

SENIOR WOMEN EXECUTIVES AND THE CULTURE OF MANAGEMENT

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11 30 am SESSION: THE POWER OF BOARDS

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There are 4 questions I would like to address in my short remarks to you today:

1. What does a board do?
2. Who is on boards in Australia today?
3. Why is this the case?
4. What needs to happen for this to change?

My views are based on my experience as an adviser to boards for the past eight years, coming after some years spent as a CEO in the NSW public service, in the areas of Personnel Policy; Equal Employment Opportunity and the Status of Women.

WHAT DOES A BOARD DO?

I would like to start by sharing my thoughts on the role of boards, particularly in the 'softer' side of their influencing; that is, the capacity to influence the culture of organisations.

All boards have statutory responsibilities - these vary depending on their charter, legislative base and function, but at core, boards exist to do a small number of very important things:

- Set or plan the overall strategic direction for the company
- Recruit/reward and replace the CEO
- Ensure the resources are in place to achieve the overall strategy of the organisation
- Monitor progress towards the achievement of the agreed goals.

There are within this, many compliance and conformance functions that have been the focus of much media attention in recent months; where boards have failed to adequately monitor the activities of the organisation, but this is not a talk on governance, but a view on the power of boards, and the position of women on those boards.

My strong view is that boards exert an enormous influence on organisations; they set the culture from the top. While it is possible that an organisation may prosper and flourish without an effective board, it is both unusual and unlikely. Remember the old Hungarian saying about the fish - if a fish rots, it will be from the head. (A good graphic image taken up by one of the UK corporate governance commentators as the basis for the title of a book critiquing today's boards.)

Boards have the potential to exert enormous influence on the culture of organisations through

- The role modelling of their own behaviours;
- Setting and approving the framework for all of the policies and procedures in the organisation; and
- The selection and rewarding of the CEO, and sometimes, the senior management team.

It is my view that who is on boards, and what their beliefs and values are, is of vital importance if we are looking at the culture of an organisation as it affects women who work there.

Boards are therefore, critical to engage in any activity designed to change culture or make changes to perceptions about an organisation and its workforce.

However, boards have until recently been exempt from any scrutiny from either stakeholders or industry regulators about their practices. This has led to a situation of almost complete autonomy on some boards (One Tel, Harris Scarfe and HIH all being recent good examples of this)

So, to restate - a Board:

- Sets the agenda
- Puts the CEO in place (and removes him or her, as required)
- Monitors the performance of the CEO and the organisation generally, and
- Makes sure the company has in place the wherewithal to do what it has to do.
- It also sets the tone and is the role model for behaviour in the organisation.

So, let's look at who is on boards today. The first thing I would like to say is to comment about how difficult it is to find this information. It is not consolidated anywhere, exists in many forms and is impossible to collate easily for comparative purposes.

WHO IS ON BOARDS IN AUSTRALIA TODAY?

Boards in Australia at the moment are generally made up of about 8 people, led by a Chairman (usually). Usually, the CEO is a member of the board, an executive director, and other directors are non executives, that is they do not belong to the organisation and are appointed as outsiders or independents to the board, to ask intelligent and objective questions and not to be conflicted by vested or short term (bonus!) interests.

This model, of a board made up of a majority of NEDs is the norm in Australia, although others do exist in the world - in the US for example, it is usual to have the CEO as the Chairman of the organisation, and in parts of Europe there would be far more executives (i.e. senior executives of the company) on the board. It is worth differentiating between executive and non-executive directors and they are at the board table for different reasons and are selected in different ways. There is lots that could be said about who is and who isn't on boards these days - Susan Vinnicombe and a colleague produced a fascinating study on the Top 100 FTSE companies which included a lot of background on the individuals - in Australia an analysis by Sydney suburb or Melbourne school would be equally interesting - but for today, let's stay with gender.

