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Corporate Board Diversity in Malaysia: A Longitudinal Analysis of Gender and Nationality Diversity

Dalilawati Zainal, Norhayah Zulkifli, Zakiah Saleh
Faculty of Business and Accountancy, University of Malaya, 50603, Kuala Lumpur, Malaysia
Email: dalilawati@um.edu.my/dee_dalila@yahoo.com, norhayah@um.edu.my, zakiahs@um.edu.my

Abstract
This study examines the trend of gender and nationality diversity of corporate board in top 300 Malaysian public listed firms over a five-year period from year 2005 to 2009. It also identifies any significant difference in characteristics of firms with women and foreign directors and those without women and foreign directors. Based on the secondary data derived from firms' annual report, a longitudinal descriptive analysis on the trend of board diversity is presented. Mann-Whitney U test is conducted to identify several characteristics that differentiate between firms with women and foreign directors and those without women and foreign directors. This study found little change in the presence of women directors and foreign directors over the five-year period, which reflects a slow progress in board diversity in Malaysia. Other than that, several characteristics that differentiate between firms with women and foreign directors and those without women and foreign directors were highlighted. Overall, this study indicates the need for more efforts to encourage board diversity in Malaysia. It shed some light on board diversity issue from a developing country's perspective, particularly Malaysia. With the unique corporate ownership structure that is different from the developed countries, Malaysia provides an interesting avenue for research.
Keywords: Corporate Governance, Boards of Directors, Diversity, Nationality, Gender

Introduction
Existing corporate governance literature that discusses the role of board of directors has been criticised for emphasising too much attention on agency theory (Daily et al. 2003). To address such critique, researchers have started to explore the role of the board from other perspectives, such as resource dependence perspective, which views the role of the board of directors as a resources provider that supplies legitimacy, advice and counsel to firms (Hillman et al. 2000; Hillman & Dalziel 2003; Singh 2007). Indeed, there have been many challenges faced by the boards of directors in seeking to discharge their diverse roles and responsibilities in firms, given the highly competitive and dynamic business environment nowadays.
As the highest internal governance mechanism in a firm, board of directors is expected to fulfill a variety of functions that include monitoring of management to mitigate agency cost

(Jensen, 1993) and also providing resources and strategic directions (Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003) to the firms. In order to discharge their duties effectively, the boards need to have or acquire certain characteristics (Preffer & Salancik, 1978; Hillman et al., 2000; Hilman & Dalziel, 2003), which can be classified into several categories, among others, demographic characteristics, competencies, personality characteristics and values (see for examples, Zahra & Pearce, 1989; Milliken & Martin, 1996; Westphal & Milton, 2000; van der Walt & Ingley, 2003). These ranges of studies that examined board's characteristics beyond independence have consequently made board diversity research rising in prominence (Conyon & Mallin 1997; Singh et al. 2001; Hillman et al., 2002; Brammer et al., 2007; Terjesen et al., 2009; Gul et al., 2011; Skaggs et al., 2012).

Despite the continuous debate and mixed findings regarding the effect of board composition on firm performance (Dulewicz & Herbert, 2004; De Andres et al., 2005), several researchers argued that board diversity is still considered desirable (van der Walt & Ingley 2003; Kang et al. 2007) due to the following reasons; first, it offers a means of improving organizational value and performance by providing board with new insights and perspectives (Siciliano, 1996; Coffey & Wang, 1998; Carter et al., 2003), as prior literature suggested that diversity of group membership increases discussion, the exchange of ideas and group performance (Milliken & Martin 1996); second, it offers a representation of the diverse stakeholders of the firm and a reflection of the structure of the society within which it exists, in line with the function of the board that is to protect the interests of stakeholders and society at large (van der Walt & Ingley, 2003; Ayuso & Argandona, 2009).

