

Launch of the Malaysia Board Diversity Study & Index

Diversity is more than just a numbers game

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INTRODUCTION

Advocacy Dialogue by Institute of Corporate Directors Malaysia (ICDM)

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This Advocacy Dialogue provides insights into the Malaysia Board Diversity Study & Index conducted by the Institute of Corporate Directors Malaysia (ICDM) in collaboration with Willis Towers Watson (WTW) that examined over 300 top companies with primary listings under Bursa Malaysia ("Bursa") against the eight key dimensions of board diversity: gender, age, tenure, culture, independence, international expertise, domain expertise and industry expertise.

Board composition influences the ability of the board to fulfil its oversight responsibilities. True board diversity goes beyond that of gender. The ideal way to represent a diverse group of stakeholders is a well-constituted governing board comprising directors who provide diversity of thought, experiences, and perspectives. The Chairman of the board plays a vital role to stimulate the board discussions on diversity and should be supported with the right board culture that emphasises on the need for diversity and inclusion. Independent board evaluations help the board to identify the gaps in terms of skills, talents, and experiences in the present boardroom. The Nomination Committee could strategically utilise the insights to find the best candidates to fill in the gaps with the needed skill sets to move the organisation forward. Though having a diverse board will not automatically result in better company performance, it tends to be the precondition for good corporate governance and better decision-making.

This executive summary captures the salient points presented by the speaker at the Advocacy Dialogue #2.

KEY INSIGHTS & DISCUSSIONS

- 1 Diversity per se does not in itself guarantee board effectiveness but what makes it work is having a [board culture that facilitates and enables the diverse board to function and contribute in a meaningful way](#). The board culture should be [egalitarian](#) as opposed to hierarchical, [inspiring openness, inclusiveness and respect of differing views](#). A [Chairman](#) who endorses and upholds diversity and the board culture, [plays an important role](#) in facilitating and encouraging robust dialogue in the boardroom, giving sufficient airtime and opportunity for everyone in the diverse board to speak up.
- 2 The board needs to be [ready for innovation and to embrace diversity in a conscious and concerted manner](#). The [effectiveness of a diverse board](#) can only be [fully harnessed](#) if the board leverages and brings together these 4 levels of diversity among the individual board members and the management team:
1. [Diversity of thoughts](#) 2. [Diversity of doing things](#) 3. [Diversity in relating with people](#) 4. [Diversity in stewardship style](#)
- 3 To bring real change and sustainable transformation, the organisation needs to:
1. [bring in transformational leadership](#) in the way the board and management manage the organisation;
2. [introduce new ways of working](#) that would replace obsolete processes or procedures; and
3. [discover new ways to harness the diverse capabilities and talents](#) present in the organisation.
- 4 With new technology adoptions, the organisation needs [to understand the newly introduced systems and technology](#), the necessities of its integration in the processes and continuously make improvements to it. To navigate the organisation in the rise of technology, the organisation as a whole needs to [continually update themselves with new skills, new ideas, and new ways of doing things](#) that have been successfully implemented by other organisations.
- 5 [Meritocracy is part of diversity and inclusion](#). Board members should [embody the talents and expertise](#) required by the organisation and be able to give oversight to the management. The way the board is being constructed [reflects the organisation's mix of skills, rewards, and merit systems](#). It is important for the board to have the best mix of skills as the board composition is being looked up to by the organisation's talent pool that is climbing up the corporate ladder.
- 6 Board evaluation should go [beyond a box-ticking exercise](#). Independent external evaluation [provides rich insights into board's effectiveness](#), and is the foundation [to identify gaps and areas for improvements](#) in the boardroom. From the board evaluation, the board can analyse and bring changes to the board composition and development needs.
- 7 The board needs to have [a balance between directors that have short tenures and long tenures](#). Newly appointed directors can offer fresh perspectives, ideas, and experiences; meanwhile long-serving directors can provide institutional knowledge, history, context and experience. This will keep the board agile, equipped with the necessary expertise, and able to embrace changes needed by the organisation to be future-ready.
- 8 Key considerations in [accelerating an organisation's digital journey](#) include:
1. [Identifying what the organisation wants to learn](#), the spectrum and challenges.
2. [Using the board skills matrix analysis](#) to identify the needed skills.
3. [Creating an advisory panel/advisory board](#) to complement the board with industry trends and expertise.
4. [Bringing in top digital talents](#) into the management team.

ACTIONABLE OUTCOMES MOVING FORWARD



1 Do not avoid discussion on sensitive topics in the boardroom such as the need for board refreshments, to ensure proper action plans can be taken.



2 Be conscious of the organisation's need to innovate and harness the strength of its diverse boards and talent pool within and outside the organisation.



3 Get buy-in from the management to drive the board diversity agenda forward.



4 Build a diverse and effective management team to drive the organisation forward with board oversight.



5 Conduct independent board evaluations to improve board effectiveness and to have meaningful results.



6 Communicate to stakeholders the unique story of your board's practices to give better insights into your board effectiveness.



7 Look beyond existing networks and utilise independent sources to identify suitably qualified board candidates.

“There is no fixed formula out there where all investors will say, yes, that's a great board. It is not how we look at it.

It is really related to how the company and the board identifies where the company wants to go from here in terms of their strategy. What is the culture and what is the mechanism that helps us identify the risks from preventing us getting there, and also what are the opportunities we need to capture to make sure that we get there.”

Shinbo Won, Director, Head of Asia ex-Japan, Australia
BlackRock Investment Stewardship

“When you take that big company thinking to a small start-up agile company, it may not always work.

You need to think about the stewardship style there more effectively and more carefully.”

Shai Ganu, Managing Director, Global
Practice Leader – Executive
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Willis Towers Watson

Click [here](#) to watch the session recording.
Click [here](#) to download the study.