

# agender in the boardroom



Australian Government  
Equal Opportunity for  
Women in the Workplace Agency

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International

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An Australian Government agency, the Equal Opportunity for Women in the Workplace Agency (EOWA) consults with Australian employers annually regarding their equal opportunity initiatives. EOWA's vision is to achieve equal opportunity for women in Australian workplaces. In addition to compliance reporting, EOWA leads employers to create workplaces where women's contribution is equally valued through a variety of programs. These include educational services, the EOWA Business Achievement Awards and Employer of Choice for Women citation and the EOWA Australian Census of Women in Leadership, among other research publications.

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Egon Zehnder International was founded in 1964 with a distinctive vision and structure aimed at achieving two basic goals – to place clients' interest first and to lead the profession in creating value for clients through the assessment and recruitment of top-level management resources. The firm specialises in assessing and recruiting business leaders with outstanding track records who will create competitive advantage and sustainable value. Egon Zehnder International's practice areas include senior level executive search, board consulting and director search, management appraisals and talent management.

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Egon Zehnder International's first Australian office was opened in 1973 and now employs 14 consultants in both Sydney and Melbourne.

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# introduction

It is now more than twenty years since most of the Western world, including Australia, introduced fairly robust equal opportunity and gender anti-discrimination laws. Within the corporate world, a test of their effectiveness is seen by many to be the proportion of board of director seats on major companies that are held by women. Recent surveys in Australia, in Europe and in North America all suggest that with the exception of Scandinavian countries, particularly Norway, this proportion has tended to plateau in the last few years. In both the USA and Canada, the percentage has broken through the 10% mark but in Australia and in the UK, it seems to be approaching this figure asymptotically.

It is a truism to say that equal opportunity does not necessarily lead to equal outcomes. However, within the Australian context at least, it is also difficult to establish with certainty whether the current percentage of women directors of top companies, 8.3%, is in itself a very positive achievement or is an indicator of a deeper malaise. That this 8.3% of board seats is held by relatively few women (women tend to occupy more non-executive director seats per person than do men), and that the women are less experienced (women non-executive directors are typically more than seven years younger than their male counterparts), adds to this mystery.

The paper will share the experiences of many leading women directors, will provide advice to current or aspiring women directors based on the perspectives of both the chairmen and the women themselves, and will

seek to identify the root causes of the problem as well as proposing some ways forward.

## Research methodology

A key purpose of our research has been to better understand the reasons for such small changes in the proportion of female NEDs in recent years. To inform the research, we interviewed nineteen of Australia's leading and most experienced women public company directors, and sixteen men, all of whom held or had previously held chairmanships in major Australian public companies. In addition, a substantial amount of published material, both local and international, has been reviewed in order to understand the issues involved, the experiences elsewhere and as a way of seeking to identify recommendations which may lead to change.

As noted, all the women directors interviewed for this project have experience as directors of significant Australian listed public companies. As a group, they represent vast experience in the board room. Their experience as directors ranged from between four and sixteen years, with the average period of service on at least one public company board being just under ten years. All have served on multiple public company boards, typically three or four over their careers.

The typical age of the female interviewees at the time of their first public company board appointment

was 44, and a third of them had been in their thirties. Eight were in their forties when they first became NEDs and only four in their fifties. Their average age is now 54, still relatively young for a person holding a NED appointment, although a little older than the average for women directors within the ASX100.

The emphasis in our research towards those who were typically on the more experienced, or pioneering, end of the spectrum was deliberate. We sought input from women with the greatest experience as directors partly in the hope that their thoughts and views would be instructive for those aspiring to similar careers. Thus, they are representative of more experienced women directors and not statistically valid representatives of all women board members.

All of the chairmen interviewed have been on at least one board with a female director and typically on more than one board where this was the case. In most instances they chaired, or had formerly chaired, a board which included female directors and in many cases, the female directors were appointed during their chairmanship. Several have served on boards with more than one female director.

In discussions with all participants in the survey, both female and male, we used a pro-forma interview guide to add structure to the discussion but not to limit it. That said, not all interviewees were asked every question. Also, they were assured that nothing in the final report would be attributable to them as individuals.

## Background and context

Boardroom climate change is a looming problem for Australian business today, with a relative drought of skilled and experienced directors challenging the longer-term sustainability of business leadership.

The 2008 EOWA Australian Census of Women in Leadership<sup>1</sup> shows that Australia's top 200 companies have made little progress in increasing the numbers of women in their boardrooms and in fact, the proportion is declining. The percentage of women directors, 8.3%, reflects a decline from the previous census in 2006, where the figure was 8.7% and is even less than the first census six years ago, when the figure was 8.4%.

Similarly, the number of women executive managers in the ASX200 is only 10.7%, a decline from 12% in the 2006 census. The number of female CEOs also declined, with just four ASX200 companies being led by women at the time of the 2008 Census.

Analysis of the 148 companies that have remained in the ASX200 over the past four years and thus appeared in the 2004, 2006 and 2008 censuses suggests that there was considerable churn in the group of women holding executive management positions. Fewer than half of the same individuals are

recorded in both 2006 and 2008 and the same level of churn was observed between 2004 and 2006.

The Australian figure of 8.3% women directors on major public company boards is now less than the 9.7% of board seats occupied by women on Europe's top corporate boards in 2008.<sup>2</sup> In turn, the European figure represented only a modest increase from 8.5% in 2006<sup>3</sup> and 8% in 2004.<sup>4</sup> The difference from country to country is dramatic. The range is from Norway at 44.2%, Sweden 26.9%, Finland 25.7% and Denmark 18.1% through to Spain and Switzerland at 6.6%, France at 7.6%, Germany at 7.8% or Italy at 2.1%. The UK, the European country with the most obvious parallels with Australia, had a figure of 11.5% with growth also seemingly slowing. Outside the Scandinavian countries, The Netherlands had the most significant growth, almost doubling in the past two years to its current level of 12.3%. Without the dramatic growth in Norway, due to the introduction of quotas, the 2008 European figure would have been only 9.1%.

In the USA, women held 14.8% of all Fortune 500 board seats in 2007, a tiny increase from the previous year's figure of 14.6%.<sup>5</sup> A similar study in Canada in 2005 indicated that 12% of board seats in the National Post's Financial Post 500 list were held by women.<sup>6</sup>

The EOWA 2008 Census also found that only 49% of the ASX200 companies had women directors and the overall trend in this percentage is slowly downwards. In Europe in 2008, 72% of companies included in the FTSEurofirst 300 had at least one female director; in the UK, 77% of the FTSE200 companies had a female director; in Canada, 52.8% of the FP500 companies had a female director<sup>7</sup>; and in the USA, 91% of the S&P500 companies had a woman director.<sup>8</sup> On this comparison, Australia clearly lags.

More alarming is that only 54.5% of ASX200 companies have one or more women in an executive management position. This is lower than the international comparators such as the US, with 85% of the Fortune 500 companies having at least one senior woman executive, and Canada (66%), the UK (60%) and South Africa (59%).

An international exception is New Zealand, where the situation is similar to Australia, with females holding 8.7% of NZSX100 directorships but with only 40% of these companies having female directors.<sup>9</sup>

In the US, as recently as 2000, almost 50% of Fortune 1000 companies had no women as top executives and those that did, typically only had one or two.<sup>10</sup> This study found that the women in top management were on average 5 1/2 years younger than the

<sup>1</sup> 2008 EOWA Australian Census of Women in Leadership

<sup>2</sup> "Egon Zehnder International/European Professional Women's Network. BoardWomen Monitor, 2008".

<sup>3</sup> "Egon Zehnder International/European Professional Women's Network. BoardWomen Monitor, 2006".

<sup>4</sup> "Egon Zehnder International/European Professional Women's Network. BoardWomen Monitor, 2004".

<sup>5</sup> "2007 Catalyst Census of Women Board Directors, Corporate Officers and 6"2005 Catalyst Census of Women Board Directors of the FP 500".

<sup>7</sup> "The Female FTSE Report 2006." Dr Val Singh and Professor Susan Vinnicombe, OBE. Cranfield University School of Management.

<sup>8</sup> Spencer Stuart "Board Index 2007".

<sup>9</sup> "New Zealand Census of Women's Participation 2008." Human Rights Commission, New Zealand.

<sup>10</sup> "The Pipeline to the Top: Women and Men in the Top Executive Ranks of US Corporations." Constance E Helfat, Dawn Harris and Paul J Wolfson. Academy of Management Perspectives, November 2006.

men and had worked for their current employers for 2½ years less. Most of the women held positions just below the top two rungs of the executive hierarchy, and the percentage of women in line roles (25.3%) was approximately half that of men. As heads of function, women were overrepresented in accounting and legal and underrepresented in operations, but held their own in information technology and strategy. In forecasting the future impact of their findings, the authors believe that by 2016, perhaps 6% of Fortune 1000 CEOs may be women, still a low proportion but greater than the 1.8% of Fortune 500 CEOs who were women in 2005.

In assessing the significance of these measures of female participation it should be noted that in many, if not most countries, the current situation regarding female board participation is overstated if the focus is only on the top companies. Top companies in most countries usually “over-perform” due mainly to their more progressive attitudes and policies and their ability to attract board members of quality if supply is limited.

Other factors that influence the figures vary from country to country. In Scandinavia for example, the more proactive social and related economic policies of government and the introduction of quotas explains their relatively high proportions of female directors, with this being most obvious in the case of Norway, where the government indicated that it would,

and now has, introduced quotas requiring that 40% of directors on all major companies be of either gender. Interestingly Spain, while still a laggard, has now introduced similar quota legislation requiring companies to have at least 40% women on their boards in eight years’ time. In the USA, the results of its now well-established affirmative action policies are becoming more evident at the top of corporations.

Across Europe, another factor which positively influences the proportion of female directors is the need in a number of countries for the board to include labour union appointees. Of the board seats occupied by employee representatives across Europe, 31% are taken by women, that is, more than three times the average for all appointees.<sup>11</sup>

Looking at broader data than the ASX200, the proportion of managers who are women jumped from 28% (215,000) to 34.4% (414,000) in the period between the Australian Government Censuses of 2001 and 2006, having remained stable between 1996 and 2001. These figures suggest that women who have dominated the university system and the professional workforce for the past 25 years are finally moving into management. Professional workers accounted for 20.2% of all jobs in the 2006 Census and clerical staff, 15.3%. Women were in the majority in both groups, with 52.9% of the professionals being women (up only slightly from 52.5% in 2001) and almost 77% of the clericals.<sup>12</sup>

An Australian Government Treasury Working Paper published in 2003 indicated that female labour force participation has risen steadily over the past 25 years as male participation has steadily fallen.<sup>13</sup> However, it also noted that 85% of the increase in female workforce participation between 1981 and 2001 reflected increases in female part-time participation. Additionally, while male participation has fallen slightly in all age categories, participation has risen in all age categories for women. An interesting feature of the female participation rate is the reduction in the dip in female participation in the key 25 to 34 age group, which in turn reflected increasing part-time participation in this age group, particularly by married females.

Again in contrast to males, participation rates for all female educational attainment categories increased significantly between 1981 and 2001, with the largest increases being for women with post-school and no post-school qualifications. Despite these increases, females with degree or higher qualifications aged 25 to 54 in 2001 had participation rates over 20 percentage points higher than those with no post-school qualifications.