However, most of the empirical research on board diversity was mainly derived from the developed countries' perspective, such as the U.S. (Hillman et al., 2002; Gul et al., 2011), the U.K. (Conyon & Mallin, 1997; Brammer et al., 2007) and Australia (Nguyen & Faff 2006; Kang et al., 2007). Owing to the differences between the developed and the developing countries, for examples, in terms of their regulatory, cultural, economic environments, size of capital markets and effectiveness of governance mechanism (Aguilera, 2005; Kang et al., 2007; Petrovic, 2008; Li & Harrison, 2008; Veen & Elbertsen, 2008), more evidence should be drawn from the developing countries, in a way to contribute to the limited literature on board diversity in these countries, particularly in Malaysia (Dutta & Bose, 2006; Jamali et al., 2007; Palmer & Varner, 2007; Kang et al., 2010). Rather than relying on research results from other countries, researchers need to take national circumstances into account in examining board diversity (Ruigrok et al., 2007), thus call for more research works on this topic to be undertaken in different countries.

With the unique corporate ownership structure that is different from the developed countries, Malaysia offers an interesting avenue for research on board diversity. Malaysia has been characterized by the high levels of ownership concentration and crossholdings, as well as the dominance of owner-managed or family-owned firms (Thillainathan 1999; Claessens et al., 2000; Zhuang et al., 2001; The World Bank, 2005; Tam & Tan, 2007). This has been in contrast to the dispersion of corporate ownership among firms in the developed countries. According to Claessens et al. (2000), about 40.4 per cent out of 238 Malaysian sample firms in their study were closely held by a single large shareholder. More recently, Tam and Tan (2007) found that the largest shareholder of the top 150 Malaysian firms hold an average of 43 per cent of share. Among the largest shareholder groups in the top five shareholders in Malaysia include nominee firms, most of which owned by family firms and government (The World Bank, 2005).

Difference in corporate ownership structure has in turns led to the difference in corporate governance systems practiced by different firms in different countries (Petrovic 2008). Unlike the developed countries, Malaysia has been characterized by an insider system of corporate governance (Claessens et al., 2000), whereby the major shareholders control most of the firms' decision making, including the appointment of the board of directors. Such difference in governance regime may influence the level of corporate board diversity in a country (Veen & Elbertsen, 2008). Other than that, diversity in national culture has also influenced the composition of the board of directors in different countries (Li & Harrison 2008). Malaysia, being a multiracial country, is confronted with issues regarding the divergence in cultural values even within the nations itself, as a result of the ethnic polarization (Haniffa & Cooke, 2005). In view of these institutional characteristics, difference in term of board diversity is expected between Malaysia, as one developing country, and the developed countries. The unique national culture, corporate ownership and governance structure of the country has made it become of interest to explore the variety of board composition that makes up the corporate boards in Malaysia.

This study focuses on the existence or lack of board diversity and the contextual factors that differentiate between firm with and without board diversity in the Malaysian business environment. Specifically, this study aims at presenting the trend of gender and nationality diversity of the corporate board in top 300 public listed firms in Malaysia over a five-year period from 2005 to 2009. This study also identifies any significant difference in characteristics between firms with women and foreign directors and those without women and foreign directors. The reported trend of corporate board diversity indicates the levels of commitments and progress made by Malaysian public listed firms on the matter of board diversity. Different contextual factors revealed between firm with and without board diversity may inform the stakeholders on the characteristics of firms that practiced board diversity. Such information is useful for the stakeholders to evaluate firms' governance and performance. Since Malaysia has been working continuously towards the achievement of an improved corporate governance practice through effective board governance, evidences on corporate board diversity are beneficial for the regulators in outlining the relevant policies of an effective board. As highlighted by Van der Walt and Ingley (2003), board diversity is listed as one of the characteristics of an effective board.

The remainder of the paper is organized as follows. First, reviews of prior literature on board diversity are provided. In the next section, research methodology used in the study is discussed, before the results of the study are presented. Finally, the conclusion of the paper is provided.

Literature Review

The importance of the board of directors as a legally the highest authority in a firm, which serve both oversight and advisory roles, has given rise to a stream of literature that examined the importance of board's characteristics, among others include demographic characteristics, competencies, personality characteristics and values to board effectiveness and firm performance (Milliken & Martin, 1996; Forbes & Milliken, 1999; van der Walt & Ingley, 2003). The greater call to focus more attention to the board's roles other than the oversight role (Daily et al., 2003) has witnessed an encouraging effort done to investigate directors' backgrounds and characteristics beyond independence (see for examples, Milliken & Martin, 1996; Hillman et al., 2000; Hillman & Dalziel, 2003; Terjesen et al., 2009), which consequently bring in prominence the research on board diversity.

