Women as Leaders: The Business Case

Because I am a woman, I must make unusual efforts to succeed. If I fail, no one will say, “She doesn’t have what it takes.” They will say, “Women don’t have what it takes.” - Clare Boothe Luce

Introduction

The issue of women’s representation in both the public and private sectors has been attracting increasing attention recently. In June, the government announced a new quota system under which women must occupy at least 30% of the seats on the boards of Malaysian companies starting in 2016.

A similar quota for the public sector was introduced in 2004, and the government says the number of women in top positions in the civil service and state-affiliated universities, hospitals and other sector jobs has nearly doubled since then, reaching more than 32%.

The question is whether the 30% solution will bring benefits to the business sector in Malaysia. In this article I will look at the findings from other countries which have implemented this solution in their business sector.

Women leadership and positive business outcomes

Several years ago Norway, with its history of women leading the country, passed legislation mandating that all publicly-held companies have 40% women on their boards of directors or face losing their corporate charters. The Norwegians looked at growing their economy and improving business performance in a refreshing way by bringing new leaders to the table.

The concept has been very successful, and now other European countries are moving in the same direction. Catalyst, an independent research organization, has published multiple studies in this country showing that Fortune 500 firms with more women on their boards make considerably more money than those with fewer.

The firms ranking in the top 25% in number of women board members generally have higher returns on equity, sales, and working capital than those in the lowest 25%. Moreover, companies with at least three women directors do considerably better on these measures than those with fewer.

Other researchers have found similar correlations between more women decision makers and better returns. McKinsey, the business consulting firm, put its review of the literature this way: “The gender gap isn’t just an image problem: our research suggests that it can have real implications for company performance.”

New studies show that in Europe, particularly in France and Denmark, financial firms with more women at the top fared better during the 2008 economic meltdown. Some business leaders are making major changes in their companies to gain a competitive advantage by actively reaching for the 30% goal. Deloitte & Touche USA is a large accounting firm that has followed this course since 1995, when it unveiled a women’s initiative.

Now it reports its success as due in great part to more women in leadership.

At a conference on advancing women in the global workplace, Sharon Allen, chair of the board, talked proudly about the firm’s multiyear initiative to operate more profitably by closing the leadership gender gap.

The results for women are also impressive: at Deloitte, 35% of partners and 30% of directors are...
women. Deloitte was proactive in changing its ways to reach this goal.

A study of the “brain drain” of talented women leaving the firm showed a lack of role models and mentors, a lack of flexibility, and the presence of assumptions about whether women would be able to handle the best (and toughest) assignments because of family responsibilities without asking them.

With a renewed institutional climate of “men and women as colleagues,” women must now be considered for every assignment, and retention rates are equal for women and men.

A case in point is WellPoint, the nation’s largest health insurer, now has a “first woman” CEO who offers a great example of how a woman’s perspective can help other women and the bottom line. Angela Braly has publicly described her leadership strengths as based on her perspective as a working mother with three children. Her personal experience, she says, is what connects her to the needs of WellPoint’s members. Women make 70% of health care decisions, her employees are 80% women, her managers are 60% women, and her board, under her leadership, now has one-third women.

Women leadership and company policies

Having one-third women at the top leads to greater opportunities for women at all levels, and businesses stop losing out on half the talent in the country.

This is especially critical in good economic times, when there is a war for talent. Catalyst reported significant findings about the internal changes that take place when more women are on corporate boards: “Companies with 30% women directors in 2001 had, on average, 43% more women officers in 2006.”

More is clearly better—having two or more women directors was 28% better than having just one in terms of opening the door for more top women staffers.

Finally, a higher percentage of women in high-level positions makes it more likely that efforts to modernize old customs in favor of employees and their families will be prioritized as societal issues rather than marginalized as “women’s issues.”

And these changes in turn will benefit companies: policies that help integrate work and family life have been shown to decrease absenteeism and turnover.

Futurist Mary O’Hara Devereaux tells business leaders, “In 8 of the top 10 [U.S.] companies, women are leading innovation... Firms that are not woman-friendly and family-friendly won’t get the talent they need.” Some of the most competitive countries in the world, including Switzerland, Denmark, Sweden, Finland, and the Netherlands, are also doing their best at closing the gender gap. Germany, eighth on the competitiveness list, is eleventh in closing the gender gap. These countries are taking advantage of their womanpower.

Conclusion

It is women who must take the lead in achieving the 30% solution. Though challenging, the task is not impossible for the tenacious, creative change agents that we have shown ourselves to be. Just as we have beaten the odds to win the equality that has already been achieved, so we can gain the power to make systems more responsive. Together, we can instigate a cultural shift away from long-held biased attitudes conferring “leadership” on men. We can change tired, old-fashioned power structures and systems. And although this will take energy and strength, momentum will continue to build as we get from a few to many women in power. A critical mass of women in leadership is better for business society and benefits all women.

Marie Wilson, founder of The White House Project, puts it beautifully in her book Closing the Leadership Gap: Add Women, Change Everything. She says, “To trust a woman is to trust in a different future awash with ideas and lit by the energy of all people. It means more options. It means a fairer equation.”

As Women for Women International puts it, “One woman can change anything. Many women can change everything.”

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