In Australia, the most common family type with dependent children is now the father working full-time and the mother working part-time. This covers 37.8% of all couple families. Another 22.8% of couple families

<sup>11</sup> “Egon Zehnder International/European Professional Women’s Network Board Women Monitor 2008”

<sup>12</sup> “Women Finally Get a Place at the Table”, George Megalogenis & Stephen Lunn, *The Australian* October 6, 2007 and “Coalition Getting Hot Under the Pink Collar”, George Megalogenis, *The Australian* October 6, 2007.

<sup>13</sup> “A Note on Educational Attainment and Labour Force Participation in Australia.” Steven Kennedy and David Headley, Treasury Working Paper 2003-03 November 2003.

have both parents working full-time, meaning that in the 2006 Census, the combined total of these two groups exceeded 60% for the first time. The traditional family with the father working full-time and the mother not in the labour force now accounts for only 28.3% of all two-parent families. The balance of approximately 11% involves families where the father either works part-time or not at all.<sup>14</sup>

A UK survey published by PricewaterhouseCoopers last year was less encouraging with respect to women's emerging participation in management.<sup>15</sup> It indicated that in 2002, 38% of senior manager level posts in the FTSE350 were occupied by women but that this had sunk to just 22% in 2007. This is despite the introduction by many companies of flexible working arrangements and the appointment of heads of diversity in attempts to address equal opportunity in the workplace and to retain talent.

At the most senior levels in the UK, things are moving in the opposite direction but progress is painfully slow. Over the same five-year period, the number of full-time chairmen or chief executive women increased from two to four; the number of other executive directors from five to seven and the number of female executive committee members from 21 to 32. However, those holding so-called senior professional roles decreased from 76 to 43 within the FTSE350. In all categories, the median age of female incumbents was less than

their male counterparts. The survey also produced evidence that more women are going into business by themselves. The number of self-employed females in the UK recently rose above one million for the first time and 17% of UK businesses are now wholly or predominantly owned by women.

### Non-executive directors in Australia

An underlying presumption that being a non-executive director in some way reflects the peak of a business career is the basis of much of the concern expressed about the apparently low proportion of directors who are female. The ambition of many is that something much closer to 50% would reveal a greater equity between men and women in the business world.

For a male non-executive director, appointment to a board typically occurs towards the conclusion of his executive career. In many cases it is seen as confirmation of the success of his career in business and as the essential ingredient in the path from full time executive life to semi or complete retirement. Thus, as a study by the Australian Council of Super Investors found, within the ASX100, the most common age band for non-executive directors is 60 to 69 and more than half the NEDs are retired former corporate executives.<sup>16</sup> In 2006, the average male NED was aged 59 and was on average 7.4

years older than his female counterpart, whose average age was 52.

The ACSI study also indicated that there is a growing number of ASX100 company directors holding multiple board seats. In 2006 for example, 94 of the 134 individuals who were appointed NEDs in the ASX100 already held board seats with other companies in the Index. This trend has developed over the past five or six years to the point that 45% of all non-executive board seats in the ASX100 are now held by multiple board seat holders or 'professional' NEDs. Interestingly, ACSI reported that a third of these multiple seat holders are women. Almost 60% of the female directors hold two board seats or more, whereas a similar proportion of men hold only one seat. This, plus the lower average age of women NEDs, they attributed to the perceived need for women to 'specialise' as company directors, at an earlier age than a man.

A key objective of this report is to identify some of the issues across workplace culture and recruitment, promotion, training and development matters that are preventing more women from being appointed to board director roles. These issues need to be actively managed to ensure women gain executive experience and ultimately the opportunities, development and exposure needed to contend for vacant board positions.

<sup>14</sup> "Working Mum Poll Time Bomb", George Megalogenis, The Australian October 5, 2007.

<sup>15</sup> "Women Step Off the Corporate Ladder", PricewaterhouseCoopers News Release, March 8, 2007.

<sup>16</sup> "Board Composition and Non-Executive Director Pay in the Top 100 Companies: 2006." Australian Council of Super Investors.

# qualities required in non-executive directors

The fundamental responsibility of any director is to act in the best interests of the company shareholders. The responsibilities as set out in The Corporations Act and in other related pieces of legislation mean that directors not only have clear financial and fiduciary responsibilities but are also liable to ensure that corporations abide by the health and safety, environmental and a multitude of other requirements. Additionally, it is anticipated that a board of directors will add value to a company through monitoring the company and management's performance, making decisions and offering advice and counsel to management, especially the CEO.<sup>17</sup>

Carter and Lorsch note that while board structure is important and the best place to begin thinking about board design, the calibre and abilities of the directors is an even more critical determinant of a board's effectiveness. Historically, the assumption has been that every director knew all that was needed to be known before joining the board and could then dispense that wisdom at the boardroom table. There was also a tendency for boards to seek out the same few people, typically prominent CEOs or previous CEOs of major corporations. However, if this is the only talent pool from which directors are sought, there is always going to be a shortage of talent.

Carter and Lorsch also suggest that a lot of the discussions about the ideal director's qualifications miss the point. In their view, most CEOs argue that

CEOs make the best directors whereas most non-CEOs argue the opposite. However, there is more agreement when the question is asked, "What personal qualities and talents do you want in an outstanding director?" The answer to this indicates that prior occupation is a secondary issue. They argue that there are six essentials that every director needs.<sup>18</sup> These are:

**Intellectual capacity:** Can the prospective director understand the business in which he or she has no experience and are they smart enough to see what really drives performance? Many very successful executives cannot think their way into a business in which they have never worked and just wheel out the solutions that work for them. The work of a board is highly cerebral and intellectual capacity is a must.

**Interpersonal skills:** Can the prospective director work as part of a group and do they listen well? Can he or she express views in ways that are both challenging to and supportive of management? Good directors are good listeners and effective communicators and can relate to other board members as peers.

**Instinct:** Does the prospective director have good business instincts and judgement? This is not the same as intelligence. It is about 'making a dollar' and about street smarts and commercial acumen. Faced with strategic and organisational decisions, can the candidate quickly sense where the value lies and what issues

might stand in the way of achieving this value? Directors must have the competence of "pattern recognition" if they are to be effective contributors.

**Interest:** Is the prospective director genuinely interested in the company, its business and its people, and do they have the commitment to go the extra mile when necessary? Since serving as a director is not about making a lot of money, is the candidate passionate enough about the business to remain engaged and committed for several years?

**A commitment to contribute:** Is the director too busy to be seriously engaged and can they, and will they, enthusiastically put in the time needed?

**Integrity:** Directors must be truthful and honest. Will the prospective director accept accountability for his or her role and decisions? Will their priority be to do what is right for the company rather than protect their own position and reputation?

Thus, if boards are going to get past established practices, they need to think differently about the type of people who make good directors and how they are encouraged to live up to their potential once they are on board. Specifically, they argue for the need to widen the talent pool; think strategically about the skill mix; raise the performance bar; insist on an education process for new directors; and be realistic about compensation.

Concluding their discussion on director essentials, Carter and Lorsch argue that boards that perform badly

<sup>17</sup> "Back to the Drawing Board." Colin Carter & Jay W Lorsch.

<sup>18</sup> *Ibid*, pp 116-118.

usually have members with deficiencies in many of these areas. Too many directors might struggle to understand the business and its risks, or they might not be very good at creating a discussion that illuminates the important issues. Such failings cannot be rationally linked to occupational background or whether someone was a CEO or not. A board selection committee must find directors who have diverse expertise and experience that fits the specific needs of the company.

Research undertaken in the UK and associated with the Higgs Report<sup>19</sup> suggested that the best non-executive directors were engaged, challenged and supported, and were both independent and involved.<sup>20</sup> It also indicated that the most sought-after non-executives were those with business experience. Without this, directors "will not understand managing people, they don't understand real life, they don't understand, outside the financial environment, how to make decisions and pragmatic judgements."<sup>21</sup>

As the Higgs report concluded, "To be effective, non-executive directors need to be well-informed about the company and the environment in which it operates."<sup>22</sup> Thus, a director needs experience, good induction and ongoing development.

The ASX Corporate Governance Council view is that "companies should have a board of an effective

composition, size and commitment to adequately discharge its responsibilities and duties. An effective board is one that facilitates the effective discharge of the duties imposed by law on the directors and adds value in a way that is appropriate to the particular company's circumstances. The board should be structured in such a way that it:

- has a proper understanding of, and competence to deal with, the current and emerging issues of the business;
- exercises independent judgement;
- encourages enhanced performance of the company; and
- can effectively review and challenge the performance of management."<sup>23</sup>

The ASX document goes on to say that "in order to be able to discharge its mandate effectively the board should comprise directors possessing an appropriate range of skills and expertise." It adds that "an evaluation of the range of skills, experience and expertise on the board is important when considering new candidates for nomination or appointment. Such an evaluation enables identification of the particular skills that will best increase board effectiveness."<sup>24</sup>

It further adds that "the board should be of a size and composition that is conducive to making appropriate decisions. The board should be large enough to incorporate a variety of

perspectives and skills and to represent the best interests of the company as a whole rather than of individual shareholders or interest groups. It should not however be so large that effective decision making is hindered."<sup>25</sup>

In summary, so long as a woman has had the necessary experience enabling her to have demonstrated the six essentials identified earlier, and has gained the insight and wisdom required to make sound judgements, there are no obvious impediments to her appointment as a NED.

However, the following excerpts from interviews with chairmen and women themselves reveal that despite these definitions of what makes a good board director, women's performance is not judged in this objective way. Men and women continue to be judged differently and have different expectations placed on them, and there are many impediments to women's progress and performance on a board.

It is also clear from the following interviews that if these are the measures used to judge a good board director, that there is still a hierarchy within these qualities and skills. The skills that the chairs often associate with some board directors such as interpersonal skills, integrity, commitment to contribute and interest are seen as less important than instinct, which they often see as lacking in women.

<sup>19</sup> "Review of the role and effectiveness of non-executive directors", Derek Higgs. The Department of Trade and Industry, London, 2003.

<sup>20</sup> "Creating accountability within the board: The work of the effective non-executive director". Dr Terry McNulty, Dr John Roberts and Dr Philip Styles. 2002.

<sup>21</sup> Ibid, p17.

<sup>22</sup> Higgs, Derek. "Review of the role and effectiveness of non-executive directors." The Department of Trade and Industry, London, UK. January 2003.

<sup>23</sup> "Corporate Governance Principles and Recommendations", pg 13, ASX Corporate Governance Council, Second Edition 2007.

<sup>24</sup> Ibid ??

<sup>25</sup> Ibid, 18.

# personal experiences of female directors

## Where are women non-executive directors from?’

Almost all the female interviewees had prior experience serving on a government authority board, a commercial government board or a not-for-profit board before their first appointment to a public company board. Typically, they believe that this experience was useful as a way of introducing them to boardroom procedures and norms and in some cases, contacts made or the network formed from these appointments led directly to their public company appointment.

Perceptions as to the value of this prior experience varied considerably. In some cases, particularly where the governance practices of the organisation were seen to be first-rate, the prior experience was viewed as a clear plus. However, in other situations such as a government authority board but with an interfering government, or on an under-resourced not-for-profit board, the approach to governance or the blurring of the line between the roles of the board and management was seen as setting a bad example, particularly for a NED who was lacking in senior corporate experience.

More than half the women interviewed had previously held Profit and Loss responsibilities during their executive life, with their responsibilities having ranged from small but talented investment banking teams to larger corporate profit

centres and country management, or CEO roles involving several hundred or several thousand people. The prior experience of the others was typically as investment bankers or strategic consulting advisors.<sup>26</sup> As such, all of the women had business experience considered essential to be a good board director.