According to Van der Walt and Ingley (2003), board diversity refers to the variety in the composition of the board of directors. Within this definition, there are two categories of board diversity, namely, demographic diversity and cognitive diversity. Demographic diversity relates to the observable or readily detectable attributes of directors that includes race or ethnicity, nationality, gender and age, whereas, cognitive diversity relates to the unobservable or less visible attributes of directors, such as educational, functional and occupational backgrounds, industry experience, and organizational membership (Milliken & Martin, 1996).

Board diversity is desirable owing to the benefits it provides to the organizations. There have been a number of studies documenting the advantages of having a diverse board (see for examples, Carter et al., 2003; van der Walt & Ingley, 2003; Arfken et al., 2004; Brammer et al., 2007). For examples, Carter et al (2003) stated that a diverse board promotes a better understanding of the market place, increased creativity and innovation, and effective problem solving. Further, board with different gender, ethnicity or cultural background might ask questions that would not come from the board with more traditional backgrounds thus encourage more effective global relationships and increase board independence (Arfken et al., 2004). A diverse board also demonstrates a greater equality of representation of the relevant stakeholder constituencies, including the society (van der Walt & Ingley, 2003; Brammer et al., 2007) and provides the various perspectives that are needed by firms to face challenges in today's dynamic business environment (Milliken & Martin, 1996), for examples, to serve the moral obligation not only to shareholders but also to the stakeholders (Carver, 2002; Keasey et al., 1997).

Despite the benefits it offers, board diversity also prone to several drawbacks. As highlighted by Forbes and Milliken (1999), each component of board members' demographic characteristics is likely to have multiple, complex and contrasting effects on board performance. For example, Forbes and Milliken (1999) argued that even though a diverse board is more likely to have more access to information, the board may also experience communication and coordination problems due to the failure to accept other members' expertise in the problem solving process. A similar argument has also been put forwards by several other researchers, such as Milliken and Martins (1996) and Williams and O'Reilly (1998), who highlighted the negative consequences of having a more relations-oriented diversity compared to the traditional forms of task-related diversity. They argued that the traditional forms of task-related diversity are often associated with positive cognitive and signaling consequences (e.g. creativity, innovation, better image etc.), whereas, the more relations-oriented diversity can lead to negative communication and affective consequences such as lower decision speed, misunderstandings and conflict.

While earlier studies on board diversity centered on traditional, task-related directors' attributes such as educational and functional background, organizational and board tenure factors (see for examples, Goodstein et al., 1994; Westphal & Zajac, 1995; Golden & Zajac, 2001), the greater pressure to increase diversity of the corporate board has witnessed the emergence of new dimension of board diversity used in more recent research, most of which focused on relations-oriented attributes of directors, such as gender, nationality and age. Pelled (1996) classified diversity into two dimensions, task-related and relation-oriented. For examples, race, ethnicity and gender diversity have been widely researched in North America (Shrader et al., 1997; Carter et al., 2003; Arfken et al., 2004), whereas in Europe, nationality appears to become an important dimension of board diversity (Ruigrok et al., 2007; Veen & Elbertsen, 2008) alongside gender and ethnicity (Conyon & Mallin, 1997; Singh et al., 2001;

Singh, 2007). In other countries, among the board attributes that have been researched so far includes, gender, ethnicity and nationality (Dutta & Bose, 2006; Kang et al., 2007; 2010; Palmer & Varner, 2007).

For the purpose of this study, two important dimensions of board diversity are examined; namely gender diversity and nationality diversity. These two dimensions are chosen because of their benefits offered to firms. For examples, a woman or a foreign director may bring not only different perspectives, valuable skill and knowledge to share, but also share different values, norms and understanding (Ruigrok et al., 2007), which may consequently increase the quality of strategic decision making (Zahra & Filatotchev, 2004) and promote better governance in firms (Singh et al., 2001). As mentioned by Veen and Elbertsen (2008), board diversity is a strategic asset that may help a firm to further develop successfully in the international arena. Women directors tend to ask questions that would not come from boards with more traditional background, for example, male dominated board (Arfken et al., 2004). Firms with diverse boards are seen as serving their moral obligation to the stakeholders (Carver, 2002; Keasey et al., 1997).

