



Women On Boards

THE NEXT GENERATION OF DIRECTORS

WOB Road Map for Gender Diversity on Australian Boards

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Summary

The Women on Boards (WOB) Road Map for Diversity provides practical strategies for organisations and their chairs to increase numbers of women on their boards and in senior executive roles. The strategies are simple and easy to implement. All they require is a commitment from chairs and boards to increasing gender diversity as a priority issue.

The 2008 EOWA Survey showed that the numbers of women on boards and in senior executive roles on top ASX 200 Companies Australia was declining. This loss of diversity should be of serious concern to a marketplace already affected by a massive global downturn.

Many reasons will be given for the statistical decline, including the old argument of women not wanting to take on these jobs or not having the required 'experience', but the facts are:

- Women find it difficult or are not able to break into the right networks.
- Cultural norms actively protect the status quo at the top.
- Those with the power to 'gift' or influence a directorship or senior role tend not to look beyond traditional sources to fill positions.

ASX companies are a high priority because they are the benchmark for economic activity and are the worst performing sector in relation to women in leadership positions. The challenge of improving women's participation is increasing as the skills shortage bites and resource and resource services companies make up more of the new entrants to the ASX200.

The participation of women in leadership roles will reduce further unless serious, positive and urgent action is taken.

The Statistics – Female Directors

- 8.3 % of ASX200 companies and a lesser percentage of all listed companies
- 38 % of the membership of Government boards and committees Australia wide.
SA is leading the government sector on 45 %.
- 30 % of directors, trustees, council members, committee members in the top entities by revenue in the third sector (not for profit, social enterprise & public benefit organisations)

The Statistics – Female Executives

- 10.7% of senior executive roles in ASX200 companies. Given that this is the natural source of ASX directors it is not a sufficient pipeline to improve women's participation.
- 5% of the total top earners in ASX200 companies.
- 13 % of top earners in companies with 2+ women on their boards.
- Top female earners in ASX200 companies earn 58% of male top earners for comparable roles. By contrast, all women earn 84 % (ABS 2007) of Average Weekly Earnings.



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Strategies for Companies

1. Actively seek out women who are future directors

- Establish arrangements to increase the pool of women candidates known to chairs and directors, so they become available for selection when opportunities arise.
- Adopt an ‘active looking plan’ - rather than the ‘bumped into a mate’ approach.
- Seek input from other sources and require search consultants to provide a list of emerging women directors and emerging senior executives as part of any recruitment process.

2. Encourage and support women who are potential future directors

- Invite women to events and activities that will assist them into the networks that matter (eg corporate boxes at sports events) and look after them.
- Host an annual ‘emerging leaders’ event and invite external and company women.
- Open subsidiary and joint venture directorships to a transparent/open process and earmark some of the directorships for women.
- Support and encourage women to join a board as a part of their professional development.

3. Ensure a transparent selection process

Ensure the director selection process is formal and transparent as per Recommendation 2.4 of the ASX Corporate Governance Principles and Recommendations (August 2007):

- Advertise vacancies more widely and in sectors where women are more prevalent.
- Broaden selection criteria beyond operational experience in a particular industry and financial and legal skills.
- Require at least one serious woman candidate to be present on every short list.

4. Gender reporting

- Institute a top-level pay audit and report the results by gender as well as level.
- Give additional focus by having at least one woman on the remuneration committee.

5. Enhanced KPI reporting

Add diversity indicators to senior management KPIs to ensure the issue gets traction.

Suggested indicators are:

- Proportion of women in a company business unit at each level of employment
- Pay levels and attrition rates of men and women in comparable positions
- Remuneration of women top earners compared to male top earners

Strategies for Regulators, Governments & Industry Associations

- Modify ASX Corporate Governance Principles and Recommendation 2.4 to qualify ‘appropriate range of skills and experience’ with examples that include diversity in board membership.
- Federal Government to require boards of organizations it funds through matching R&D or other contributions to set and meet diversity KPIs.
- State Governments to report annually on their own boards and committees as well as ASX companies registered in their state.
- Industry Associations to institute programs and make representation to the ASX and Government on the need for more women in public company life.



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Why we need women on boards?

There is a body of research into the benefits of having women on boards. A number of recent articles articulate in detail the corporate governance and bottom line benefits.