## The appointment process

There was substantial variation in the processes leading to the initial public company board appointment for the women interviewed. In part at least, this reflected whether the approach was in the 1990s or later. A number said it was very clear to them that they had been approached to become the first woman director on the board, although in a number of instances, while this seemed to be the case, the existence of a gender preference was played down. In perhaps half the cases, the approach was directly from the chairman; in other examples it was via the chief executive, and in the balance of situations, an executive search firm. In general, the range of initial approaches would be similar for men.

Typically, the women NEDs were not known to the chairman of the boards to which they were appointed before the appointment process commenced, a phenomenon less likely with men, particularly several years ago. However, in at least two examples, the wife of the chairman had been instrumental in mentioning

the successful candidate's name to the chairman, the idea coming to them as a result of prior acquaintance. In another couple of examples, the successful female NEDs had previously acted as advisors to the company in question.

Once approached, most women met only a small number of their potential colleagues, typically just the chairman and the CEO, although in more recent experiences, a number of NEDs were also introduced.

## Women's experiences on the board

The female directors were asked what had surprised them most when they became a public company director; in what areas they felt their learning curve was steepest; how long it had taken them to feel comfortable in the boardroom environment; what lasting impressions they had of their earliest board meetings or the interview processes leading to this; and also whether they believed they had ever been treated differently because of their gender, or were discriminated against on the boards on which they had served.

Some key observations included:

A number of women commented that they were surprised at how quickly very significant decisions had been made at their initial board meetings, based on what they felt were flimsy management presentations. This was particularly the case if the initial

<sup>26</sup> A recent UK study, ("Newly appointed directors in the boardroom: How do women and men differ". Val Singh, Siri Terjesen and Susan Vinnicombe, *European Management Journal* [2008] 26, 48-58) investigated the 'human capital' profile of new appointees to FTSE100 boards in 2001-2004. They concluded that the women were more likely to bring international diversity to their boards and to possess an MBA degree. New male directors had significantly more corporate board experience, including as CEO or COO, while females had more prior experience as members of smaller boards.

meeting had been in the 1990s. The general feeling was that board meetings at this time were typically managed with little precision and with little input being sought from the board by management, or volunteered from NEDs with apparently 'blue chip' reputations. There was also a feeling that the information the board received was often quite sanitised and that robust discussion around the board table was not the norm.

Some women observed that there has been a huge change over the past ten to fifteen years and that management and boards are now much more 'on the same page'. That said, others noted that they were surprised that CEOs could still withhold information so easily and deflect taking action based on board deliberations. One female director reflected on one of her earlier boards where she noted that despite what she believed was very comprehensive due diligence, clearly not everything had been revealed to her or other directors, thus making the aftermath of her first board meeting a quite traumatic experience.

One of the consistent themes mentioned by many women was their initial surprise at how much the executives knew about the business and how little the NEDs did by comparison. In the 1990s, this was partly due to NEDs more generally being under-prepared for meetings, and it is also a consequence of poor induction of new NEDs. Many women

argue that they were unusual NEDs as they sought to talk to an array of the senior management group, undertake plant or site visits and had generally wanted to get out and about in the company to build their knowledge of the business. Many also said they applied themselves very diligently, being punctual and reading the board papers, unlike their typical male colleagues. If they had not understood anything in the papers, they questioned the CEO or chairman between meetings, to make sure that they went to the meeting well-informed.

Different interviewees had a range of views about the respective roles of board and management. Clearly the dynamic between the chairman and his or her board and in turn, between the board and management, can vary substantially, with the ultimate question being who is leading whom. Some boards clearly favour a role in which they are just passively supporting management, whereas others take the view that the board's key responsibility is to appoint the chief executive and that the chief executive's main responsibility is to implement the board's strategy.

One director said that her background as an advisor had led her to believe that boards had more influence on strategy than they do in reality, particularly with a CEO who seeks to deflect or simply ignore the advice he is receiving. As a consequence, she learned to particularly value information she was able to obtain

from independent external sources, as she realised how hard it could be to get the information she needed from within the organisation.

A couple of the interviewees commented that they quickly learned how little they or other NEDs could achieve, acting as a single NED. One stated that she found it very frustrating and challenging to achieve any change as a single NED and that she grew to realise that it required time and effort if she was to make any impact. Another director commented that she quickly realised that going to board meetings was just not enough and that early ground work was essential.

Most women suggested that the first year learning curve had been relatively steep as they became more comfortable as a member of their first public company board. During this period they started to determine how the board worked and what its relationship was with key members of the executive team, and at the same time coming to grips with their understanding of the business. Interestingly, some respondents believed that their acceptance grew quickly within the board but not management, whereas others had directly opposite experiences. As one said, "I had been interviewed by all the board members, so they knew me at least a little and they had made the decision to appoint me. The management on the other hand wondered what this young woman was doing, trying to advise them on their future and that of the business."

## Discrimination and stereotyping

The majority of the women NEDs interviewed had examples of varying degrees of seriousness relating to gender discrimination or stereotyping.<sup>27</sup> Quite clearly in many boards, it is an issue which if not overt, is just below the surface. Perhaps not surprisingly, given the relatively young age at which they joined boards, many women indicated that they felt that if there was discrimination, it was due in part to age as much as gender. A particularly difficult experience for many of the women appointed in the 1990s as the first female board member was to establish themselves as being credible directors. A number referred to the fact that it seemed they were not expected to make a particularly significant contribution, but that externally the company could at least then say that it had some gender diversity (or more correctly one woman) on its board.

The prevailing view particularly of today's chairmen is that they tend to be deferential towards female directors, rather than dismissive, because of gender. Due to old-fashioned politeness, some chairmen will always ask for the input of a female director first, simply because she is a woman.

However, a number of women directors said in some situations where there is more than one woman on the board, they are confused with each other by the chairman or by other NEDs.

Another common issue was that an idea put forward by a woman only

becomes a good idea when a male board member endorses it. One female director said that it had been suggested to her that this was to do with things such as voice tone, the physical space that a man takes up and also that men say things more directly or in a more linear way than do women. While stating that she felt it was subconscious rather than deliberate, she did note that it does seem to happen quite frequently.

The difficulty in creating a strong identity on the board was also indicated by one director who is continually frustrated that her ideas and contributions seem to be confused with those of a male NED on the same board.

One typically irritating habit reported of a number of chairmen was that they typically bring the board to order by using the phrase, 'Well gentlemen'.

As one experienced female director observed, there is no doubt that at times women directors have had to 'break in' the men around the board table. Some examples were given of women being the recipients of belittling comments and of offence being caused through remarks of an inappropriate sexual nature.

Only a very small number of directors reported any experience of what would now be regarded as sexual harassment, noting that this had typically occurred in the very early days on the board and had made their lives very difficult. Their tendency was to accept it at the time as part of

the price that they were paying for such an important career opportunity but on reflection, they realise that such behaviour was simply unacceptable.

Their tendency was to accept sexual harassment at the time as part of the price that they were paying for such an important career opportunity but on reflection, they realise that such behaviour was simply unacceptable.

<sup>27</sup> The impact of gender stereotyping is well covered in "Women 'Take Care,' Men 'Take Charge:' Stereotyping of US Business Leaders Exposed" Catalyst, New York, 2005. It reports that gender-based stereotyping is alive and well and that men and women both do it. They argue that managers' perceptions of men and women leaders likely come from stereotypes and that because women leaders are stereotyped as poor problem solvers, their power to motivate followers may be seriously undermined.

# observations by female directors and chairmen

"...even though you are the lone woman, it does not mean you have to represent that fifty per cent of the population on every issue."

## **Perceptions about women's contribution as non-executive directors**

In the interviews, the contrast between women directors' view of their role on boards and the chairs' view of women's role on boards became exposed. Generally, it appears that women see themselves as a person rather than as a woman and that their role is to represent the best interests of the company. Unfortunately, many of the chairmen seem to view women as the experts on diversity, representatives of womankind and holders of 'female skills'.

The prevailing view of the chairmen was that women tend to be stronger in their understanding of the 'softer' or social issues such as culture, human resources, sustainability, occupational health and safety. Their contribution in this regard and on broader human resources issues is clearly seen as a positive, as it tends to be stronger on customer-focussed issues as well.

One chairman clearly supported stereotypes of women by explaining that women have a focus on softer and cultural issues and customer service. He thinks they are more comfortable leading on these issues, whereas men tend to be more comfortable talking about engineering or finance.

Generally the male interviewees believe that women NEDs offer another perspective, particularly when working through some of the

softer issues. As one chairman said, "their emotional sensitivity can be very helpful."

One chairman noted that he found it very irritating when his male colleagues immediately refer to female directors when the discussion relates in some way to 'women's issues'. He stated that he believes this is quite patronising and that similar to all other matters, 'women's issues' should be a matter for the full board and something on which all directors, including the males, should have an opinion. It was also clear from our discussions that very few female directors enjoy being placed in the role of being the 'women's representative' on the board.

While women are seen on some boards as being the 'go to' person on diversity issues, most, if not all the respondents tried not to be labelled as 'female crusaders'. As one said, "even though you are the lone woman, it does not mean you have to represent that fifty per cent of the population on every issue."

With men deferring diversity to female board members, and women trying to disassociate themselves from such, there is the concern that diversity matters become sidelined and are not sufficiently championed or managed at board level.

The appointment of women to the board is generally seen as providing an excellent example to the rest of the company and sending the right message to management. It implies that the company is interested in

attracting female talent and this can open up opportunities for female executives.

Many women directors argued that the diversity that they may bring to the board table is more a function of personality rather than gender. However, others argued that women generally have a stronger sense of people and of customer, and perhaps because of their relative youth as directors, of technology. Adding to this observation, one woman director said that because women are typically younger than their male counterparts, they can often have a better feel for the impact of decisions on younger employees in the organisation.

"A room full of CEOs can represent a very limited group and often a group with very specific industry experience."

It can also be argued that because there are fewer executive directors on Australian boards and fewer serving CEOs from other companies than in the UK or the US for example, women are the only way of providing a younger NED option. As one female

director explained, "I am younger than my colleagues, I am a mother of two and I have had less executive experience than most of the management in the companies of which I am a director. Thus, while I am less accomplished as an executive I do at least bring a different perspective and that can be valuable. A room full of CEOs can represent a very limited group and often a group with very specific industry experience."

### Women's approach to their role

Generally, it appears that the women interviewed placed a strong emphasis on preparation and were extremely conscientious, a view also supported by the chairmen. Despite this being a seemingly positive approach to their role, it was seen by the chairmen as a way to hide weakness.

A number of chairmen noted that they believe female directors are typically at the conscientious end of the NED spectrum. One chairman observed that during his career he has had to manage two men off boards but so far, no women.

Another stated his belief that every one of the women directors he has dealt with is better prepared than anyone else. They have read the papers in great detail and are very comfortable with them. He believes the reason for this is perhaps that they sense a lack of their own experience and because of this they

are less inclined to be intuitive, which you can be only if you have had considerable senior level or chief executive experience. In his own case, he argues that he tends to scan documents and focus on what he sees as the big issues, rather than all the content. Despite this difference of approach, he is a strong supporter of female directors, believing that they make a very valuable contribution, be it just a bit different from his own.