Jamali et al (2007) suggested that the board of directors should reflect the changes in workforce diversity. Conyon and Mallin (1997) found a significant change in the pools of potential candidates to be appointed in top management positions, following the significant increase in women and minorities' contributions to the workforce in the U.K. firms. These changes in workforce diversity may impact the composition of boards of directors and subsequently corporate governance (Shrader et al., 1997; Singh, 2007). Existing studies on board diversity have raised the awareness of the relative homogeneity of the corporate board of directors, highlighted the variation of board diversity across countries, and mapped its evolving pattern (Conyon & Mallin, 1997; Daily et al., 1999; Singh et al., 2001; Grosvold et al., 2007). For example, Conyon and Mallin (1997), who presented the incidence of women directors in the top 350 U.K. firms' board in year 1995, denoted a serious under-representation of women in the corporate board. Women were less likely to be executive directors in firms than are their male counterparts (Conyon & Mallin, 1997).

Similar findings were revealed in the U.S., whereby Daily et al (1999) showed a significant lack of women on boards, and noted that even when women were appointed to the boards, it was almost always as outside or non-executive directors. However, Daily et al. (1999) reported an obvious progress for women representation on the board between the year 1987 and 1996 from an average of 0.54 to 1.2 women on board. Later, Singh et al (2001), who compared the presence of women directors between the U.K and the U.S. firms from year 1997 to 2000, revealed a slight slippage in the number of firms with women directors in these two countries in the later period of study.

A longitudinal analysis of board gender diversity presented by Grosvold et al (2007) using the 1999 to 2005 data set, revealed that whilst the number of the U.K. firms with women directors reduce from 64 firms in the year 1999 to 58 firms and 57 firms in year 2000 and 2001 respectively, the number started to regain in year 2002 onwards. In the case of Norway, there has been an increasing number of firms with women directors from year 2001 to 2004. However, non-existence of women on the board was reported for the year 1999, 2000 and 2005. Grosvold et al (2007) argued that the changing patterns observed in board diversity in the U.K. and Norway might be explained by the changing composition of economic activities in these two countries.

Drawing upon larger sample size of the U.K. listed firms and more recent data, Brammer et al (2007) investigated the ethnic and gender diversity of the corporate board and their link with board size and industry characteristics. Brammer et al (2007) found a limited representation of women and non-white directors on the board, and that the diversity was somewhat less pronounced among executive directors' positions. Further, Brammer et al. (2007) documented a significant cross-sector variation in gender diversity, with an above average prevalence of women in retail, utilities, media and banking industries. However, the variation in ethnic diversity is less pronounced across different sectors. Brammer et al. (2007) suggested that firm's external business environment may influence board diversity. Following the Higgs Review in 2003, which strongly recommended more efforts in searching talented non-executive directors with diverse backgrounds, Singh (2007) revealed that firms with ethnic minority directors on board have higher market capitalization, larger workforce and more gender-diverse board. Overall, Singh (2007) found little impact of the 2003's Higgs recommendations on board diversity, as the results obtained were almost the same as in year 2001.

An exploration of board diversity in Australia also produced similar findings. For example, Kang et al. (2007), who examined gender diversity in top 100 Australian public listed firms' board, discovered limited practices of gender diversity in the boards of the Australian firms. This is despite the recent public commentary about corporate governance and the advocacy of board diversity in the country. The level of shareholder concentration is found to be significantly affects gender composition of the boards (Kang et al., 2007).

Ruigrok et al (2007), who investigated the corporate board diversity in Swiss public listed firms, revealed that women directors are more likely to be affiliated to firm management through family ties and that foreign directors tend to be more independent and hold significantly lower numbers of directorships in other Swiss boards. Women and foreign directors differ in terms of their educational background and level, age and board tenure (Ruigrok et al., 2007). Ruigrok et al (2007) highlighted the need to understand the characteristics, qualifications and affiliations of board members to manage corporate board diversity.

