BARRIERS TO PROGRESSION

The reasons Chairs and Non-Executive Directors (NEDs) use as to why they can’t or won’t appoint female directors to their boards.

This booklet has been compiled from conversations that our 30% Club: Education Working Group members and other female non-executive directors associated with the 30% Club have had with listed company chairs and non-executive directors as to why they can’t/ won’t/shouldn’t be forced to appoint female directors to their boards. These were common reasons, heard at different times by all of the contributors.

Not all of the reasons reflect a belief that women shouldn’t be board directors or can’t contribute effectively. Yet in stating them, they demonstrate a lack of understanding of the evidence of the business benefits of board gender diversity and a bias in preferring the status quo and gendered perceptions around the skills, attributes and experience required to be an effective non-executive director.

The reasons provided have been held up against leading research. Overall, the conclusion was that most of these reasons were not consistent with findings from national and international research which demonstrate the benefits of women on boards and board diversity in general.

By reiterating the business case for gender diversity and openly discussing inherent biases, misunderstandings and misperceptions that female directors frequently still face, we hope that we can influence current and future NEDS and chairs to positively embrace and understand the benefits of board gender diversity.
REASONS
CAPABILITY OF FEMALE DIRECTORS: MERIT, SKILL DEFICIENCY & LACK OF EXPERIENCE

“All appointments should be based on merit irrespective of gender so we will not conduct a female only search”

Merit is a contested word that is often used as a justification for appointing men to both executive and board roles.

According to Dr Jennifer Whelan, Senior Consultant at Serendis Leadership Consulting and past Research Fellow at the Melbourne Business School, “Discrimination is actually integral to a meritocratic system. A merit-based system discriminates on the basis of how much “merit” a person has – assuming the pre-condition that everyone has equal opportunity to acquire it – and favours those who have more of it. Or more precisely, are perceived to have more of it. This is where the trouble starts. How are perceptions of merit shaped and influenced?”

There are two immediate problems with the merit argument. Firstly, everyone must have equal access to acquiring whatever quality is defined as “merit” – the so-called level playing field. Given a prevailing “think leader, think male” business culture, simply by not being male, women are often assumed to possess less merit for a role. Secondly, people must be assessed only on criteria that predict performance. Given reliance on appointing people with the same experience paths as the appointer, women who possess both the skills and capabilities to perform a role are often excluded from consideration.

Chairs must interrogate their views regarding merit and ensure their biases aren’t impacting on their assessment and appointment of directors, particularly female directors.

Positive discrimination in requesting female only lists can be necessary to readdress the discrimination that women have experienced in the past. Such action is justified to ensure more gender equity on boards,

“ALL APPOINTMENTS SHOULD BE BASED ON MERIT IRRESPUTIVE OF GENDER SO WE WILL NOT CONDUCT A FEMALE ONLY SEARCH”

and capabilities are normalised by including with them sufficient numbers of others with a similar difference, they are far less likely to be selected even when they have superior skills and capabilities for the role.

4 Business Council of Australia, Increasing the Number of Women in Senior Executive Positions, November 2013.
“Experienced female directors, the ones we would want to hire, have no more capacity”

Using the list of current ASX 200 female directors as the only source for director searches automatically precludes from consideration and selection equally qualified women. The chair and the executive search consultants should be conducting expansive searches and including female directors on long and shortlists, who aren’t necessarily the well-known ASX directors, yet fulfil the board’s criteria in terms of skills and capabilities. It is important boards deconstruct what is actually required in terms of skills and capabilities, rather than looking at traditional pathways or easy targets (i.e. those already with ASX 200 directorships) when seeking new directors. It might be argued that this approach is often used to select male directors but such a list is considerably longer than its female equivalent given the much larger numbers of male directors on ASX 200 Boards.