In a related comment, one chairman noted that a female director with whom he had worked on two boards was very dedicated and serious about her role and he believes that in time, she will become a very good NED. However, his view is that at the moment she is not relaxed about it and she realises, at least subconsciously, that her experience is still very 'light on'.

Another chairman noted that he has no doubt that the female directors with whom he has had contact approach their role more professionally than do males. As he said, "no woman would dare come to a board meeting without having read the papers and being fully prepared". He believes their motivation for being more conscientious in this regard is that they do not want to fail.

Thus, rather than women's conscientious behaviour indicating an attempt to compensate for a lack of experience, perhaps it is a sign that they view their appointment to a board as a new career opportunity that will lead to further advancement if

they perform at a high level. Older male board directors however, perhaps being more likely to perceive a board appointment as the summit of their career from where they do not intend to advance any further, may take a more relaxed approach to their directorship role.

It is interesting to note that none of the women NEDs interviewed expressed any insecurity about their ability to contribute to boards at a high and effective level. However, such references to women's fears and lack of self-confidence are not new. Gender pay inequity and women's limited access to promotion and pay rises for example, are often justified by the conviction that women are less confident and assertive negotiators than their male counterparts. This effectively turns a blind eye to the presence of any inequities and places the onus on women to overturn their own disadvantaged position.

### Perceived differences in approach

A number of women directors commented that they believe women are more inclined to challenge conventional wisdom around the board table, to ask questions and to pay more attention to detail than are men.

They also felt that women generally wish to discuss matters more than does the typical male to make sure that the issues are truly understood, rather than quickly moving to a

decision. The pushback to this, according to the chairmen, is that women need to ask more questions because their experience is less. The reality is that it generates a different approach to problem-solving.

One chairman said that he did not see a difference in quality of input between male and female directors but argued that the input came in a different way.

...women let other people finish talking whereas men talk over the person speaking, almost as a matter of course.

Several women directors observed that men and women communicate in different ways, noting for example that women let other people finish talking whereas men talk over the person speaking, almost as a matter of course.

Another noted that he believes women do approach issues differently. He has no doubt that their attention to detail is vastly better than men's and their approach to problems is different. He believes that women are much happier discussing issues and exploring alternatives, rather than rushing to decisions. He

believes they do not necessarily expect action or different solutions, but they want to be sure that they have fully explored the matters under consideration.

Another chairman said he believes that women can be very comfortable pursuing points of detail and he thinks this is a positive, as boards need people who are very persistent.

There is concern that many women directors can tend to overcompensate for their lack of senior or corporate managerial experience and become very pushy in their views, whereas more experienced directors will listen for some time before they respond.

Another chairman noted that from what he had seen, women tend to demonstrate a lesser feeling of collegiality. He believes there is more of a sense that they have to do things themselves and believes this is partly a function of their having had less operational experience, rather than of gender itself. As he noted, most women directors come from a professional background where they have had the challenge throughout their careers to be recognised and to progress, and as a consequence, he believes they tend to be more self-focussed.<sup>28</sup>

Communicating the opposite perspective, one chairman noted that the women he has seen on boards are 100% contributors. They talk differently, their values are different and they attack things differently, and in the same way as someone from a different cultural background will be

<sup>28</sup> A recent article, "No compromise on Values" by Fiona Harris in *Company Director*, February 2008, pp 18-20 talks about the 'boys club' and the need to ensure that all directors on a board need to share the same values. For reasons she outlined, she concluded that the appointment to a board of someone who had worked with another board member elsewhere was a valid risk mitigation reason.

different, they provide diversity. He added that he believes achieving true diversity around the board table is the key to the role of an effective Nomination Committee. Another chairman added that one of the great benefits of most female directors is their relative youth and he sees this diversity as a more important contributor than the fact that they are women.

Two strong positives about female directors were noted by different chairmen. In the view of one, women tend to be more principled than men. He noted that men can be shameless networkers and for example, will happily buy lunch for someone who they strongly dislike if it helps them in some other way. Women in his view will not be that hypocritical, with males being more driven by mutual commercial benefit.

Another chairman believes that women tend to be less confrontational. They want to resolve issues more than fight about them and will quite regularly come to him in the comfort that he is taking a fairly hardline position which they will support but being pleased that they do not have to be the one leading with vigour.

Interestingly, even this second perceived positive of women being less confrontational and more focussed on resolution, is described as a kind of cowardice. This comment, rather than praising women, seems to be suggesting that

the chair is left with the tough job.

Perhaps the most negative difference observed was in the mind of one chairman, who noted that the typical board with which he is involved has the very best men and a variety of women on it. In his mind the average contribution of women directors is less than the average contribution of the men. In elaborating, he explained that in his view, the women lack the insight and gut feel of the best male directors because they have not been in the very senior roles and not been on boards long enough to catch up with or compensate for that experience. He believes the problem starts with the lack of women CEOs and very senior managers.

### **Non-executive directorships as a profession**

A number of women believe that they treat their role as a NED more as a profession than do their male counterparts who they argued, saw it more as a retirement job.

For a woman however, being a NED is more likely to be an optional career rather than a role at the end of her career and because of this, women often spent time doing additional studies or otherwise actively seeking information which would help in their NED role. As one said, "When you are an executive, you are hit with information daily but when you

become a NED, you have to seek it out for yourself."

Thus the approach of many women directors is to see being a NED as a new career, whereas men can often come to board meetings less well prepared, with some at the extreme, believing that as a former CEO, the board is lucky to have them rather than the other way around. Reiterating an earlier comment, another chairman noted that the fundamental difference is that women make a career out of being a NED whereas for many men, it is a retirement job and in this sense, he sees a strong differentiator in favour of women NEDs.

Other chairmen believe that while women do see their role as being a truly professional one, the gap between male and female directors in this regard is now very small. In particular, they feel that more recently appointed male directors take their roles highly seriously and as one said, "I think the days of the boys' club approach are well and truly gone". This generic change is largely due to the transparency now of board roles and the general focus on governance and director responsibilities. Thus, it would seem that this situation is changing as more experienced directors retire.

Another chairman argued quite strongly that he believes that the diversity brought to a board by women directors is not just a gender-related matter but is also a function of their lesser experience. Despite this, he believes that the perceptions can

still be very valuable and different because they are adding some atypical thinking.

### Male and female interactions on boards

Most of the chairmen believe they and their male counterparts are genuinely comfortable working with female directors. However, they typically acknowledge that the corporate world is still male-dominated and that because of this, there is a bias towards choosing men as NEDs because men are typically *more* comfortable with them and their company.

Another noted that it is the chairperson's responsibility to ensure that at all times he or she is inclusive of all directors. Otherwise, he has no doubt that some of the male directors will inevitably create difficulties for the females.

Chairmen disagreed a little as to whether generational attitudes were an issue in regard to female directors. A number believed quite strongly that those entering the business world from the 1970s onward were very comfortable working with women, as they had throughout their executive careers, whereas others felt it was more a function of personality or upbringing. In this context, one chairman noted that he grew up as part of a female-dominated family and was therefore very comfortable in successfully leading the push to appoint more female directors on the

boards on which he sat.

Surprisingly, given the above observations, overall, the chairmen tended to the view that there have been few issues which make them feel that either the male or female directors on their boards are particularly uncomfortable with directors of the opposite gender. It was felt that in more enlightened boards, women were acknowledged to be equal to the men and that as a result, the trend is now towards appointing the second woman.

### Boards with more than one female director

As noted earlier, identity confusion by the chairman can apparently be one unintended and unfortunate consequence of a board having more than one female member. However, recent US research indicates that increasing the number of women on the board typically makes a positive difference.<sup>29</sup> While a lone woman can and often does make a substantial contribution and two women are generally more powerful than one, increasing the number of women to three or more appears to enhance the likelihood that women's voices and ideas are heard and that board room dynamics change substantially. This critical mass ensures that having women in the room becomes a normal state of affairs and no longer does any one woman have to carry the burden of representing the 'woman's point of view'. They observed that women in

this situation start being treated as individuals with different personalities, styles and interests.

The experience and views of the Australian women directors and some chairmen to whom we spoke, do not always mirror these observations. We discovered the following:

In most cases in Australia, the experience of both men and women was typically on boards with only one woman. However, when sitting on a board with two or more women, little difference was noted. Most believed that the board dynamics were more a function of the personalities of all directors rather than of gender per se.

Although most of the interviewees did not observe particular differences, those that did, said there was no doubt in their mind that three women on a board meant more fun for them and that discussions became more open. One observation was that if there is only one woman then she is the focus of attention, but if there are two, the female approach to problem-solving does not stand out nearly as much. One chairman said however, that while he suspects there is possibly a greater level of confidence or a feeling of mutual comfort with two female directors, he believes that two female directors could lead more conservative male directors to be a little more negative about the 'women's club'. He stated that such directors seem to try and make jokes in this way, reflecting their discomfort and this can be both grating and annoying.

<sup>29</sup> "Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance", Vicky Kramer, Allison Konrad and Sumru Erkut, Wellesley Centres for Women, Report No WCW11, 2006.

Another chairman said he believes that having three female directors produces a better dynamic within the board than having two or one. Again, he linked this to chauvinism which he felt tended to diminish with more female directors in the room. In his view it was more than just about personalities; it was the result of having the critical mass.

One concerning issue which emerged was that if there are two women directors and one is perhaps not as strong or competent as the other, then problems can arise from this. At least two of the female NEDs have had experience where the chairman has asked them specifically to speak to a female NED colleague in order to assist in improving her performance, rather than the chairman giving this feedback himself.

### Views on the lack of women on boards

The views of the female interviewees fell into several groupings in response to the knowledge that only around 8% of ASX200 directors are women; that this proportion is going backwards and that some 50% of boards have no female directors.

One group argued that these statistics are simply unacceptable and should not be tolerated. They saw the low representation of women on boards as a disgrace for Australian business, particularly as it is only a very small group of women who actually enjoy the privilege of being a

NED, given that many have multiple board appointments. A related opinion is that there must almost certainly be some women who would be appropriately skilled to go on to the 50% of boards that women do not now inhabit, and that a better effort to recruit women NEDs should be expected from these boards.

One director rhetorically asked, 'What is the right level?' She then acknowledged that it always seems to be the same list of women which boards consider and that the conclusion is then quickly reached that these women are too busy, so the idea of appointing women is dismissed. She added that in her view, boards should be encouraged to consider the best qualified women, even if they are perhaps a little less qualified than their male equivalent.

Another view was that it is an indictment on the 'system', but that there are many and varied issues involved in leading to this situation. One director believes that the key issues relate to the executive world and the lack of opportunity provided to women by corporations. Another argued that there are capable women available and that there may be a need to introduce quotas, or at least have stronger leadership from the Federal government.

While the low percentage of women on boards and the relatively low percentage of boards with women are of general concern, another group of interviewees believe that it simply reflects a lack of diversity overall and

argued that this was the real issue. In their view the skill base, or lack thereof, is seen as the key and many women simply lack the skills to be appointed to boards. Also, as boards tend to favour ex-CEOs as directors, this is another limiting factor for women.

The view of another group was that they believed that the average board size is apparently shrinking (though this is at the margin) and that it is harder to fit in less experienced NEDs as a result.

Additionally, they feel that as boards have been made to become more aware of their responsibilities and conservatism is therefore prevalent, known players are chosen for board seats if they are available.

Elaborating on this perspective, one female director said that she really did not care about these percentages as long as shareholders were well-served by the boards that were appointed. She said that "as a director, I want people on the board who have the required experience. Smaller boards are becoming the norm but this means that if you have a small board you cannot afford to carry anybody. You need people of better quality rather than marginal players."

