

Performance better with diversity



GENDER

Positive: Equal number of men and women

Negative: Too many women



AGE

Positive: Directors and senior executives of different age groups

Negative: A high proportion of leaders aged over 60



EDUCATION

Positive: Directors and senior executives with diverse educational qualifications



INDUSTRY EXPERIENCE

Positive: Directors and senior executives with >10 years of industry experience



Source: CGS ST ILLUSTRATION: CEL GULAPA STRAITS TIMES GRAPHICS

Firms with many leaders over 60 tend to underperform: Study

The more diverse firms are in age, qualification and gender metrics, the better they performed for shareholders

Krist Boo
Senior Correspondent

Companies with a high proportion of board directors and senior executives aged over 60 delivered lower

returns on assets compared with others, an inaugural study on diversity in leadership in all 577 listed companies in Singapore shows.

Firms that appointed people with more than 10 years of industry experience to these positions fared better, and those that put an

equal number of women and men at the top rungs delivered their best acts for shareholders.

Tip that balance with one more woman, however, and performance slipped, says the joint study led by the Centre for Governance and Sustainability (CGS) at the Na-

tional University of Singapore.

CGS director Lawrence Loh said: "The results are illuminating in guiding companies in their framing of diversity policies to meet the emerging requirements of regulators and stakeholders."

About four in 10 board members

and senior managers in local companies are aged 60 and above, the report shows, and they are more common in firms with capitalisation above \$300 million.

The study covered company data disclosed to the exchange over five years from 2006 and excluded

pending from trading, secondary listings, cash companies, and companies under judicial management as at June last year.

In line with many global studies, the report shows that the more diverse firms are in age, educational qualification and gender metrics, the better they performed for shareholders.

Firms in the real estate and communication services showed up better than others, said Professor Loh at a webinar yesterday to release the results.

There was insufficient data to study culture and ethnic diversity, as well as pay gender disparity, said Prof Loh, explaining why these metrics were not included.

The study was done with consultancy firm Connecting the Dots and Edge Strategy, and supported by DBS Bank and the Securities Investors Association of Singapore.

Singapore Exchange Regulation chief executive Tan Boon Gin said disclosure rules on board diversity have come into force as investors increasingly recognise board diversity as a "business imperative".

"Some investors have gone so far as to abstain from the election of male directors, when there are no female directors on the board."

Companies are raising questions about what diversity targets should look like, how to find a diverse slate of candidates, and how a diverse board can get along and function effectively, he added.

Mr Tan advised firms to provide transparency for investors to scrutinise if the board is doing enough, and letting them vote accordingly.

Ms Euleen Goh, a panellist at the webinar presentation, said women's representation at board levels here has yet to catch on, partly due to the "clubby" nature of local board appointments. Rather than going through recruitment firms, the search for a director tends to be, "Who do I know?", said the board chair at caterer Sats and member of several boards.

But Ms Goh noted that the strong pipeline of women in senior management roles in Singapore will in time change the tide. "I am pretty relaxed about it. We will get there," she said.

Boards will likely review renewal and diversity goals as they appoint first-time directors this year, under a new rule that makes directors who have served a cumulative period of nine years no longer eligible to be independent directors without shareholders' approval.

kristb@sph.com.sg