According to Terjesen and Singh (2008), corporate board diversity tends to be influenced by the social, political and economic structures of a country. Their study showed that countries with higher representation of women on boards are more likely to have women in senior management and more equal ratios of male to female pay, whereas countries with a longer tradition of women's political representation are less likely to have high levels of female board representation. Governance regime of the country of origin of a firm is also found to determine the level of nationality diversity of a corporate board (Veen & Elbertson 2008). Based on a sample of firms in Germany, the Netherlands and the U.K., Veen and Elbertsen (2008) revealed that the Netherlands has the highest scores in terms of the nationality diversity, followed by the U.K. and the lowest scores owned by Germany. The level of nationality diversity in the corporate boards varies in these three countries over time, even after controlling for firm characteristics such as the level of international activities and firm size. An examination of corporate board diversity in European countries also documented a substantial differences of board diversity practiced in different countries within the region (Veen & Marsman, 2008). National culture may also influence the composition and leadership structure of the boards of directors of multinational firms (Li & Harrison, 2008).

Notwithstanding the growing attention paid to board diversity, most of the studies documented slow progress toward achieving balanced boards in terms of diversity (Singh et al., 2001; Van der Walt & Ingley, 2003). This might be partly due to the fact that firms are still unsure of the benefits that board diversity offers. As demonstrated in prior literature, there has been mixed results on the effect of board diversity on firm performance. Carter et al. (2003); Smith et al (2006) and Campbell and Minguez-Vera (2008) found a positive association between board diversity and firm performance in the U.S. firms, whereas Shrader et al. (1997) indicated a negative association between the two variables. Several studies revealed no association between board diversity and firm performance (Zahra & Stanton 1988; Stanwick & Stanwick, 1998).

Evidence of board diversity from developing countries is rather limited (Dutta & Bose, 2006; Jamali et al., 2007; Marimuthu & Kolandaisamy, 2009; Kang et al., 2010). Jamali et al. (2007), who conducted a study in a Lebanese bank, concluded that the presence of women on boards can positively reflect the status of women at workplace. However, due to the low percentage of women on board, Jamali et al. suggested the need for government intervention to increase women's participation in boardroom. This is very much needed as investors generally respond positively to the appointment of women directors (Kang et al., 2010). Based on a sample of Singaporean firms, Kang et al. revealed that investors are most receptive when the women are independent directors, whereas least receptive when the directors assume the Chief Executive Officer (CEO) role. Dutta and Bose (2006) and Marimuthu and Kolandaisamy (2009) examined the effect of board diversity on financial performance in Bangladesh and Malaysia respectively.

Following the significant emphasis given on board diversity around the world, particularly in the developed countries, it is of interest to present the pattern of board diversity in Malaysia, in a way to contribute to the limited literature on board diversity from the developing countries perspective. This exploratory nature of study is aimed to shed some light on board diversity issue in a country where there is an absence of regulations or guidelines pertaining to board diversity. Some European countries have started to regulate the composition of the board in terms of its diversity by setting up gender quotas. This is applicable in France, Norway and Sweden. Further, in the U.K. there have been several recommendation made in guidelines for effective board, for examples, Higgs Review 2003 and The Tyson Report 2003. In Malaysia so far, there is no such guideline or regulation on board diversity. However, firms are encouraged to promote diversity in workplace in general, as part of the corporate social responsibility (CSR)'s agenda recommended by Bursa Malaysia in year 2006; and in board of directors to promote good corporate governance, as recommended by the Malaysian Code of Corporate Governance (MCCG) in year 2000 and 2007 to have a more balanced board. Therefore, deriving the evidence of board diversity from Malaysia is considered relevant and beneficial, given the growing attention paid on the issue in the country.

Besides the longitudinal analysis of gender and nationality diversity, this study also examines how characteristics of firms with women and foreign director respectively differ from those firms without women and foreign director. While Hillman et al (2002) and Singh (2007) have provided the characteristics of firm with ethnic minorities on board in the context of the U.S. and the U.K. respectively, this study addresses that research gap in the context of Malaysia as one developing country using a different dimension of board diversity, for examples, gender and nationality diversity. The characteristics of firms with women and foreign directors are examined and compared with firms without women and foreign directors. The focus of this study is on the contextual factors that differentiate between firms with and without women and foreign directors in the context of Malaysian business environment.