Another woman director noted that she wants women appointed on an equal basis, but believed boards need to better understand the benefits of diversity in all its forms if there is to be progress.

# gender diversity and company boards

## Why is gender diversity important?

The ability to construct a performing board that will contribute and add value to the company is limited by the sum and diversity of the individual board members' competencies and experience. True diversity is reflected in behaviours, not legalistic definitions or anti-discrimination policies.

The paradox of governance that all boards face is that of determining the balance in their role between focussing on monitoring and controlling management as opposed to supporting and encouraging it strategically.

Diversity on boards will help avoid the trap of 'group think' which typically means that boards become either too focussed on either their monitoring role or their support and encouragement role, and will tend to neglect the other. A diversity of personalities reflecting a considerable mix of experience and roles in earlier corporate or professional life will ensure that healthy debate results within the boardroom and that critical questions are asked of other directors as well as of senior managers.

Governance structures and processes that simultaneously promote diversity and shared understandings are vital for learning and self-correction. On the one hand, building diverse skills and viewpoints within the board can enhance members' decision-making and monitoring capabilities. On the other hand, developing shared understandings among executives

and directors can encourage mutual trust and cooperative problem-solving. Board diversity translates into a greater variety of perspectives being brought to bear on decisions and thereby, increases the likelihood of creative and innovative solutions to problems.<sup>30</sup>

## The priority for gender diversity

It is clear from our discussions that boards vary considerably in their desire to deliberately seek to add women. Some of the chairmen noted that most boards they have been involved with feel they should have gender diversity as part of broader diversity, including representation of youth and differing cultures and backgrounds. Most chairmen believe that boards tend towards diversity but it is more than just having women. One chairman noted that generally, boards these days are interested in the structure and having the right people.

One chairman indicated that on the boards with which he has been involved, women have been deliberately sought because it looked good to the shareholders and gave a lead to management on gender diversity. Examples were given in banking, retail or consumer products where a very significant percentage of employees and/or key customers are women and it was therefore thought to be a good way to set an example, as well as to recognise the realities of

the market place and the employment group one is working with. Another chairman commented that in his view, there is still an element of symbolism in having a woman on a board, which is an important factor. Another noted that it is expected by shareholders and the community that companies will have women directors and it does have a positive impact on management's attitude. The same chairman is also convinced that women do bring a different approach.

One chairman noted that most of the boards he has been involved with do not put a particularly high priority on having a female director. In his own case, he sees himself as a person who seeks the skills rather than the gender, but if all things are equal then he would prefer to appoint a woman in most cases. Another similarly commented that he is more concerned with qualifications, skill sets, CV experience requirements and the like and so describes himself as gender neutral. This would certainly be a positive if it could be guaranteed that the basis on which they judged people was not inadvertently biased towards men, as much 'merit-based' recruitment seems to be, particularly at senior levels.

In the experience of most of the men we spoke to, the wish to appoint female directors is typically driven more by the chairman than by the board as a whole. Most believe that boards are seeking capable directors but that a more adventurous chairman will be prepared to

<sup>30</sup> "Control and Collaboration: Paradoxes of Governance", Chamu Sundaramurthy and Marianne Lewis. *Academy of Management Review* 2003, Vol 28, No 3, pp 397-415.

contemplate the appointment of a woman, even if she is less obviously skilled than some male counterparts.

Attitudes such as these serve to undermine women's appointment as board directors and can potentially disadvantage them before they have even entered a board room by marginalising their skills and expertise, thus forcing upon them a lower perceived status on the board than that of their male counterparts.

One chairman noted that in any discussions that he has been involved in at board level about potential directors, the opportunity to recruit a woman *per se*, or the idea of positive discrimination has not led to the appointment of a woman. He believes that the issues which management faces to ensure they are getting the best people irrespective of gender do not cause a board to feel that it must appoint a woman member just because it 'looks good'. Another noted that he personally will not be involved in tokenism because he does not believe it will help the company, the woman involved or the situation for women generally.

A couple of directors noted that boards with which they are associated would typically like more than one woman director but they often encounter difficulties in the recruitment process. Several chairmen noted for example that the existing woman director on the board is often critical of potential female candidates seeming to focus more on their shortcomings rather than being prepared to 'give them a go'.<sup>31</sup>

If a woman board director expresses valid reasons why a female candidate may not be suitable, male board members should be careful not to link her reservations to issues of gender. A woman board director's expressed reservations about a female candidate should be considered in the same way as they would about a male candidate. Blaming the very few women currently on boards for the shortage of women on boards seems an easy deflection of responsibility.

### **The main barriers to further gender diversity, and what needs to change**

The female interviewees believe that the main barriers to further progress in achieving a higher percentage of women on boards are a function of both push and pull factors or put another way, supply and demand. However, many of the chairmen to whom we spoke wonder whether the skills and experience necessary for listed boards means that the number of women available is small and if this supply issue is the key barrier. This fails to acknowledge the skills and abilities that Carter and Lorsch outlined and is also a failure to re-examine what traditionally has been seen as the 'relevant experience'. The chairmen interviewed tended to have quite clear views around this issue, although the range of views expressed was quite broad.

### **Issues of supply**

On the supply side, in the view of one of the more experienced women interviewees, it comes down to the shortage of relevant skills, experience and breadth. As she said, "NEDs need to be shrewd and shrewdness can only be developed against a basis of experience from which you have learned not only how to cope when things are right, but also when things go wrong." Another woman noted that "women NEDs without senior management exposure often struggle to pick up the need to play a different governance role in the upturns and the downturns. The monitoring role which prevails in the upturn needs to be replaced by a supporting role in the downturn, but less experienced female NEDs tend too easily to blame downturns on the CEO's performance rather than readily jumping in to support a CEO who is faced with new and challenging decisions. If they have no senior management experience to fall back on, this is not surprising." Supporting this view, another noted that "inexperienced women directors too readily fall back and focus on risk and governance issues rather than being able to assist the CEO and senior management in resolving difficult management challenges."

As noted earlier, the prevailing view on many boards is that former CEOs are the best directors. While this view is gradually changing and a diversity of backgrounds is seen to add value, there is still a bias against appointing

<sup>31</sup> This comment, while true, may not reflect the norm. A survey conducted in the US in 2006 by Heidrick & Struggles and Women Corporate Directors found that 85% of women board members have recommended other women for their boards though only 54% said that one of the women was actually elected. "Women as Change Agents." Heidrick & Struggles and Women Corporate Directors, 2006. Heidrick & Struggles website.

lawyers and accountants for example, whose experience has tended to be advisory and focussed on individual issues, rather than effective decision-making within a broad business perspective. Such preferences disqualify not only most women but also many experienced men.

One other chairman noted that most women directors are lawyers or accountants rather than “true business people”. He also made the observation that he is very sceptical about the views of executives coming from the financial services world, believing that they do not truly know how companies work. Based on his experience, he believes “they think it is all very easy to improve the performance of a company but they do not understand in-depth issues related to leadership, team psychology and so on.”

Another chairman noted that “there are clear limitations in the available pool of qualified female candidates because females simply do not have the real breadth of experience, which in turn is a function of the careers they have developed. In most situations, the options available to a board for a new appointment because of this are probably 80% men and 20% women.” He feels that the professions are now generally trying to address this and that there are many more women who are accountants, lawyers or consultants.

Another male director noted that in his view the simple barriers are calibre and experience. To address this, he

stated that the real challenge is to get more women into management and that this in turn will lead to more women on boards. He acknowledges that the current figure of around 8% may not be ideal, but he thinks this is the symptom of the executive pipeline rather than a lack of willingness of boards to appoint appropriately experienced and qualified women.

In elaborating on this point, one chairman said that it is very important that directors have the respect of the senior management team, that is, the CEO and his or her direct reports, and that therefore directors must ideally have experience which is equal or superior to those in that group. In large complex businesses, it is very hard to find potential directors, either male or female, who are qualified in this sense but if directors lack the respect of the senior management team then this creates problems for the board as a whole.

Some of the chairmen believe that there is simply a shortage of appropriately experienced female directors, whereas others believe it is a cop out to say that appropriate women cannot be found. However, most were in agreement that the ease of finding appropriate female directors depended upon how specifically, in terms of required experience, the need for a new director is defined. One chairman concluded that he suspected positive discrimination is going to be required if the share of women on boards is really to move upwards.

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Another chairman explained that in his view, a major barrier is a lack of confidence and experience in potential female directors. He is concerned that women directors, because of their lack of senior management experience, can be inflexible around the board table and as a result, struggle to contribute in a constructive way. He concludes that the inexperience of many women leads them to being less secure in their behaviour and in turn leads them to lack some collegiality. Another chairman noted that there is a natural tendency to want to appoint the better known female directors and this creates a problem. Such women very quickly become conflicted or simply too busy and thus, those who have had a depth of experience tend to be very high in demand but are unable to accept additional appointments.

One chairman stated quite clearly that in his view, there are no barriers and in fact, women get favourable treatment given that they lack the business experience of men in the top levels of major companies. Another noted that there is a very large number of men who simply miss out on becoming NEDs because the real leading men get the roles, and then the leading women. As he noted, "there is a big group of men who are better experienced than most of the women but who have not made it quite to the top and are therefore not considered for a major board role."

There is general agreement from our female interviewees that most

companies are simply not doing enough to develop women into their senior executive ranks. When combined with the prevailing view that professionals or advisors are less capable as directors than those with executive experience, this significantly reduces the pool from which women directors can be drawn.

As one female interviewee noted, women are not regularly emerging from the middle management levels of large organisations into senior management roles. For example, in the banking sector while most of the large banks have strenuously sought to have senior women amongst their top executive ranks, the vast majority of these women, if not all, have been recruited from outside the organisation. Thus the shining example of Helen Lynch, who worked her way up through the management ranks at Westpac and then moved on to become a NED, and ultimately included Westpac within her portfolio, is simply not being repeated today.

It is typically in the thirties that an executive's career takes off and it is also in this period that women are faced with choices, including those relating to career and motherhood. Keeping women in the workforce as these decisions are being made is a major challenge.

The majority of chairmen believe that attention to the management pipeline will eventually have an impact leading to the appointment of more female directors. However, as one noted, "you cannot be too starry eyed about

this." He added that "the reality is that women want the right to choose what they do and they exercise this right. This equates to a severe impact subsequently in the opportunities they have for board positions and therefore, the available population is inevitably heavily skewed towards men. The reality is that many women choose to be mothers and to care for their children and surely they must be respected for this."

Whether taking time out of the workplace to raise children *should* have a 'severe' impact on women's careers is another issue for business to think about. Many businesses are finding ways to ensure women's connection to the workplace is maintained during this time and that flexible work practices minimise the impact of a break. Businesses should also ensure their policies and culture support men who choose to take time out to raise children. This will allow women and men to more equitably share caring responsibilities which may mean shorter periods out of the workplace for women, lessening the damage to women's careers and reducing the stigma attached to career breaks.

Another chairman noted that women typically lack general management line experience and that this lack of exposure means that they are inclined to dig more into the data. He said that when looking for new directors, he focussed on skill sets and collegiality and that in his view, experience in a public company senior management role is the best way to learn these

attributes. This view reinforced his emphasis on getting women into management first. As he said, "the further a director's experience is away from general management, the greater is the tendency for that person to meddle with management".