1. The Business Case for Women (McKinsey Quarterly September 2008)

McKinsey concluded that the gender gap isn't just an image problem. Its research study concluded that it can have real implications for company performance.

'Companies that hire and retain more women not only are doing the right thing but can also gain a competitive advantage. By hiring and retaining more women these companies will be able to draw from a broader pool of talent in an era of talent shortages. What's more, research shows a correlation between high numbers of female senior executives and stronger financial performance.'

Read the full report at: www.mckinseyquarterly.com

2. Top Earners in ASX200 Companies

This was released by EOWA and is a most telling piece of recent Australian material. The study found that women top earners of ASX200 companies earn 58% of male top earners for comparable roles. This compares with women earning 84% (ABS 2007) of AWE (Average Weekly earnings). More interestingly while women represent five per cent of the total top earners in the ASX200 companies, in companies with more than two women on their boards, females represent 13% of top earners.

Table 1 - Top Earners and Women on Boards

Women board directors	Female top earners	Male top earners	Total top earners
0 (n=88)	29 5%	513 95%	542
1 (n=65)	28 7%	384 93%	412
2+ (n=27)	23 13%	159 87%	182
Grand Total	80 7%	1056 93%	1136

The research did not canvass the reasons for this but a recent draft entitled Gender in Job Negotiations: A Two Level Game by Hannah Riley Bowles and Kathleen L McGinn provides some reasons.

Ref: http://www.eowa.gov.au/Research_And_Resources.asp



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3. Impact of Three or More Women on Corporate Boards – ‘the magic of three’

This research involved conversations with 50 Fortune 1000 female directors and CEOs with additional contributions from male CEOs. In addition to the fieldwork the researchers applied social science theory and research into conformity and majority opinion to analyse the interview comments and so explain the behaviours identified by the interviewees.

They looked at the impact of one, two and three women in the boardroom. The comments made led them to conclude that a lone woman can and often does have a significant impact on a board but that two women are better than one and three women on a board makes a defining difference. This is consistent with the social science research.

Many male and female directors in Australia have said that the value add from having a woman on a board is that she brings a different and valuable perspective to issues. The comments in this paper add a deeper perspective to this view.

Some comments from the article:

‘If you are the only one, it is clear you are not part of the club.’

‘With 3 women their perspectives get a serious hearing as they raise topics that are critical to the business but which men may not raise, such as issues concerning employees, the community, organizational diversity and inclusiveness, or the company’s reputation.’

‘This willingness to raise a broader set of issues helps a board to move beyond short-term financial numbers and to focus on factors that will sustain performance in the longer term.’

‘There is more transparency with diversity. You don’t assume people will think in a certain way, and people express opinions in a clearer way. Hence, diversity around the table forces both management and directors to express their ideas more clearly and logically, which enhances the quality of decision-making.’

And finally:

‘.. the dynamics of being someone who hasn’t had the same experiences are that one asks different questions. One of the most valuable things in the boardroom is the questions asked. I see this increasingly on the dynamics on compensation. There was difficulty on setting limits by those who have benefited from the non-limits of the past – former CEOs. “I don’t want them to question mine; I won’t question yours” Most women and minorities have not been CEOs and bring different perspectives to corporate compensation (Woman director) ‘

Ref: The Impact of Three or More Women on Corporate Boards – Konrad, Kramer, Erkut in organisational Dynamics Vol 37, No 2 at www.organizationaldynamics.com

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Supporting EOWA Data

Companies with at least 1 female director

Year	Percentage
2008	49.0%
2006	50.0%
2004	50.3%
2003	51.5%

Percentage of female directors on ASX listed companies

Year	Percentage
2008	8.3%
2006	8.7%
2004	8.2%
2003	8.2%

Companies with at least 1 woman executive manager

Year	Percentage
2008	54.5%
2006	60.5%
2004	59.4%
2003	51.5%

Percentage of female executive managers on ASX listed companies

Year	Percentage
2008	10.7%
2006	12.0%
2004	11.4%
2003	10.0%

2006 EOWA Survey

ASX200 chairs	2.0%
ASX200 CEOs	3.0%
ASX200 board directors	8.7%
ASX200 executive managers	12.0%
University vice chancellors	21.1%
Federal and state politicians	30.3%
Managerial and professional positions	44.2%
Australian labour force	44.8%