Methodology of Research

This study explores the gender and nationality diversity of board of directors of the top 300 Malaysian firms listed on the main board of Bursa Malaysia (formerly known as the *Kuala Lumpur Stock Exchange*) from year 2005 to 2009. From the initial sample of top 300 Malaysian firms for the five-year period, only companies that remain in top 300 market capitalization for five consecutive years are chosen as sample for this study. This is based on the ground that larger firms are more likely to go cross boarders and involve in more complex business activities that require more diverse boards with a variety of knowledge, skill and experience. A diverse board could provide different perspective in handling business matters (Siciliano 1996; Webb 2004). Larger firms are also more likely to be multinational firms, which increases the necessity of foreign board members (Veen & Elbertson, 2008) to represent different countries.

The final sample of firms included in this study is 180 firms for five consecutive years from 2005 to 2009, arriving at 900 firm-year observations. The period of study reflects the period following the implementation of Malaysian Code of Corporate Governance (MCCG), which was introduced in year 2000 and later amended in 2007, focusing on the composition of the board of directors towards a strengthen corporate governance in public listed firms. Table 1 summaries the sample selection procedures used in this study.

Table 1. Sampling procedures

Sampling procedures	**No. of firms (per year)**	**No. of firm-year observation (from 2005-2009)**
Firms that are positioned in Top 300 firms (by market capitalization) for the five-year period (from 2005 to 2009).	300	1500
Firms that have not maintained their position in top 300 firms (by market capitalization) for the five-year period (from 2005 to 2009).	120	600
Final Sample	**180**	**900**

All data used in this study derived from firms' annual reports. The annual reports are publicly available documents that can be downloaded from the Bursa Malaysia's website. Information on gender diversity (measured by number of women directors on board and number of firms with one or more women directors) and nationality diversity (measured by number of foreign directors on board and number of firms with one or more foreign directors) can be retrieved from the directors' profile section in the firms' annual reports, whereas, the information regarding contextual factors or firm-specific characteristics that differentiate between firms with and without women director and foreign director respectively are derived from both the directors' profile section and the financial statements' section of the annual reports. Firm-specific characteristics that are included in this study are firm size, profitability, board size, Malay directors and family directors. The operational definition of the firm specific characteristics used in this study is presented in Table 2.

Table 2. Measurement of variables used in this study

Firm specific characteristics		**Measurement**
Firm size	LNTA	Log of total asset
Profitability	ROA	Return on assets (ROA): Earning after tax/Total Asset
Board size	BSIZE	Total number of directors on the board.
Malay directors	MALDIR	Proportion of Malay director to total directors on the board.
Family directors	FAMDIR	Proportion of family members as directors to total directors on the board.

The choice of firm-specific characteristics used in this study reflects the findings revealed from prior related literature as well as the unique features of corporate environment of the Malaysian firms that are dominated by government- and family-controlled firms. For examples, firms with diverse board are normally larger in size (Singh 2007) and possess greater number of directors that sit on the board of directors (Brammer et al. 2007). Malay director and family director denote the dominance of government- and family-controlled firms, respectively in public listed firms in Malaysia. According to Amran and Devi (2008), government-controlled firms are the giant private firms dominated by Malays. Therefore, these firms are expected to have greater proportion of Malay directors on board and practice board diversity to represent to diverse stakeholders' groups. Ruigrok et al. (2007) related women directors with directors that are affiliated to firm's management through family ties. Therefore, the dominance of family-controlled firms in Malaysia might be related to the greater diversity in board of directors of the firms.

Findings and Analyses

Table 3 and Table 4 present the trend of board diversity in Malaysian public listed firms over the five-year period from 2005 to 2009. Generally, the findings show little change in the presence of women directors and foreign directors in firms' board over the five-year period. The average number of women directors in a firm's board increases from 0.52 in 2005 to 0.62 in 2009. The number of firms with women directors also shows a slight increment only, from 38.9 percent in 2005 to 43.3 percent in 2009. A similar pattern of change is also apparent for foreign directors, whereby the average number of foreign directors in a firm's board increases from 0.8 to 0.89 and the number of firms with foreign directors increases from 33.9 percent to 38.3 percent during the five-year period.