### Issues of demand

It has already been mentioned that the general perception is that boards are smaller in Australia, with the average board now being only eight persons whereas a few years ago, something into the lower double figures was seen as typical. Thus, the number of seats and vacancies is seen to have reduced and as noted previously, smaller boards mean that it is more challenging for the rest of the board to 'carry' directors who are perceived as inexperienced or non-performing.

In reality however, board size has not changed much in Australia at all. In 1998, the typical board in Australia and New Zealand numbered eight with larger companies having slightly larger boards.<sup>32</sup> In 2007, the average board in the Top 350 Australian companies numbered seven people, and for the Top 50, nine.<sup>33</sup>

Human nature suggests that homogeneity in a group is the easiest course for most people to follow. As one female director observed, "many boards simply do not want diversity in any form and to overcome this, the chairman is typically the person who must show the lead." Thus, a

characteristic which is clearly required in the view of many women NEDs is the need to have a courageous chairman. As one woman noted, "it is not so much that the director being considered is a woman but rather that her behaviour as a member of a group is typically less well-known to those making the decision about who to appoint."

The existence of natural networks means that it is harder for aspiring female directors to get exposure to incumbent board members and thus the risk of appointment is not just about gender but also about lack of familiarity. More generally as a couple of chairmen noted, with greater emphasis now on legal liability and on process over substance, boards tend to favour more experienced NEDs and in a number of cases, are more risk adverse.

Supporting this view, one chairman noted that it is important that any new director be accepted by other members of the board and be comfortable joining the team. In many cases, the potential female NEDs are simply not known to others and thus the perceived risk of the appointment is higher. Another noted that "when you appoint a new director, you want to be sure that the person is going to be collegial, will be able to be independent and will express an opinion and as a result, I put in a lot of effort exploring the subtleties of judgement and fit." He noted that this can create a real barrier, given that women candidates are often less well known.


### What needs to be done?

Perhaps optimistically, two of our female interviewees noted the differences in the proportion of female graduates now as opposed to when they were doing their degrees. Both were commerce graduates, with one observing that when she was a student, 30 of a group of 500 were women and half went immediately into teaching, while the other noted that only eight of the 300 commerce students were female when she was at university. Given that roughly half of the students in commerce and in law are now women, the opportunity to more fully exploit the management pipeline seems to be ripe.

One chairman believes that two pipeline issues will change the situation. The first is what he would call the simple passing of time. The second is that more companies have to be prepared to take on women directors earlier in their careers. While he noted there are obvious risks associated with this, because they are younger, less well known and they understand the role theoretically more than practically, he believes that if they make the right selection, boards will find someone who will grow comfortably into the role of a NED. A related suggestion was that senior female executives should be encouraged to take on their first NED role or be appointed to serve on subsidiary boards in larger organisations while they are still active executives.

<sup>32</sup> "Boards of Directors in Australia and New Zealand 1998", Korn/Ferry International.

<sup>33</sup> "Board of Directors Study in Australia and New Zealand 2007", Korn/Ferry International in association with Egan Associates.



A number of those interviewed made comments reflecting that the models of success in the business world are male and if change is to happen then the value of discretionary time, as opposed to work time, for both women and men has to be seen to count for more. Women are juggling choices between business, motherhood and relationships, among others. Thus, very few women are likely to define their success in purely business terms, although most men do and the consequence is a very different approach to their careers.

Another chairman argued that to get more women NEDs, change must be forced at the executive level. He sees no alternative other than to positively discriminate or take affirmative action in order to get quicker change. However, he notes that this change will only happen if companies accept a loss of productivity in the short term, due to women's inexperience, in order to achieve the long term good.

Again, the repetition of the assumption that women board directors are inherently less experienced reveals a failure to acknowledge different experience and the need for diversity of experience. It is also a big leap to assume that appointing a woman board director will cause a downturn in productivity. This is in direct opposition to Catalyst research that reveals that in relation to return on

equity, return on sales and return on invested capital, those companies with more women board directors outperform those companies with the least women board directors.<sup>34</sup>

One chairman noted with some despair that one of the organisations he chairs ensures that at least 20% of candidates for internal promotion must be women but at the same time, the organisation has been less than successful in establishing women in senior roles.

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<sup>34</sup> "The Bottom Line: Corporate Performance and Women's Representation on Boards", Lois Joy, Carter Nancy. M, Catalyst October 2007.

## action plans

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Whether one believes that having 8.3% of the ASX200 non-executive director seats occupied by women is a high or low percentage, it is merely the tip of the iceberg on which future actions should focus. As has also been noted, only 2% of the ASX200 CEOs are female and 10.7% of executive managers are women. With these dismal figures having taken place during an economic boom and within an environment of 'equal opportunity', these figures are even more disturbing. As *The Economist* noted, "Despite their gains, women remain perhaps the world's most under-utilised resource."<sup>35</sup> This is despite the fact that "the increase in female employment in the rich world has been the main driving force of growth in the past couple of decades. Those women have contributed more to global GDP growth than have either new technology or the new giants, China and India."<sup>36</sup>

The proportion of directors who are women is really not the key issue today. The more significant realities are that our education system is generating highly educated females, in many cases more than 50% of the graduating classes, but the employment environment particularly in large corporations and also in major professional firms, is not enabling most of these women to develop successful senior level careers.<sup>37</sup> This can be due to either the environment in which they are required to work not

being conducive to women's growth and success, or that they are being asked to fit the stereotypical man's business world.

A recent study which brought together issues related to women's economic participation in a diverse range of countries from the US to Brazil focuses on some of the enablers and barriers affecting women's economic participation.<sup>38</sup> It identifies several enablers including government legislation and policy (such as maternity and paternity leave), education, societal perceptions, the provision of child-care and self-imposed barriers. It also focuses on the efforts of business to eliminate bias and generally to intervene in other ways which will give women a better chance of success. Reflecting on these ideas within the Australian context leads inevitably to the conclusion that our efforts to date have been at best ad hoc and that the mixed outcomes clearly reflect this.

A book published earlier this year, "Why Women Mean Business" argues that it is time for a substantial paradigm shift. The authors suggest that the 20th century saw the rise of women whereas the 21st century will witness the economic, political and social consequences of this.<sup>39</sup> Over the past 30 years, for the first time in history, women have been working alongside men in the same jobs and the same companies with the same levels of education, the same qualifications and

<sup>35</sup> "A guide to womenomics." Finance & Economics, *The Economist*, 12 April, 2006.

<sup>36</sup> "The importance of sex." Women in the workforce, *The Economist*, 12 April, 2006.

<sup>37</sup> See Appendix 2 for summaries of recent studies related to the retention, or lack thereof, of women in the accounting engineering and legal professions.

<sup>38</sup> "Women's Economic Participation. Enablers, Barriers, Responses." PricewaterhouseCoopers, Genesis Park Program, 2007.

<sup>39</sup> "Why Women Mean Business." Avivah Wittenberg-Cox and Alison Maitland. Jossey-Boss 2008.

arguably with comparable ambitions.<sup>40</sup> As a consequence they now represent most of the untapped talent pool and much of the market where, for example in America, women make 80% of consumer purchasing decisions.

Among the many pieces of research quoted in the book is the report "Gender Inequality, Growth and Global Ageing", which presents some powerful economic arguments focussing on women.<sup>41</sup> While Australia is not a specific focus of the report, many of its conclusions resonate with issues we encounter here. For example, it states that:

Reducing gender inequality could play a key role in addressing the twin problems of population ageing and pension sustainability.

In countries where it is relatively easy for women to work and have children, female employment and fertility both tend to be high.<sup>42</sup>

Economies where the problem of population ageing is most acute such as Japan and Italy also tend to be those where female employment is lowest.

Closing the gap between male and female employment would have huge economic implications for the global economy boosting US GDP by as much as 9%, Eurozone GDP by 13% and Japanese GDP by 16%.

A reduction in the male/female employment gap has already been an important driver of European growth

and Europe is best placed to benefit over the next ten years. Japan has the biggest potential windfall but has made little progress over the past ten years. The US has the smallest gender gap of the G3 but the gap has risen in the past ten years.

Governments could do much more to narrow the gender employment gap: reducing tax distortions that discourage female employment, eliminating differences in retirement policies and subsidising child-care are three obvious examples.

Wittenberg-Cox and Maitland argue that the past 30 years has seen some advances in the executive workplace but they all tend to be based on the assumption that it is a man's world. In terms of what needs to be done about this, they suggest several potential solutions to improve an organisation's ability to recruit, retain and promote women.

#### Recruitment

- Do not assume your sector is unattractive to women.
- Audit current recruitment statistics, by gender.
- Check how attractive your company image is to women.
- Review recruiting advertisements and agencies for unconscious bias.
- Develop gender inclusive recruitment communications.
- Have enough women in leadership to be credible to female recruits.

#### Retention

- Recognise the leaking pipeline in the first place.
- Evaluate its size and cost.
- Analyse when and why it occurs and if the reasons differ by gender.
- Recognise that male and female career paths may be different and non-linear.
- Acknowledge the systemic issues at the source of the problem.
- Implement the changes needed to plug the leak permanently.

#### Promotion

- Find out at what level or grade the percentages of women in the organisation start to drop sharply.
- Analyse the reasons why.
- Define today's ideal leadership profile for your organisation and review performance evaluation systems to ensure that they deliver this.
- Define targets for women in leadership programs, in pools of high potential employees and on succession planning lists.
- Make managers accountable for promoting women.
- Measure progress by division, department and manager to identify blockages and encourage progress.

In "Why Women Mean Business", the authors argue that the approach employed by most companies to date has been typically one where women were expected to behave in the same

<sup>40</sup> For example, EOWA's 2008 report, "Generation F: Attract, Engage, Retain", revealed that both women and men most commonly want to move into a job involving increased responsibility, and plans to move into roles demanding less responsibility are shared by women and men in similar proportions. "Generation F: Attract, Engage, Retain". Equal Opportunity for Women in the Workplace Agency, Sydney, 2008.

<sup>41</sup> "Gender Inequality, Growth and Global Ageing." Kevin Daly, Goldman Sachs Global Economics Paper No 154, April 2007.

<sup>42</sup> Australia is one of only two OECD countries without a legislated paid maternity leave scheme. Despite this, our fertility rate is a little higher than the OECD average and our female employment rate is higher at 64.7 compared with the average of 56.1%. Source: "Babies and Bosses: Reconciling Work and Family Life, Vol. 1" OECD, 2002

way as men. However, they suspect that women's leadership styles, if allowed to be authentic, may actually be rather different from men's. As they note, there is a substantial body of research describing how men and women are different in a host of fascinating ways and the question they pose is: Why would differences in communication style, biological rhythms, hormones and brain functioning, stop just short of leadership styles?<sup>43</sup>

In a provocative and somewhat controversial book "The Sexual Paradox: Troubled Boys, Gifted Girls and the Real Difference Between the Sexes", Susan Pinker notes that the gender equity legislation of the 60's and 70's appeared to create the expectation that all differences between men and women were created by unjust practices and therefore could be erased by changing the same.<sup>44</sup> Thus, it was felt that it was only a matter of time before all occupations would be split 50/50 and when this had not happened by 2000, there was a feeling of being let down.

Against this background, Pinker has set out to determine whether, given their clearly demonstrated developmental differences, males and females have the same career and job preferences and if not what difference this might make. In her book, Pinker reviews in some detail whether for example, the failure to close the gender gap more significantly was

due to the work environment which made no adjustments for women or whether there might also be other reasons.

