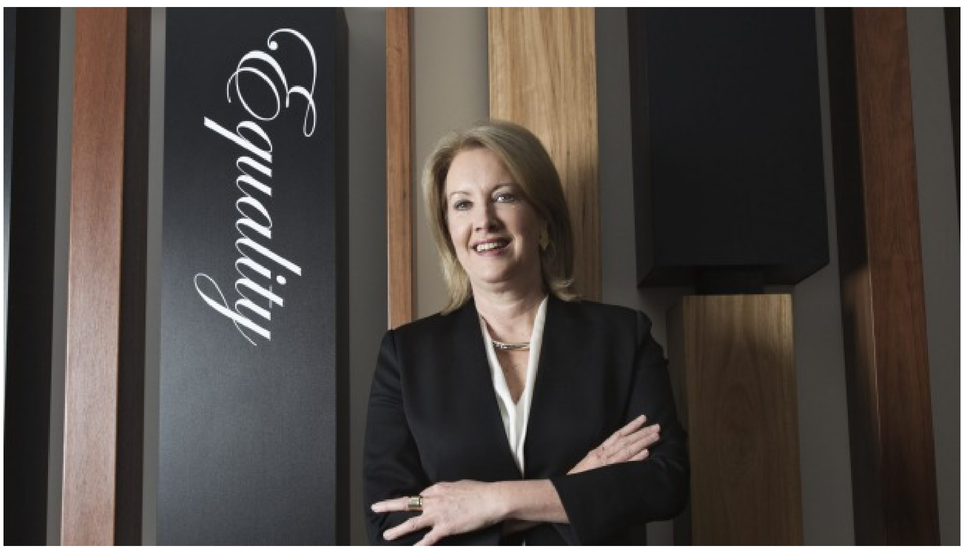
More women on boards a necessity



Sex discrimination commissioner Elizabeth Broderick says gender equity strategies that are not working need to be thrown out. **Louie Douvis**

by **Olga Galacho**

The journey from the kitchen to the boardroom has been a long one for women and even the recent talk to encourage diversity in Mahogany Row has not seen much improvement in gender equity.

The world's richest fund manager, US-based BlackRock, joined the debate in Australia several years ago by issuing an annual commentary on ASX-listed companies' inability to significantly improve the number of women on boards and in management.

As ever, this year's report card did not mince its words. Titled *Achieving Gender Diversity in Australia: The Ugly, the Bad and the Good*, it tut-tutted corporates with such admonishments as "the lack of gender diversity in the senior executive ranks of ASX-200 companies suggests poor talent management", and said women are still seriously under-represented at the executive levels in ASX-200 companies.

The basis for BlackRock's criticism is the well-researched and accepted wisdom that boards and management teams with greater diversity outperform those with insufficient female representation.

Former Australia Competition and Consumer Commission chief Graeme Samuel puts it more bluntly: "It is abundantly clear that gender diversity is a must. It delivers new experiences and cultures to a board, all very relevant to producing the sort of outcomes that shareholders should demand."

Mr Samuel recently conducted an inquiry into the board make-up of superannuation fund Cbus and concluded that it did not have enough independent directors.

"Boards need forceful chairmen to champion diversity and prevent directors from forgetting, obfuscating or ignoring younger female candidates who might be more shy and self-effacing than young males who are comfortable with putting themselves forward," Mr Samuel told *The Australian Financial Review*.

He said boards need to create or tap into data banks that profile potential women directors.

"Having the knowledge to make an informed choice is so important to the development of a business and it is the same when boards consider the best candidate for a directorship ... it is what investors want to see companies doing and it what this country needs."

For years, researchers around the world have reported that boards with women are good for business's bottom line.

An increased number of female directors correlates to: "better average performance of the board", according to Columbia University; "improved leadership skills by virtue of women being particularly good at defining responsibilities clearly as well as being strong on mentoring", according to McKinsey; "access to a wider talent pool resulting from the number of female graduates increasing and in some countries outnumbering male graduates", according to UNESCO; and, "listed companies with more women directors had lower gearing levels than those with no female representation and thus demonstrated outperformance metrics", according to a six-year analysis by Credit Suisse.

As a fund manager taking care of $US4.7 trillion ($6.43 trillion) of clients' money, it is understandable that BlackRock supports greater gender diversity among the companies in which it invests because it recognises the improved chances of fatter returns on investment.

No surprises there, until you look at the company's own gender equity DNA. Its board of 18 members has just four women and its management team of 22 has only three females, a ratio of seven men to one woman.

The mantra to "do as I say rather than as I do" is at the heart of the problem, because although many programs have been established to address the so-called unconscious

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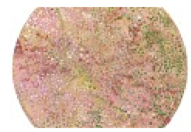

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bias, government statistics from the Workplace Gender Equality Agency show there are still too many companies that do not walk the talk.

Chief Executive Women have been running leadership programs for more than a decade, yet even coupled with the Australian Securities Exchange governance guideline that companies report on gender diversity initiatives, efforts to achieve equal female representation on boards and in executive ranks has been ineffective.

Launched two years ago, the Business Council of Australia kit Increasing the Number of Women in Senior Executive Positions, is not even pretending to be ambitious. The BCA has set its members a 10-year target to increase to 50 per cent the number of senior positions filled by women.

The challenge calls for CEOs "to be willing to be held accountable for the achievement of targeted increased numbers of women and their fair and equitable remuneration" and "undertake and share with direct reports, the chief executive's own results of unconscious bias testing".

These philosophies have been embraced by the Male Champions of Change, a group of 25 top-tier chief executives who have staked their reputations on changing the way their companies foster and encourage women in leadership roles.

Launched in 2010 by sex discrimination commissioner Elizabeth Broderick, this year the MCC produced its first progress report on initiatives to boost female executive numbers.

Ms Broderick, who retires from her eight-year stint with the Australian Human Rights Commission in September, said gender equity strategies that are not working need to be thrown out.

"Companies need to crystallise their intent and publicly report their successes in relation to female recruitment," she told *The Australian Financial Review*.

In her view, the lack of progress in appointing more women to top jobs is because companies "are deeply rooted in a male way of being".

"The walls, floors and ceilings of institutions are embedded with this male view because historically men have been in charge of making money.

"Business needs to rebuild its culture so that it can keep evolving to the point where having equitable representation of women looks normal," Ms Broderick said.

The Australian Institute of Company Directors has supported boardroom diversity since 2009 with mentoring programs and scholarships.

Its latest initiative, the 30% Club, urges directors to boost female board representation to 30 per cent by the end of 2018.

Hard targets such as this "get people focused", according to Women on Boards executive director Claire Braund.

Ms Braund retreats from calling for quotas but believes that the 30 per cent target is "too timid".

"Since the push to highlight female representation strengthened, momentum has been too slow," Ms Braund said.

"It has been six years since the ASX began requiring companies to report on diversity initiatives and we thought we would see at least a 40 per cent representation by now."

However, given what Ms Braund says is not enough cultural change in companies, she is now not optimistic that even the 30 per cent target will be achieved in three years.

"For a woman to get onto a board, they have to wait for a man to get off. The likelihood is that there will not be enough vacancies for women to achieve 30 per cent of directorships in the short term unless old practices change," she said.