Table 3. Statistics on women directors and foreign directors in Malaysian firms over the five-year period

Board diversity	**Year**	**No. of firms**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Number of Women Directors in a Firm's Board	2005	180	0	3	0.52	0.728
	2006	180	0	4	0.57	0.777
	2007	180	0	4	0.57	0.798
	2008	180	0	3	0.60	0.802
	2009	180	0	3	0.62	0.813
Number of Foreign Directors in a Firm's Board	2005	180	0	7	0.80	1.412
	2006	180	0	8	0.86	1.468
	2007	180	0	8	0.87	1.451
	2008	180	0	8	0.87	1.394
	2009	180	0	8	0.89	1.463

Table 4. Statistics on firms with women directors in Malaysian firms over the five-year period

	Year				
	2005	2006	2007	2008	2009
Number of firms with one or more women directors	70	74	73	76	78
Percentage of firms with one or more women directors	38.9	41.1	40.6	42.2	43.3
Number of firms with one or more foreign directors	61	66	68	70	69
Percentage of firms with one or more foreign directors	33.9	36.7	37.8	38.9	38.3

Overall, this study reveals only a slight increase in board diversity, measured by gender and nationality diversity, in Malaysia from 2005 to 2009. Findings of this study support the results of prior studies conducted in the UK (Conyon & Mallin 1997; Brammer et al. 2007), the US (Daily et al. 1999), Australia (Kang et al. 2007) and several countries in Asian region (Woryk 2011; MIA 2012). These findings generally indicate a slow progress of board diversity in many countries around the world, including Malaysia. Despite the potentials it might offer, for examples improve firm performance (Carter et al. 2003) and facilitate communication (Milliken & Martin 1996), there seem to be a slow uptake of corporate board diversity by firms. Woryk (2011) attributed those slow uptakes to the inconclusive findings on the beneficial effects of board diversity to firms. Perhaps, more evidences on the benefits and importance of board diversity are needed in a way to motivate firms to practice board diversity.

In the case of Malaysia, a more promising result of board diversity is expected in the near future, following the recent amendment of the MCCG in 2012 that recommend board diversity as one of the characteristics of an effective board. The Malaysian government, through Bursa Malaysia, has also announced the requirement of the listed firms to have at least 30 percent women representation in boardroom in five-year time that is by 2016. With the new listing requirement, all listed firms are required to disclose in their annual reports of policies and target on women's composition (Deloitte 2011). Perhaps, the effort of the

Malaysian government to follow the steps of several Scandinavian countries such as Denmark and Norway to assign certain percentage of women on board may enhance the development of corporate board diversity in the country.

Adding to the investigation of the trend of women and foreign directors in Malaysia, this study also identifies the difference of characteristics between firms with and without women and foreign director. Mann-Whitney U test is conducted to explore any significant difference in characteristics between firms with and without women and foreign director. The choice of analysis used in this study is in line with the characteristics of interest (refer table 2) that are continuous variables, whereas the firms with or without women or foreign director is categorical variable. For the purpose of this study, firm that has one or more women directors and foreign directors respectively is coded as '1', while firm that has no women directors and foreign directors respectively is coded as '0'.

Table 5 and table 6 present the results of the Mann-Whitney U test on gender diversity (women directors) and nationality diversity (foreign directors) respectively. In general, the Mann-Whitney U test is used to investigate whether firms with women director and foreign director, have different characteristics compared to those without women director and foreign director. As documented in Table 5, there is a significant difference between firms with women director and those without women director in term of their characteristics such board size (p-value: 0.000), profitability (p-value: 0.003), Malay director (p-value: 0.000) and family director (p-value: 0.000). The results indicate that firms with women director tend to have more directors sit on the board, greater proportion of Malay director and family director on board, and less profitability, than firms without women director. Further, Table 6 indicates that firm with foreign director only differ in term of the proportion of Malay director (p-value: 0.000) compared to firm without foreign director, whereby firms with foreign director tend to have less proportion of Malay director.