Catherine Hakim from the London School of Economics, suggests that the vast majority of women who claim to be career-oriented discover that their priorities change after they have children.<sup>45</sup> Her data from European and American censuses and national surveys suggest that women in modern societies are hardly homogeneous. Instead, they separate into three broad groups. Those who want to stay home full-time whom she calls "home centred", representing approximately 20% of women; another comprising approximately 20%, whose careers take precedence and whom she calls "work centred"; and the remaining 60% who are women who try to combine children and career drifting between various work schedules and positions who are looking for the perfect arrangement. This latter group, so-called "adaptive" women, adjust their careers to accommodate their family needs and their own values. They typically do not have a firm life plan when they start out or find that it changes when they have a baby. Many end up working part-time, have patchwork resumes and ultimately work in less lofty positions than they would if their family had not been their priority. Both Pinker and Hakim argue that the 20% of women who are

career-oriented or "work centred" experience few disadvantages to being female and if they have the same credentials and put in the same hours, they generally achieve the same rewards as men. However, a survey in 2001 reported 49% of women defined as "ultra-achieving career women", were childless (as opposed to 19% of men in the same category) and 57% of "high-achieving career women" were unmarried (as opposed to 17% of males in the same category).<sup>46</sup> As the article reporting the survey noted, employers must provide more meaningful work/life policies because at present "clearly women don't have it all – while men apparently do."

"...clearly women don't have it all – while men apparently do."

<sup>43</sup> A meta-analysis of 45 studies on leaders ("Transformational, Transactional, and Laissez-Faire Leadership Styles: A Meta-Analysis Comparing Women and Men", Alice Eagly, Mary Johannesen-Schmidt and Marloes van Engen. Psychological Bulletin 2003, Vol 129, No 4, 569-591) found that female leaders were more transformational than male leaders and also engaged in more of the contingent reward behaviours that are a component of transactional leadership. Male leaders were generally more likely to manifest the other aspects of transactional leadership (active and passive management by exception) and laissez-faire leadership. The research concluded that although the differences were small, the implications were encouraging for females because the aspects of leadership style on which women exceeded men all relate positively to leaders' effectiveness whereas all the aspects where men exceed women have negative or neutral impacts on effectiveness.

<sup>44</sup> "The Sexual Paradox." Susan Pinker. Great Britain: Atlantic Books, 2008.

<sup>45</sup> "Key Issues in Women's Work." Catherine Hakim. Rutledge Cavendish, London 2004.

A paper which contributes to this debate suggests that women who delay the onset of motherhood achieve greater career success than those who bear children earlier.<sup>47</sup> The research suggests that a year of delayed motherhood increases career earnings by 10%, career work experience by 5% and career average wage rates by 3%. Other US research notes that the lifetime costs of childbearing are particularly high for skilled women and that such women bear children far later and less often than do low skilled women. For example, by age 30, 80% of high school graduates have given birth while only 50% of college graduates have.<sup>48</sup> Further research in the US shows that women who earned MBA degrees were more likely to become stay-at-home mothers than those with medical or law degrees.<sup>49</sup> The researchers concluded that women who are in family-friendly environments are more likely to stay working and such environments appear more easily obtained outside the business world. Coincidentally, the number of women in top US MBA programs significantly lags behind men, with women typically accounting for around 30% of enrolments.<sup>50</sup> MBAs have been seen as a significant gateway to individual opportunity. While the percentage is trending upwards, the proportion

significantly trails the percentage of women in top medical and law schools, which is typically 45% to 50%.

Pinker also suggests that the goals of men and women tend to be different. Studies suggest that when intrinsic and extrinsic goals are conflicted, it is unlikely that people would pursue both at once. The intrinsic goals such as making a difference or belonging to a community are often in direct opposition to the extrinsic goals like seeking financial rewards and status. It is suggested that women on average are more motivated by intrinsic rewards at work. Therefore, an interest and an ability to contribute to a field and a capacity to have an impact in the real world are more powerful drivers for women, on average, than are higher salaries, job security and benefits. Moreover, it has been found that the sway of intrinsic rewards and autonomy on the job rises with a woman's level of education. Given these observations and noting that happiness as well as economic necessity can impact career success and satisfaction, it is useful to ask: Just what is the optimum proportion of women we should expect to be occupying key senior management roles?

The comments above once again raise a perennial question as to

whether women lack ambition. Some might say this is the case but others would argue that if it is so, it is because they succumb to powerful cultural imperatives that equate ambition and quests for recognition with a lack of femininity.<sup>51</sup> In supporting this view, the author Anna Fels states that women have too many conflicting roles thrust upon them and that they must rise above this confusion to assert their own values, priorities and identity.<sup>52</sup>

Research by US firm Catalyst refutes the idea that women lack ambition and found that female and male executives in the Fortune 1000 have equal desires to have the CEO job.<sup>53</sup> Recent Australian research published by EOWA concludes that man and women share the same expectations when job seeking such as good pay and bonuses, job security, supportive bosses and job satisfaction.<sup>54</sup> Women however, are more likely to consider additional factors such as promotion and support of women, flexible working conditions, women in senior positions and the provision of paid maternity leave. The report sees women as being as ambitious as men but stresses that more needs to be done to retain women executives. Thus, nearly 10% of women left their last job because of bullying and harassment and 40% because of the difficulty in progressing

<sup>46</sup> "Executive Women and the Myth of Having It All." Sylvia Ann Hewlett. Harvard Business Review, April 2002.

<sup>47</sup> "The Effects of Motherhood Timing on Career Path." Amalia R Miller. Department of Economics, University of Virginia, May 2007 Version.

<sup>48</sup> "The Mommy Track Divides: The Impact of Childbearing on Wages of Women of Differing Skill Levels". David Elwood, Ty Wilde, Lily Batchelder. Harvard University, March 2004.

<sup>49</sup> "Opt-Out Patterns Across Careers: Labor Force Participation Rates Among Highly Educated Mothers". Jane Leber Herr and Catherine Wolfram. Haas School of Business, UC Berkeley, July 2008.

<sup>50</sup> "Women and the MBA: Gateway to Opportunity". Catalyst, Center for the Education of Women at the University of Michigan and University of Michigan Business School. 2000.

<sup>51</sup> "Do Women Lack Ambition." Anna Fels. Harvard Business Review, April 2004.

<sup>52</sup> Fels, Anna. "Do Women Lack Ambition", Harvard Business Review, April 2004.

<sup>53</sup> "Women and Men in U.S. Corporate Leadership: Same Workplace, Different Realities?". Catalyst 2004.

<sup>54</sup> "Generation F: Attract, Engage, Retain". Equal Opportunity for Women in the Workplace Agency, Sydney, 2008.

and a lack of clear career development opportunities. This research reveals that it is dangerous for businesses to make assumptions about what women want from their careers and their workplaces and that consultation is key to retention.

Perhaps not surprisingly, US research has concluded that female executives in women-led firms earn between 10-20% more than comparable executive women in male-led firms and are up to 18% more likely to be among the highest five paid executives in these firms as well.<sup>55</sup>

There is a growing acceptance that women and men can be equal and different and that what adds value is the optimisation of these differences, not their suppression. Wittenberg-Cox and Maitland note that one of the obstacles to this coming of age is the tension between gender and diversity. The corporate application of the diversity principle is typically about the management of minorities. One cannot help wonder if the unquestioned inclusion of women's issues under the diversity umbrella is not simply a tidy and effective way of ensuring that women are still treated as a minority. In order to achieve a bilingual (or bi-gender) organisation, the authors argue that there are four essential elements. These are:

- **Top Management Commitment:** Top management needs to be convinced of the business reasons for more gender balance in its leadership teams.

- **Management Bilingualism:** Proactively managing difference. This is the core of any gender initiative and it represents the majority of the effort and budget that should be spent. It prepares all managers to be effective, inclusive managers of both men and women.
- **Empowering Women:** The knowledge and networks to succeed. With less access to the informal networks where much of the crucial information is exchanged, parallel systems need for a time to be created.
- **Banning Bias:** Identifying and eliminating systemic bias from corporate systems and processes. There are two dimensions to these efforts; one with focus on employees internally and the other on the market.

The authors then argue that there are seven steps to the successful implementation of a "bilingual" organisation. These steps are:

- **Awaken your leadership team.** The first step is to convince senior management that gender is a business issue.
- **Define the business case.** Spend time discussing the issue within the executive committee to ensure it is on the agenda and made a priority
- **Let people express resistance.** Address dissidence and disagreements head-on.

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women.

- **Make it a business issue, not a women's issue.** The real reasons that women are not moving up do not lie primarily with women. They are embedded in systems that have evolved over decades and reflect the values, motivations and views of the male majority.
- **Make changes before making noise.** Before launching any gender initiative, communicate the strategic reasons why gender balance is important for your organisation.
- **Do not mix up the messages.** Gender is not the same topic as work/life balance.
- **Give it a budget, not just volunteers.**

A potent example of bilingualism relates to employers need to recognise that for professional women, it is not unusual to step off the career fast track at least once.<sup>56</sup> But when women are ready to step back on track, opportunities are

<sup>55</sup> "Women-Led Firms and the Gender Gap in Top Executive Jobs". Linda A Bell. The Institute for the Study of Labor (IZA), Bonn. Discussion Paper No 1689, July 2005.

typically limited, with available jobs often not measuring up in pay or prestige to previous roles. Those employers who can reverse this brain drain and hold on to this talent by creating 'on-ramps' will be clear winners in the war for talent. Ideas suggested for business by Hewlett and Luce include the creation of reduced-hour jobs, the provision of flexible workdays and of flexible career arcs, removing the stigma of unconventional work arrangements, nurturing ambition and avoiding, if at all possible, the burning of bridges.<sup>57</sup>

As noted earlier, public policy can also have a significant impact upon the prospects of women in the workplace. A comparison of the typical European approach with that in the US and Asia highlights many of these differences between the progressive and the conservative. For example, equal rights legislation helped women enter the workplace in large numbers in the USA but this country is now seriously behind on public initiatives to enable parents to combine work and family, for example, in the area of maternity leave. Despite the relative enlightenment across Europe, a 2007 EU report noted that "the visibility of gender and the attention paid to both gender equality policies and gender mainstreaming ... has declined."<sup>58</sup> As a consequence, it sought to reverse this trend by ensuring that more concrete examples of success were brought to the attention of all stakeholders.

In supporting the case for bilingualism, the authors argue that if companies are to benefit from women's talents, they first need to recognise the differences that affect their careers. This means acknowledging that a majority of women have different career cycles, communication styles and career motivations from the majority of men who hold corporate power. This does not mean introducing positive discrimination. Rather, companies simply need to remove the positive discrimination that is currently in place and that favours the dominant group, that is, men.

Wittenberg-Cox and Maitland believe that organisations which adapt to women and make them feel truly welcome will be able to draw on the widest pool of talent from all sources. To do this they will need to:

- Understand that everyone's work priorities change at different life stages.
- Recognise that the linear, unbroken career model is unsustainable.
- Broaden definitions of their career path at the top.
- Abolish age limits for spotting and developing high potential people.
- Treat flexibility and work/life balance as issues for everyone.
- Measure performance by results, not hours.

Their prescriptions receive wide support from the other side of the

Atlantic as well. In an article (and now a book) that seriously challenges the concept of the 'glass ceiling', authors Alice Eagly and Linda Carli suggest that the challenge for advancement for women is due not to a blockage just below the 'summit' but rather, the problem stems from discrimination operating at all ranks.<sup>59</sup> The obstacles such as prejudice, resistance to women's leadership, leadership style issues and family demands must, in their view, be attacked simultaneously.

