

The gender imbalance

Research increasingly shows greater gender diversity can boost performance, yet women remain underrepresented on Australian boards. **Domini Stuart** investigates why and what can be done.

THE BARRIERS TO GENDER DIVERSITY

- ▶ There are fewer women in the pool
- ▶ Women are underrepresented in senior management
- ▶ Boards recruit from their own networks
- ▶ Men listen to men

As gender imbalance in businesses remains prevalent around the world, there is still a tendency to confuse this with issues of wider diversity.

"A business board that represents the society in which it operates is bound to be more balanced in its decision-making than one with comparable skills that consists solely of men of similar age, culture and background," says Kate O'Reilly, who, as founder and director of Optimiss, works with large organisations to help get more women into the workforce. "Diversity encompasses a broad spectrum of marginal issues. Women make up 45 per cent of the workforce and 50 per cent of the population; they are not marginal."

Nor is this simply a matter of equality or fair representation. There is evidence from the US that companies with more than three women on their boards performed significantly better than those that didn't, while a report from Goldman Sachs suggests that achieving gender balance in the workforce could increase Australian Gross Domestic Product by 11 per cent.

It would be easy to presume that while progress might be slow, we're moving steadily in the right direction - after all, not that long ago women were fighting for equal pay or to continue working after they were married. In fact, just over eight per cent of board positions in the Australian Securities Exchange (ASX) top 200 listed companies are filled by women and more shocking still, there are fewer female directors and women in the top levels of business now than there were in 2006.

At Pacific Brands, James MacKenzie FAICD chairs a board with five female and three male

directors. In over 20 years as a director, he says he has never seen a board block a woman he believed to be appropriately qualified.

"My word of caution is that it's wrong to believe it's an insidious process that denies women opportunity," he says.

One obvious barrier is that women represent just 10.7 per cent of executive management positions in listed companies.

"Quite simply, there are fewer women in the pool," says John Cloney, chairman of QBE, a company with three female directors. "Right or wrong, a lot of companies look for directors with CEO experience and that instantly knocks out a large percentage of female candidates. If you then say you want a director with CEO experience in a publicly listed company, that knocks out another big percentage."

"Board appointments are, by and large, by invitation," says Isabel Metz, Associate Professor of Organisational Behaviour at the Melbourne Business School. "Further, they don't follow well-defined recruitment procedures and guidelines and therefore, are often based on broad and subjective criteria. As a result, people usually select or put forward the names of individuals like themselves - that is, individuals from their close circle of business acquaintances. As the network at the top of the business hierarchy is primarily populated by men, it follows that men are always more likely than up-coming women to be nominated or invited to serve on boards. Unless there is a concerted effort to go outside the comfort zone of their male networks, the male dominance of boards is likely to continue into perpetuity."





'Change is happening whether they like it or not; they can either be leaders or dinosaurs. If this were any other business driver there wouldn't be so much emotive language around the subject' KATE O'REILLY

It is unusual for any privileged group to give up their privileges voluntarily. People also naturally gravitate towards people like themselves, at an unconscious as well as a conscious level.

"I was recently at a joint Chief Executive Women and Westpac lunch where they had a panel of four eminent speakers," says O'Reilly. "Air Chief Marshal Angus Houston spoke first and a man at my table listened intently. When Catherine Livingstone spoke, he turned his back to the platform and started checking his emails on his Blackberry. He gave his full attention to [Business Council of Australia (BCA) president] Graham Bradley then, when [Sex Discrimination Commissioner] Elizabeth Broderick spoke, out came the Blackberry again.

"This behaviour was typical of a lot of men in the room; men listen to men. I admire and support the Australian Institute of Company Directors for taking a leadership position on this with the *ASX 200 Chairmen's Mentoring Program* because other men will take notice of what these chairmen and senior directors are saying."

Now underway, the program has recruited 56 chairmen and senior directors of major companies to mentor 63 able and qualified women. The women have a unique opportunity to develop and strengthen networks with influential business leaders as they develop relevant skills and gain understanding of a director's role. At the same time, their mentors are being exposed to their talent and potential. (For more on the mentees' views of the program, see p21.)

MacKenzie describes the program as the most valuable initiative he's seen. "It is important that women are supported, prepared and able to present to the board, and that the board is aware of this as a matter they must consider," he says. "I think this is a very effective way of making sure the issue is on the agenda and of addressing a situation that is clearly unacceptable."

THE SPECTRE OF LEGISLATION

More worthwhile work is being done by the BCA, Elizabeth Broderick through Champions of Change, the ASX and governments - but will this be enough? Data from around the world suggests it may not be.

"The only countries that have done well in creating an appropriate gender balance are those with relevant legislation," says O'Reilly. "Norway, for instance, started with voluntary reporting in 2000 but after five years, there had been no change at all. They then legislated 40 per cent minimum quotas and that's where they are now. This underscores what we already know - merit isn't enough. Quotas give women an opportunity to break free of the stereotypes and show what they can do."

She believes Australia is on the same path as Norway, but with one significant difference.

"We have just introduced voluntary reporting but I don't think our powerful lobbyists are going to sit around for five years watching as nothing changes. Spain, Switzerland, France, Israel and the Netherlands already have mandatory quotas and, in my opinion, by the end of five years we will have joined them."

'Unless at least one third of the directors are women, it is unlikely they will feel comfortable voicing a different point of view. Minorities tend to conform lest they be regarded as trouble-makers or difficult' ISABEL METZ

That one or two token women on a board rarely make an impact is another argument for quotas.

"Unless at least one third of the directors are women, it is unlikely they will feel comfortable voicing a different point of view," says Metz. "Minorities tend to conform lest they be regarded as trouble-makers or difficult, but having different points of view and different ideas are purported benefits of diversity."

Cloney has reservations.

"I'm not saying companies shouldn't think about positive discrimination but it can blow up in your face," he says. "I'm certainly not in favour of legislation. My concern is that we might see a downgrading of the skills base if women without appropriate knowledge or experience were being recruited to meet legal requirements.

"At OBE, we began thinking about the benefits of having women on the board 11 or 12 years ago but only on the basis that we would always

have the skills and interpersonal relationships we need. We want our directors to be courageous and inspirational as well as experienced - people who will challenge the thinking. Searching out someone who meets these specifications is a very rigorous and time-consuming process. About four years ago, it took us 15 months to find a board member and that the successful candidate happened to be female was not an issue. We wanted the best person for the specification the board had agreed on."

MacKenzie also sees a challenge in ensuring boards remain well placed to discharge their responsibilities as they move to appropriate representation.

"The two appointments made to the Pacific Brands board since I've been chairman were women because they were both the stand-out candidates," he says. "We're not aiming to lead the field and we certainly don't want to be seen as a 'poster board' for diversity. To suggest gender was an issue would be offensive to the women themselves."

As things stand, O'Reilly is still finding attitudes vary dramatically.

"The people I'm interested in working with are saying: 'We know what we're doing isn't working and we're prepared to try something

different'," she says. "At the other end of the spectrum are those who are just looking for a tick in the box to get past the ASX and have no intention of real change. But change is happening whether they like it or not; they can either be leaders or dinosaurs. If this were any other business driver there wouldn't be so much emotive language around the subject. Businesses would simply react to environmental change because that's what successful businesses do." **D**

DIRECTORSHIP OPPORTUNITIES

Whether you are a woman director looking for additional directorships, or a board looking to appoint a new director, the Australian Institute of Company Directors' *Directorship Opportunities* service can help you. For more information, visit the Membership section of our website at: www.companydirectors.com.au