“We need someone to chair our audit/risk/finance committee and there just aren’t enough women with deep finance expertise”

According to data collected by the Workplace Gender Equality Agency (WGEA) in 2015, nearly half (48.8%) of the full-time working population in financial services are women. Of the overall financial services workforce, 56% of employees are women.5

In 2012 FINSIA conducted research that showed that for several decades now the university graduates from finance related disciplines have been more than 50% female. There is no pipeline issue in terms of women entering and working within the financial services sector.6

In 2011 Treasury analysed the recruitment, retention and progression of women inside Treasury. A common perception was that female employees were taking longer to climb the ladder due to absences related to child bearing. The report actually found that women and men were progressing in relatively equal terms until they hit Executive Level 1, two steps before reaching the Senior Executive Service, but then after that the number of women progressing began to fall drastically. This was attributed to behavioural gender bias that prevented women from progressing at the same rate as their male counterparts.7

The Australian Institute of Company Directors (AICD) conducted research into the female non-executive director appointments to ASX 200 boards during 2010 to 2014. The research found that the most common discipline or area of expertise possessed by the female appointees was finance and accounting (30.3%), with the most common sectoral experience of the appointees being in the banking, finance and insurance sectors (21.2%).8

There is no reason why boards cannot find women with deep financial experience to chair the audit, risk or finance committee.

“We would love to have more or any women on our board but we can’t find someone with the necessary skills and experience (especially in mining/energy/manufacturing etc.)”

This depends on the type of skills and experiences the chair and board is looking for and how specific or extensive they are in their requirements. It can be difficult

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8 Australian Institute of Company Directors, Female Non-Executive Director Appointments to ASX 200 Boards (1 January 2010 – 1 January 2014),
to find women with certain highly specialised technical skills in mining, energy and manufacturing, just as it is to find similarly narrowly credentialed males. Boards need to ensure they are not seeking in their directors skills more appropriately positioned within their executive ranks. They also need to ensure they are cultivating diverse approaches, thinking, learnings and experiences to challenge and stimulate management. There is a range of females from these sectors who are more than able to contribute effectively at board level for companies in these sectors.

There can also be a tendency for boards to look for a new director that reflects the retiring director, even if those skills aren’t necessarily required anymore or are now held by another director or the board needs fresh ideas or a different perspective. Boards should ask “what type of skills and attributes do we need in a new director that will ensure the company continues to grow and prosper in the future rather than replicating the past?”

“We always have women on our lists but unfortunately they are never the best candidates. The head-hunters can’t find good board-ready female candidates and we can’t afford to train up novice directors”

If the female candidates being provided on the long and shortlists are never the best candidates, then the board should be questioning the executive search consultant (ESC) on their lists and the quality of their candidates. Before any search consultant is engaged for a director search, they should be asked to provide evidence of their credentials in seeking out and securing the appointment of females in their previous board searches. ESCs should be engaging in rigorous searches that match the needs and requirements of the board, ensuring their candidates will provide value to the board. It is also the responsibility of the ESCs to articulate the virtues of each candidate and why they have included them on their lists, potentially challenging the chair to think more broadly about desirable candidates. If the individual does not meet the board’s criteria, ESCs should be able to explain why they are on the list.

Additionally the diversity of the nominations committee can impact the board’s decision of which candidates to interview and subsequently appoint to the board. An all-male nominations committee and board may find it difficult to assess the suitability of new board members without bias, whether conscious or unconscious, so an option may be to introduce external members to the nominations committee or to selection panel.

“We women are seeking to be professional directors at too young an age because they can’t make it as executives. This does not set the right frame of mind for them being a good director”

According to the ACSI 2014 report on Board Composition and Non-Executive Director Pay in ASX 200 Companies, the average age of male to female directors on the ASX 100 was virtually the same with 54.7 years for women and 55.8 years for men. This has remained fairly consistent from 2012 to 2014. For non-executive directors, the average age of female directors is 57.6 years and 63.8 years for male directors. Again, the numbers have remained fairly consistent from 2012 to 2014. This