The world of boards divides into numbers of sections and I want to skip over most of these with only some very quick comments. Broadly, I think the board scene in Australia looks a bit like this:

Section of Industry	% of Women on Boards
Not for Profit sector	Between 40% and 50% Guesstimate, based on interaction and work in this sector. This is changing as more men get involved in NED work as a career rather than as a retirement 'staying out of the house/keeping an office in the city' idea
Government sector	At last count, between 23% and 42% Average around 30%. This has risen steadily over the past 30 years inline with the establishment of the EEO initiative and the introduction of regular monitoring and data collection, as well as boards in the main, getting used to being diverse.
Academic institutions and advisory boards in general	Highly varied Guesstimate

	Around 25%
Private companies	Guesstimate 25%, but could be higher Due to the 'Mrs Bloggs' syndrome
Public (listed) companies	5.7% in the Top 500 companies No data collection here - EOWA have started now to collect data from the top 200, where things are improving.

My interest then is in the listed company environment, where progress has been, and continues to be very slow. In 2000, when we first completed an audit (rather than a random sample) of the Top 500, there were 3226 board positions, and women held 143 of these, that is 4.4%. We have each year monitored progress, counting manually the individuals and checking every Lesley and Robyn as they appear on the Stock Exchange data base.

Today, there are fewer positions, 3084, boards are slowly reducing their numbers, and women hold 175 of these, that is 5.7%.

In real life, there are 120 women in this elite group in Australia, the majority of whom (85) hold only one board seat - some of these are CEOs or executive directors of the company.

20 women have 2 board positions in the Top 500; 10 women have 3 board positions, and 5 women have 4 board seats each. This is a very small and rarefied group!

So, while things are looking up, progress is very slow. In 1991, Prof Leonie Still commissioned the ASX to complete a gender analysis of the Top 500 company boards and this resulted in a figure of around 5%.

Just think about how far we are away from the Norwegian model of the 60:40 limit for either gender, when the rate of change here is 1.3% over 4 years. Maybe things will accelerate!

Just to conclude - of the Top 500 companies, 142 of them have one or more women on the board; the majority of these companies, it is one woman, not more. (How misleading is it though to state that 28% of Australia's top boards now have women members?)

I can find 29 companies where 2 women sit around the board table, and there is one company in Australia where there are 4 women on the board.

WHY IS THIS THE CASE?

There are many reasons, and so there is no simple solution, but I don't agree with those who claim this is simply a 'pipeline issue'. In my business, as a search consultant for boards, I see this as a demand issue, not a supply issue at all.

My assessment is that current board selection practices are still too limited - existing board members still fish in small ponds and do not cast wide nets - this is referred to as 'risk minimisation' - we would see it as 'who do we know?'

Not all boards are guilty of this, as we can see, but other boards will look for new directors in time worn ways, or brief search consultants without insisting that female candidates be included. Some Chairmen believe this is just not an issue - that time will sort it all out; but this does not hold up after 14 years of monitoring. Other Chairmen believe that gender is not a relevant consideration, and strongly defend existing processes, genuinely believing that they are searching for the best person for the job.

And then of course, there are still some Chairmen who just simply discriminate. Boards are still desirable places for many - despite all of the new case law and increased disclosure and accountability requirements. For some Chairmen, particularly those who have never had to work with women in their executive careers, the prospect of sharing significant power with a woman on the board is truly frightening. We are not talking here about overtly sexist and outrageous behaviour, we are talking about impeccable protocols and delightful manners, gently resisting pressure to change.

WHAT NEEDS TO HAPPEN FOR THIS TO CHANGE ?

This needs to be tackled from a number of points:

- Accountability - like EOWA starting to measure on a regular basis and making available the data
- Shareholder activism - where is your money invested? And are you happy with it? Do you read the annual report and do you support the continuation of the existing directors? (don't support the fourth term for the old codgers!!)
- Support any local initiatives you can to help women get onto boards. There is a real career path developing for board seats and each group fishes in the pond below
- Don't buy shares in companies that don't have women on the board, and tell them that's what you're doing

- Ask your super fund where your money is invested and what the gender breakdown of the companies is - i.e be a pest (activist)
- Influence everyone you know
- Talk about the issue
- Put yourself forward

I hope I have managed to convince you that board composition is closely linked with the culture of organisations, and that women are still in a very small minority on the boards of the largest and most influential companies in Australia.

Good luck with the rest of your conference.