Companies simply need to remove the positive discrimination that is currently in place and that favours the dominant group, that is, men.

<sup>56</sup> "Off-Ramps and On-Ramps Keeping Talented Women on the Road to Success." Sylvia Ann Hewlett and Carolyn Buck Luce. Harvard Business Review, March 2005.

<sup>57</sup> Hewlett, Sylvia Ann and Luce, Carolyn Buck. "Off-Ramps and On-Ramps: Keeping Talented Women on the Road to Success", Harvard Business Review, March 2005.

<sup>58</sup> Ibid, p5.

<sup>59</sup> "Women and the Labyrinth of Leadership." Alice H Eagly and Linda L Carli. Harvard Business Review, September 2007.

## conclusion

This research was designed to seek a better understanding of the experiences of female directors serving on the boards of major Australian public companies and of issues related thereto. The experiences and the perspectives of those who have chaired these boards confirm that women with appropriate business experience make a significant and different contribution to the deliberations around the board table.

The key issue which is holding back the growth in numbers of women directors is the earlier stage of their careers, when so few of them gain experience in senior management ranks, let alone as CEOs.

Women's progress is still hindered by a lack of access to the same training and development opportunities as men, their lack of mentoring and networks and a work culture that is at best unsupportive of women's success and at worst, hostile to their presence.

But this is further exacerbated by the expectations placed on women and the contradictions they are faced with every day.

Women are expected to bring diversity to boards and yet are criticised when their experience is not the same as those around them. They expect to use their individual skills and abilities to represent shareholders and the company in the same way as men, while there is a continued expectation from those around them to represent their gender. They are

praised for being prepared, conscientious and hard working whilst in the same breath this very conscientiousness is used as evidence against them of their lack of 'gut instinct'. They talk about not being heard yet when they try to contribute they are described as 'aggressive'. Their difference and alienation is exposed throughout this research while *they* are criticised for not being 'collegiate'. They are told they should 'be themselves' and not behave like men, yet when they behave 'like women', they are patronised. They are expected to be successful and confident whilst there is a common acceptance that they are 'token' and symbolic' and 'don't contribute as much as men.'

They cannot win.

Given this situation and the fact that this is all taking place in what is considered to be an environment of so-called equal opportunity', is it any wonder that women's presence in the boardroom is going backwards?

Organisations need to genuinely rethink the way they do business. They need to re-think recruitment and selection, they need to analyse the gender make up of their organisation at all levels and they need to re-examine how they measure and reward success.

With women graduating in greater numbers than men and women's workforce participation being higher than any other time in history, business is facing an additional sustainability crisis commensurate

with environmental climate change. For Australian businesses to remain competitive, access the full talent pool and benefit from the invaluable contribution women make to our labour force, genuine culture change needs to take place.

Unfortunately for business, this is no longer just a rights issue. Ensuring equal opportunity at all levels of business is no longer about simple equity and fairness. It is a business imperative and if these issues are not actively managed by business leaders, the chronic waste of female talent will continue to slow business down.

# mentoring and the advice offered to aspiring female directors

The more effective networking is that which is focussed on ensuring that aspiring directors are exposed to the men who hold over 90% of the board seats.

## Mentors

About half of the women directors interviewed acknowledged that they had mentors, either early in their director careers or, on an ongoing basis. Typically there were two or three mentors on whom they had relied and normally these were men. One noted that she realised she needed this support, particularly initially, to help navigate the rapids, and added that she always spoke to the relevant chairman shortly before board meetings to clarify any issues which were causing her concern.

Those who did not have a mentor relationship acknowledged that there were people to whom they regularly referred if they had issues on forthcoming board papers or in current discussions, while others noted that the environment in which they worked provided them with experienced executive colleagues who could act as sounding boards if required.

The majority of chairmen to whom we spoke indicated that they had not specifically mentored women directors but that they saw the mentoring responsibility as part of their role as chairman. Often they would endeavour to provide guidance in specific areas where they detected a gap in the experience of the newer directors and generally aimed at bringing these directors, male or female, up to speed with appropriate board room behaviours.

On the other hand, some chairmen clearly have had a mentoring role with

a number of women directors, believing that they had a broader responsibility to pass on their experience to females and thus encourage their move into the boardroom. This mentoring has often been quite formal and typically covered a range of specific areas where the women had sought assistance.

## Advice

Not surprisingly, given their relative experience, the female directors and the chairmen we spoke to are regularly approached by younger aspirants to the NED role seeking the benefit of their advice. The feedback provided is remarkably similar across the range of the interviewees.

Many interviewees stress the importance of networking. In so doing they emphasised that the networking should not be limited to peak women's organisations where there were opportunities to share experiences and gain knowledge from those more senior than them. The more effective networking, particularly for a woman seeking board seats, is that which is focused on ensuring that aspiring directors were exposed to the men who hold over 90% of the board seats. If it could be done in ways which reflected the younger women's likely director credentials then this was a clear plus. For example, being involved in organisations outside their direct employment is one way of demonstrating to the male NED fraternity that a potential director had

something broader to offer. While realising it is quite difficult to form the necessary associations with males on a professional basis, many chairmen believe it does pay off. As one said, "aspiring female directors need to be known by influential males and they must then perform when they have opportunities to sit on a board."

Despite the apparent difficulties of building networks which naturally may be denied to them, there is also evidence that women more effectively develop networks outside their workplace.<sup>60</sup> Because of uneasy in-house bonds in male dominated workplaces, poor internal mentorship and neglectful colleagues, women cultivate relationships with external constituencies such as customers and former mentors that are not dependent on their current company. Men tend to simply depend on the internal networks they cultivate. As a consequence, women transition more successfully to new companies because of these networks and also because when women consider job changes they more carefully weigh up factors such as cultural fit, values and managerial style.

Another professional group with whom exposure is seen as highly desirable is executive search firms. Their role in the identification of potential directors is steadily increasing in frequency and importance and to be known by them is seen to be desirable. Some female directors stressed that most executive search firms tend to include

at least some women on all the lists that they put forward for contention.

A development need identified in many aspiring directors is the need to develop experience in making decisions in a group setting. The natural opportunity is a pro bono or commercial government board where gender quotas may apply and opportunities may be more plentiful but where the types of decisions were perhaps closest to those made in the corporate world. The other opportunity provided by such appointments is consistent with that noted earlier of receiving exposure to established male NEDs.

One chairman stressed that when providing advice he indicates that all directors must seek to add value and to be collegial. To him this means they must contribute robustly but realise that the board's decision is ultimately likely to involve them in some compromise. As another said, the role of a NED in Australia is truly a non-executive one and directors must understand that cabinet type solidarity is critical. Because of this all directors must know their board colleagues, because at the end of the day they have to be able to productively co-exist.

One of the more general observations made was that there is a typical need in newer directors to develop skills in how to be effective as a NED. As one female director observed, she very quickly realised that she could not tell management what it should be doing, let alone other board members, and

...women transition more successfully to new companies because of external networks and because when women consider job changes, they more carefully weigh up factors such as cultural fit, values and managerial style.

<sup>60</sup> "How Star Women Build Portable Skills", Boris Groysberg. Harvard Business Review, February 2008.

that the skills of coercion and persuasion were necessary if she was to be effective. As she further observed, this can be a very difficult set of skills for a male CEO to learn as he makes the transition to NED positions. Another observation around this same point was that as a new NED one had to learn how to question the CEO in a way that was not going to antagonise him or her. As a consequence this director learned quickly that she had to be very diligent in her preparation and to ask questions in the right way, respecting management's role and responsibilities, but also reinforcing the guiding role of the board.

Many respondents indicated that while a NED career can appear to be an attractive option at a younger age, true success was likely to come to those who had persevered for a longer period in their executive or professional life. The general advice therefore to aspiring women directors was to work full time as long as they could. As one woman noted, "this does not close off the option of eventually being a NED but you become more senior and more seasoned and thus when you make the move you are likely to be a better director because you have more experience. Additionally, you are likely to be approached to join more substantive boards."

One of the first questions asked of aspiring directors by the majority of our interviewees is why they want to follow the NED path. A number observed that they believe that many

aspiring NEDs see the role as one providing a pleasant lifestyle and one which allows them to escape the pressures of full time executive life. However, this must be clearly balanced by the responsibilities which go with a directorship and as one woman noted, "there is a lot of flexibility leading up to the choice of the company whose board you join but the flexibility goes very quickly after that. You are then responsible as a director and must act accordingly and in many ways you are subject to the whims of the chairman and CEO in terms of meeting times, what they want to discuss and so on."

Another element which must be taken into account in making the NED choice is that a single director lacks real power and the frustrations that may result could be surprising to the inexperienced. As one director noted, "it is critical that you really want to be a NED and that you do not go down this path too early. Aspiring directors must decide whether this is really what they want in their life and that their work/life balance is going to be satisfied by being a NED." As she said, "some approach it for lifestyle reasons whereas others seem to have extraordinary intensity and as a result can be quite stressful company as they work so hard to make up for their gaps in experience."

One chairman observed that most of the women who ask him for advice have virtually no broad business experience in that they are from the professions. He stresses to them that if they think their professional

qualifications and experience will be sufficient then they really have to do more because they will be expected to contribute right across all the issues the board is facing. Another chairman encourages aspiring female directors to obtain a diversity of experience because at a board table, technical competence or theoretical knowledge are only part of their contribution. He seeks directors who have broad experience and can contribute based on that breadth. As noted earlier, one avenue that can contribute to broader experience is experience on pro bono or commercial government boards.

Two broad themes emerged as being key in the learning curve for new female directors. Firstly, it was acknowledged by many that fundamental to the role of being an effective NED is to develop a deep understanding of the business or businesses in which the company is involved and a clear understanding of the drivers for its success. Such understanding requires considerable and tenacious application and as one director observed, even management may not fully understand the drivers of their business because sometimes they are too close. The second area which typically required considerable application in the learning curve, although this varied with the individual's background, was the need to understand the detailed capital and broader financial structures of the corporation and the risks related thereto. Again, this typically required a lot of digging and self-starting from the NEDs in question.



Understanding the financial aspects of the business in some detail is one of the main barriers that women identified as needing work on the path to becoming a NED. Executives from corporations and advisors generally, depending on the nature of their field of expertise, will typically have a good exposure to the generalities of accounting. Their knowledge will need to be further developed if they are to be effective NEDs, not only in terms of being able to analyse balance sheets and profit and loss accounts but also to be able to deeply understand the financial structure of the company which they are serving. Many respondents suggested that specific study to fill this gap would be a very productive course to take.

As with all potential NEDs, the choice of the first board seat to accept is one that must be made with great care. It should be a board of a company whose business and industry are of interest to the potential NED and ideally one which includes other NEDs whose exposure may lead to other board appointments. The more experience the female NED has, the more likely the board is to be of substance, and as another respondent noted, small companies are higher risk particularly to a less experienced NED.

One chairman stressed that he says to all females who seek his advice that they should behave as themselves when they join the board. They have been chosen because their qualities are admired

and if they do not behave in a natural way that reflects these then these qualities will not come through. Another believes very simply that it is important that women directors behave like women not like the males around the board table.

## further reading

Between the completion of this paper and its publication, several highly relevant articles were published by McKinsey and Company. These articles, together with others from this source, and noted below, make useful reading. The new articles are:

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