WE THINK THERE IS A STRONGER TALENT POOL OF MEN FOR WHOM WE WILL BE DENYING THE OPPORTUNITY IF WE APPOINTED ANOTHER WOMAN

age gap between male and female non-executive directors is reflected in the ASX 200. A difference of six years at 57.6 is neither a sensible or realistic reason for female directors to be deemed “too young”. There are numerous reasons why women leave their executive careers to commence non-executive board careers, with many of these reasons multi-faceted. Research has shown that women are equally as ambitious for executive promotion as men and that a dominant reason for their leaving executive roles is frustration at lack of career progression due to discrimination, not lack of the requisite skills and capabilities.10

“We think there is a stronger talent pool of men for whom we will be denying the opportunity if we appointed another woman”

The word “stronger” can be compared to the word “merit” and needs to be carefully analysed to ensure that male candidates aren’t being perceived as stronger simply due to their being male. According to Iris Bohnet, a Behavioural Economist and Professor at the Harvard Kennedy School and director of its Women and Public Policy Program, ensuring interview questions are structured and consistent for each candidate and assessing or scoring each candidate immediately after the interview neutralises a variety of biases.11

Ultimately if men are being denied all the opportunities, the number of women on ASX 200 boards would be higher than the current 23.6%.12 There has been a recent increase in expressed concern about denying men opportunities – a concern that has been entirely absent during the centuries wherein appointments were only male.

“We believe directors should have experience as a CEO of a listed company and we can’t find any women available who fit the bill”

Boards should be made up of people with diverse thinking styles, perspectives and experiences. A board comprised entirely of ex-CEOS does not necessarily ensure a highly effective board that makes good strategic decisions and challenges the thinking of management.

According to Juliet Bourke, Partner, Consulting at Deloitte Australia, we each use one, at most two, “Diversity of Approaches” to make decisions, of which there are six: outcomes, options, process, evidence, people and risk.13 Leadership groups tend to be overweighted with individuals who focus on outcomes and options. In 2009 Catalyst conducted research that demonstrated that the majority of individuals in leadership positions are action-oriented.14 That’s not a negative quality, as leaders often need to make quick decisions, but if every member of the board is action-oriented and outcomes and options-focused then the board is not adequately taking into account issues around risk, people, process or evidence. The board might be making good decisions, but with more diverse approaches contributing, they could be making better decisions.

13 J. Bourke, Which Two Heads Are Better Than One? Australian Institute of Company Directors, 2016, p.67
14 Ibid.
“We believe it will adversely impact the dynamics of the board which is now functioning really well – collegiality is too important”

This reason assumes that women will be disrupters on the board, incapable of understanding the relationships between board members and working collegially with their fellow board members. It also assumes a discomfort with female company.

In a 2002 article on “What Makes Great Boards Great”, Harvard Business Review outlined that trust, candour and a culture of open dissent are vital aspects to the effective functioning of the board. Without these, the technical competencies and experience of each board member can be virtually irrelevant.

Recent experimental research shows that gender diversity helps improve the collective intelligence of a group because women tend to encourage information sharing and collaborative group behaviours. “In terms of group dynamics, men and women operate at their best when there’s a gender balance.”

So unless this reason really means “because we want to be on the board with men that look, speak and act the same as we do” then the evidence demonstrates that having women and men on the board improves group dynamics.

“We had a woman on the board previously and it didn’t work out... We have a female on our board already and comply with ASX guidelines; we do not believe we need to do anything more at this stage”

One woman doesn’t represent all women, nor does one man represent all men. There have been many male directors that haven’t worked out but that has never stopped boards from hiring men.

Compliance with the ASX guidelines on diversity is commendable, but a purely compliance-based attitude demonstrates that the board doesn’t really believe the business case for gender diversity and has appointed a female director for compliance reasons only, thus undermining the benefits of diversity. Moreover, having one woman on a board does not give the board the benefits of diversity, as research leading to the 30% Club’s and the AICD’s current 30% target shows.

“Women are too obsessed with governance and compliance and too risk averse”

Academic research in management and psychology has long shown that groups with more diverse compositions tend to be more innovative and make better decisions, yet some directors persist in the erroneous belief that women are more risk averse. The latest MSCI research found that companies lacking board diversity suffered more governance-related controversies than average. They did not, however, find strong evidence that having more women in board positions indicates greater risk aversion.