Table 5. Results of Mann-Whitney U test on Gender diversity

	BSIZE	LNTA	ROA	MALDIR	FAMDIR
Z	-6.383	-.118	-3.008	-3.903	-4.754
Asymp. Sig. (2-tailed)	0.000*	0.906	0.003*	0.000*	0.000*
Median: Firms with women director.	9.000	7.348	0.050	0.400	0.125
Median: Firms without women director.	8.000	7.360	0.060	0.333	0.000

*Significance level at 0.05

Table 6. Results of Mann-Whitney U test on Nationality diversity

	BSIZE	LNTA	ROA	MALDIR	FAMDIR
Z	-1.800	-.702	-.077	-5.090	-.179
Asymp. Sig. (2-tailed)	0.072	0.483	0.938	0.000*	0.858
Median: Firms with foreign director.	8.000	7.503	0.054	0.333	0.000
Median: Firms without foreign director.	8.000	7.548	0.056	0.429	0.000

*Significance level at 0.05

The findings at least show some similarities with evidences revealed from prior literature, for examples, with Brammer et al. (2007), who showed the link between board size and diversity (measured by gender and ethnic diversity); Ruigrok et al. (2007), who found a positive association between directors' female gender and founding family affiliation; and Shrader et al. (1997), who documented a negative association between the board diversity and firm performance.

Possibly, the least profitability revealed in firms with women directors compared to firms without women directors in this study partly explains the slow uptake of board diversity, specifically gender diversity in Malaysia. In addition, there is no significant difference in term of profitability of firms with foreign directors and without foreign directors. Overall, findings of this study did not provide clear indications on the benefits of having a diverse board in Malaysia. This invites further investigations, for example, to examine the impact of corporate board diversity on firm financial and social performance in Malaysia, both on a short term and long term basis. This is important as the benefits of having a diverse board may not be apparent with immediate effect.

The fact that firms with women directors possess greater number of Malay directors and family directors compared to firms without women directors may signal the commonly presence of women directors in government-linked firms and family-controlled firms. These types of firms appoint women directors on the boards to represent the stakeholders and family members, respectively. The same case goes for firms with foreign directors, whereby least number of Malay directors is apparent in these firms compared to firms without foreign directors. Firms with foreign directors are normally held and controlled by foreign shareholders, thus consequently will have less representation of Malay directors, which represent board members with local nationality.

Since this study provides an exploratory evidence of corporate board diversity in Malaysia, more rigorous analysis should be undertaken in future studies to investigate the factors that influence corporate board diversity and also the effect of board diversity in Malaysia in a greater detail, for example, by applying multiple regression analysis. The exploratory nature of this study provides limited findings on corporate board diversity in the context of Malaysia. Nevertheless, this study opens up a greater avenue for research of board diversity, particularly in one emerging economy that is Malaysia.

Conclusions

This study investigates the trend of corporate board diversity, measured by gender and nationality diversity, in Malaysia on a longitudinal basis. In summary, there is little change dictated on the trend of board diversity in Malaysia over a five year period from 2005 to 2009.

The reported trend of board diversity in Malaysia is not surprising as prior studies conducted in other countries also documented a similar pattern of development of board diversity. This has raised several questions, among others, the importance of board diversity, particularly, in term of gender and national diversity in the board of a firm. Firms that practiced board diversity in Malaysia are found to be associated with certain characteristics, for examples, profitability, Malay directors, family directors and board size, as highlighted in the findings and analyses' section. These findings warrant further investigation as to examine the factors that may influence board diversity in Malaysia. Perhaps, the unique corporate ownership structure held by firms in Malaysia that is controlled by government and selected families may also have effect on the board diversity practiced in firms. With the continuous encouragement shown by the Malaysian government in promoting corporate board diversity in the country, a more promising development of board diversity is expected in the near future. Nevertheless, this requires supports from both firms and regulators in working together to promote corporate board diversity. The progressive development of corporate board diversity in Malaysia should also be accompanied by more research in the field of study. This is vital not only to explore the importance and benefits of having a diverse board, but also to examine the effects of the implementation of the relevant rules and regulations with regards to corporate board diversity on firms' practice of board diversity. Such evidences may contribute to the current literature of the field of board diversity, specifically from the perspective of developing countries.

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