Malaysia Bhd. Based on this dataset, only Noraesah bt Mohammad that seat on six (6) corporate companies that are Adventa Bhd, KESM Industries Bhd, MyE.G. Services Bhd, Protasco Bhd, SBC Corporation and Ya Horng Electronic (M) Bhd.

Table 3: Women directorship (n=439)

Number of directorship	No. of women	Percent	Total seats
1	389	88.6	389
2	36	8.2	72
3	11	2.5	33
4	1	0.2	4
5	1	0.2	5
6	1	0.2	6
Total	439	100	509

The demographic background of the 439 women directors is shown in Table 4. The average age of the women is 50 years old, and most of them are of Chinese ethnicity (67.2 percent), and hold a university degree or a professional qualification. This finding is consistent with Statistics of Department of Statistics and Ministry of Education (1995) that there was an increment in the level of women education from 35.5 percent (in 1980) and increase to 48.3 percent (in 1993).

Women with accounting, finance and other business-related qualification appear to dominate the group. Although having a business qualification can be an advantage, this does not mean that women with business qualification stand a better chance to become a board member. Women directors are more likely to come from the business-qualified group because the pool of women in this area is large. There are very few women directors with science and engineering background. This may be because the pool of women in the fields is small that companies find it difficult to look for women scientists and engineers. The same trend of findings were found in Ahmad (1998) where women are more suitable in courses such as arts and education, but less in courses related to science and technology (Ministry of Education, 1993).

Table 4: Women individual directors' demographic variables (n = 439)

	No. of women	Percentage (%)
Age:		
Less than 30 years old	12	2.7
30-39	55	12.5
40-49	131	29.8
50-59	176	40.1
60-69	51	11.6
70 & above	14	3.2
Total	439	100
	Mean = 50	
Ethnicity:		
Malay	111	25.3
Chinese	295	67.2
Indian	8	1.8
Others	25	5.7
Total	439	100
Academic Qualification:		
Degree/professional qualification	334	76.1
No degree/ professional qualification	105	23.9
Total	439	100
Field of expertise:		
Accounting	127	28.9
Finance	19	4.3
Other Business-related	89	20.3
Economics	21	4.8
Law	35	8.0
Science and engineering	14	3.2
Others	54	12.3
None	80	18.2
Total	439	100

Table 5 shows the background of women directorship, which is based on 509, the total number of seats held by women. Forty percent (40%) of the women have a family relationship with other directors. The women are more likely to be non-independent directors, and executive directors. Only one-third of them sit on the audit committees and only a handful (7.5%) are either CEOs or chairmen.

Table 5: Background of women directorship of Malaysian Firms (based on number of seats, n=509)

		Number	Percent
Relationships with other Board members	Spouse	75	14.7
	Sister	57	11.2
	Daughter	43	8.4
	Others	20	5.7
	None	305	59.9
Independent Director	Yes	167	32.8
	No	342	67.2
Executive Director	Yes	220	43.2
	No	289	56.8
Position	CEO	22	4.3
	Chairman	13	2.6
	Chairman and CEO	3	0.6
	Neither	471	92.5
Audit Committee	Yes	167	32.8
	No	342	67.2

Conclusion:

In an effort to reduce gender gaps involvement in the workforce, private sectors need to support the initiative taken by the government to increase women empowerment and participation on corporate boards. Malaysian companies still have a long way to go to fulfill the 30 percent board seats allocated for women. For one, the number of companies that have at least 30 percent women directors is relatively small, thus the results may be bias. This study is limited in a sense that it does not observe if specific qualities of a woman director would contribute to the success of a company. Future studies may look into these issues. The findings of this study may provide input to the authority responsible for promoting women to become directors.

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