According to Juliet Bourke, there is a slight difference between how women and men assess risk but not nearly to the degree that stereotypes suggest. There are much greater similarities between men and women and as gender-based differences are diminishing, men and women are

WOMEN AREN’T RELIABLE ENOUGH TO BE LONG TERM BOARD MEMBERS

16 J. Bourke, Which Two Heads Are Better Than One?, Australian Institute of Company Directors, 2016, p.48
becoming more and more similar in the way they assess risk. 18

“Women lack the right style to add value to management’s thinking and to challenge constructively”

What is the “right” style? Style, like merit is subjective and open to biased perceptions. There are certain characteristics that are agreed upon, such as being respectful, listening to other’s viewpoints, being a team player and active contributor but these characteristics are equally present in males and females. In terms of challenging management’s thinking and challenging constructively, Aaron A. Dhir in his 2015 book, Challenging Boardroom Homogeneity: Corporate Law, Governance and Diversity 19 observed that female directors are “more likely than their male counterparts to probe deeply into the issues at hand” by asking more questions, leading to more robust intra-board deliberations. They also added to and changed group dynamics, with one impact being higher quality monitoring of and guidance to management. Management had to get used to responding to the questions being asked.

According to Dhir, women on boards did change the way boards operated and the interactions between directors due to their different perspectives, angles and viewpoints, positively contributing to changes to the boardroom environment and culture. He found that there were challenges with diverse boards and if these are not managed effectively, they could create additional conflicts and distrust amongst colleagues. But the resulting enhanced innovation is worth the extra effort.

As in any environment where diverse individuals are brought together: if managed and harnessed well, the benefits far outweigh sticking with the status quo.

“We often have extra board meetings at odd hours which doesn’t suit women who need to be looking after their families”

Both male and female candidates should be asked whether they have any restrictions on the hours they can attend board meetings or the notice required to attend ad hoc meetings. Both men and women may have families, other boards and other non-board commitments – it is the extent of such other commitments and their potential to inhibit full participation in the board at hand which should be proved. Assumptions or stereotyping should not be made about either gender.

“We don’t think our board is suitable for women as they have to visit difficult environments such as PNG, Indonesia and South America”

Every country has specific cultural issues or ways of conducting business. Companies are responsible for protecting and educating their employees when travelling to difficult or dangerous environments, regardless of gender. It is important not to make assumptions regarding female employees and their desire to work in varied environments. Where an Australian company is required to populate a local board with citizens of a country in which women are not provided the same access or opportunities as their male counterparts in leadership roles, the company should work collaboratively with male executives, the government and the community to ensure they are contributing to the empowerment of women and changing attitudes to their participation in corporate life.

“OUR CUSTOMERS ARE LARGELY MALE SO THERE IS NO BENEFIT TO HAVING A WOMAN ON OUR BOARD”

18 J. Bourke, Which Two Heads Are Better Than One? Australian Institute of Company Directors, 2016, p.46
“The business case for diversity is simply not there, let alone just concentrating on gender diversity”

There have been numerous reports on the business benefits of having greater diversity on boards through having more women on them. McKinsey & Company research of 180 publicly traded companies found ROIs were 53% higher for companies ranking in the top quartile of executive board diversity than those in the bottom quartile. In Australia, the Reibey Institute found ASX 500 companies with women on their boards deliver a significantly higher ROE than those with no women on their board. Credit Suisse and Catalyst have also released results connecting performance with higher female representation.

In their January 2015 article, McKinsey stated that “while correlation does not equal causation (greater gender and ethnic diversity in corporate leadership doesn’t automatically translate into more profit), the correlation does indicate that when companies commit themselves to diverse leadership, they are more successful. More diverse companies are better able to win top talent and improve their customer orientation, employee satisfaction and decision making and all that leads to a virtuous cycle of increasing returns.”

