

Chapter 7

The Role of Women Directors for Malaysian Firms' Performance

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ABSTRACT

This research aims to investigate the role of Women on Board Director on firm performance in Malaysia. We use data for all listed companies in Bursa Malaysia during the period of 2009 – 2013, and find that the proportion of women in top management jobs tends to have positive effects on firm performance, even after controlling for numerous characteristics of the firm and direction of causality. The results show that the positive effects of women in top management depend on the qualifications of female top managers. The results imply the necessity of Women in firm as board directors, because it might induce firm performance.

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BACKGROUND OF STUDY

Interest of women studies and feminism in Malaysia have been a widely study since 1970s due to the development policy of export-oriented industrialization whereby, for the first time, thousands of rural women migrated to urban area and work in free trade zones set up by the government. This phenomenon led some social scientists at Universiti Sains Malaysia (USM) to form a research cluster, Women's Development Research Centre (KANITA) to study the socio-economic and political contribution of women in country development. In Universiti Putra Malaysia (UPM) and Universiti Kebangsaan Malaysia (UKM), women studies centers have been set up for applied research and continuing education. These women studies have contributed to strategy of country development.

However, the role of women in Malaysian firms has not extensively and empirically discussed like in developed countries as a main issue of corporate governance. In United States, women as board directors become one key issue as corporate strategy (Catalyst, 2011). There is few American corporate board seats hold by women. Companies with high representation of women on board (three or more women on board) is significantly outperform in their financial performance compared to those companies with low representation of women on board (zero women on board) (Catalyst, 2011).

In US, there are 8.6 million successful entrepreneur women that leading in business. Ginni Rometty (CEO of IBM), Mary Barra (CEO of General Motor), Meg Whitman (CEO of Hewlett-Packard) and Indra Nooyi (CEO of PepsiCo) are the example of successful women in board. It is a great example of powerful women. The power of women impact does not only for good firm performance but also in philanthropy and media. They also leveraged their top-tier status for their corporate social reasonability. They give more support for charities. In Malaysia, there are many successful women that contribute to country development such as the late Tun Dr Fatimah Hashim, international actress Datuk Michelle Yeoh and United Nations for Peace-Building Support assistant secretary-general Judy Cheng-Hopkins.

Malaysia Prime Minister Datuk Seri Najib Tun Razak stated that women play important roles in country development. They play a larger part of Malaysia's progress development since independence. He also praised the leaps and bounds women in education and political field in past fifty years old with significant growth (The Star 2012). The women elected to Dewan Rakyat are increase from 2.7% in 1986 from to 10.36 percent in 2013. Although there was an increase trend but it was extremely low process.

In Malaysia, government has promoted gender equality since the Sixth Malaysia Plan (1986). The plan is to enhance women's roles in the development process, ostensible so that women can participate in and contribute to the nation's economic growth, whilst the latter signals the government's intention and commitment to respect, protest, and fulfill women's right. To promote gender equality, Malaysia Cabinet had approved legislation of there must be at least 30 percent of women representative in corporate companies in decision making position on 27 June 2011. This situation had increase the pressure of choosing female in board.

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