Indonesian women are making their mark in the boardroom

BY DR. MARLEEN DIELEMAN AND MAYTHIL AISHWARYA
Gender diversity in boardrooms is increasingly used as one of the global indicators of good corporate governance, with research by Catalyst, McKinsey & Co, and academic studies showing that companies with gender-diverse boards tend to be more profitable and score better on monitoring and board meeting attendance. These firms even enjoy better talent retention.

Realising that low female representation in the boardroom is a persistent phenomenon, various countries have issued regulations and targets to increase boardroom gender diversity. Some European countries have set mandatory quotas for listed companies, including Norway, where boards are required to have no more than 40% representation of either sex. Other countries, such as the United Kingdom, have set voluntary targets for female participation on boards. Yet another approach, which has been adopted by Australia, is to require individual listed firms to disclose measurable gender diversity targets and report on progress towards these targets under the assumption “what gets measured gets done”. Asian countries such as Malaysia have also issued formal regulations and targets, and Hong Kong is currently considering implementing gender diversity disclosure requirements for individual companies.

**Where does Indonesia stand?**

Researchers at the CGIO analyzed all companies listed on the Indonesia Stock Exchange (IDX) for which annual reports were available, and found that female board members made up 11.6% of the boards in 2011. This is the first comprehensive study of gender diversity on the boards of IDX-listed companies, and is part of a larger research project on governance practices in Indonesia. The 424 companies studied had 3,729 board positions, out of which female board members held 432 (11.6%). The 432 female board positions were held by 406 women.
Most Powerful Women Issue

Female representation in boards in selected countries

- Norway
- Sweden
- Finland
- European United
- USA
- United Kingdom
- Australia
- Indonesia
- Hong Kong
- China
- Malaysia
- Singapore
- India
- Japan

Sources: CGIO (Singapore, Indonesia); HKE (Hong Kong); GMI (China, Japan, Malaysia, India); Women on Boards (Australia); Cranfield School of Management (United Kingdom); Catalyst (Finland, Norway, Sweden, United States); McKinsey (European Union)

The good news is that Indonesia is ahead in Asia. However, it ranks below other developed countries. Australia has more gender-diverse boards than Indonesia with 13.8% female board representation. Other developed countries such as the United States and United Kingdom have even higher female representation at 16.1% and 15.0% respectively. Globally, Norway has the highest female representation (40.1%) on its boards and Japan the lowest, with women accounting for only 1.1% of board positions (Figure 1). Generally, those countries that have adopted quotas or other formal measures are witnessing an increase in female participation on boards.

Companies in Indonesia have a two-tier board system consisting of a Board of Commissioners and Board of Directors, which perform separate roles within the company. The Board of Commissioners oversees and provides advice to the Board of Directors, and the Board of Directors is responsible for the management of the company. CGIO’s study indicated that there were more women represented as Directors than as Commissioners. 13.1% of all directors were women, while only 9.9% of all the commissioners were female (Figure 2).

The CGIO study also reveals that the number of women on each board was limited. Most of the 424 companies had only one woman on their boards, and only 11 companies had four or more women on their boards.

Board memberships held by women

The CGIO study also reveals that the number of women on each board was limited. Most of the 424 companies had only one woman on their boards, and only 11 companies had four or more women on their boards.

About CGIO

The Centre for Governance, Institutions and Organisations (CGIO) at NUS Business School in Singapore promotes relevant and impactful research on governance issues that are relevant to Asia. CGIO issues research reports and organises events such as public lectures, industry roundtables and academic conferences on topics related to governance. The full report will be available in October 2012 at http://bschool.nus.edu/CGIO.aspx