“There is no investor interest in the number of women on the board; they just want us to deliver returns”

This statement also ignores the business cases for diversity. Such business cases have led to institutional investors increasingly considering diversity to be an important aspect of delivering enhanced returns to shareholders as well as being an indicator of good governance. The Australian Council of Superannuation Investors (ACSI) announced in February 2015 their commitment to working towards women comprising 30% of all ASX 200 boards by 2017. This is a more ambitious goal than the 30% Club’s goal of 2018. ACSI made this announcement with the strong mandate of its members who own approximately 10% of the average ASX 200 Company. ACSI will be stepping up this campaign during the next two years.

“Our customers are largely male so there is no benefit to having a woman on our board”

According to Forbes, women drive 70 – 80% of all consumer purchasing, through a combination of their buying power and influence. Influence means that even when a woman isn’t paying for something herself, she is often the influence or veto vote behind someone else’s purchase.

Even if women are not the primary or targeted consumers/

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customers, there is a strong likelihood that they are influencing male customers, hence the need to include their perspectives on the board.

This argument can be easily reversed: why are there so many all-male or majority male boards of companies where women are the main customers, consumers and employees?

“Our job is to maximise shareholder returns and we believe that we have the right composition already to achieve this…. Our business currently has some serious business challenges and as a board this is what we should be prioritising, not appointing another woman”

Diversity is a strategic priority that can contribute to better board decisions, not a nice thing to do when time permits. Academic research in management and psychology has long shown that groups with more diverse compositions tend to be more innovative and make better decisions.25

According to one study, while homogenous groups felt more confident about their decisions than diverse groups, the former groups’ decisions were more often wrong compared to those of diverse groups.26

Therefore it is in the best interests of the company to ensure that the board comprises of individuals that have different perspectives, backgrounds and experiences. Increasing the gender diversity of the board is one way of ensuring there will be different thinking styles and viewpoints; that could subsequently assist in confronting business challenges. Boards need to take advantage of all available talent that exists in the market.

"WOMEN TALK TOO MUCH, DON'T GET TO THE HEART OF MATTERS AND LENGTHEN BOARD MEETINGS"


26 Ibid. p 32.

NO REASON TO APPOINT WOMEN & NOT WILLING TO ACT

“We have just completed a search and have no vacancies for a while”

This approach assumes that each director has an unassailably fixed term regardless of the needs of the company into the future. Forming the best board to optimise a company’s future success may require changes in its composition from time to time rather than leaving board composition to a rigorous fixed term process.

“You can’t force this – in time, women will come through to gain board roles naturally”

Women have been actively participating in public and private organisations for decades, so if this logic was correct, then women would already be represented equally in senior executive and board positions. Clearly there are structural forces that are preventing women from reaching senior leadership positions.

Australian female graduates outnumber males at record levels, with almost 45,000 more women completing tertiary qualifications in 2014 than men. The number of women completing tertiary courses has jumped from 78,850 in 1999 to 129,045 in 2014, a 64% increase, while the number of male graduates has climbed from 57,310 to 86,337, up 51%.27

The trend has accelerated over the past 15 years and has now reached a 60-40% split for domestic students.

Yet ‘blue-collar’ industries including mining, construction and manufacturing are male-dominated, while women are concentrated in health, education and retail. Gender segregation is one contributing factor to the overall gender pay gap, with female-dominated industries traditionally offering lower pay than male-dominated industries. The gender pay gap currently sits around 17.3%.28 Only 27.4% of Key Management Personal (KMP) positions of organisations that report to the Workplace Gender Equality Agency (WGEA) are held by women. Just 15.4% of CEO positions are held by women.29

The progress of women on ASX 200 boards has jumped from 8.3% in 2009 to 23.6% today, but men are still being appointed at higher proportions and hold the majority of ASX 200 listed board positions at 76.4%. The number of women on boards outside of the ASX 200 is even lower.30

If we continue to wait naturally for progress, it may never happen. Targeted commitment is required from everyone, but particularly males in leadership positions, to ensure women are able and encouraged to actively contribute at the highest levels.

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