

# Women on boards

## THE CASE FOR MORE FEMALE DIRECTORS

As Australia adopts rules on women board members, Susan Hornsby-Geluk speculates that New Zealand may well follow suit – and on what that will mean.



**COMPANIES IN** New Zealand may soon have to provide details of the number of women directors, senior managers and staff they have, if moves over the Tasman are adopted here.

The Australian Stock Exchange has recently announced proposals to expand the Corporate Governance Principles and Recommendations to require every listed company – on an ‘if not, why not’ basis – to adopt and disclose a diversity policy that includes measurable objectives on gender. Subject to the public consultation process, it is expected these changes will apply from the start of this month.

Meanwhile, in France moves are afoot to mandate women’s participation in boards, following a model already in place in Norway which has achieved a participation rate of 37 percent.

So why is this so important? Credible international studies have established that a balance of men and women on boards

results in significantly better company performance, with the Catalyst Report, “The Bottom line: Corporate Performance & Women’s Representation on Boards, 2007”, finding that it resulted in an average 53 percent higher return on equity, 42 percent higher sales performance and 66 percent higher return on invested capital.

If it’s that obvious, then surely New Zealand, with our exemplary record of promoting women’s issues – first to give women the vote, two female prime ministers, a chief justice, a Women’s Affairs Department – must be doing okay in this area? It seems not. We are significantly behind the rest of the world – and we are going backwards.

Just this year Women’s Affairs Minister Pansy Wong said New Zealand had a “dismal record” with only 8.6 percent of women on boards of the top 100 listed companies and she argued that

### THE ASPIRING DIRECTOR

Confidence is one reason there are not as many women as men on boards, says Debra Chantry, an aspiring board member currently studying to become an accredited director.

“Men are always so confident in their own abilities,” she says. Having recently attended two days of directors’ courses where around a third there were women, Chantry says, “The men looked very comfortable but the women were saying, ‘I’m not sure if I’m ready to do this’. But I believe those women were no less qualified nor experienced than the men there.”

Chantry, 39, says she’s aiming to become an accredited member of the Institute of Directors, which will mean apart from a written exam, she needs to undergo a rigorous selection process and have five years’ experience on the board of a significant company.

“I don’t have to be an accredited director, but by doing the courses and accreditation, you get a full understanding of the legislation, how a board should run and what your responsibilities are. In theory, that should give companies a lot more faith in your abilities.”

Chantry’s current role is in marketing for Tower Insurance, but in the past she was one of the youngest general managers in the country, at InterCity, and she’s been the CEO of a software development company. She also ran her own company for a

couple of years until the business was forced to close when a key contract fell through.

“It was the worst experience of my life. But then I realised I could bring learnings from that to other businesses, so I became a consultant, helping other people avoid the pitfalls.”

Chantry says there are two ways of getting onto a board: if you know someone (“the old-boys’ network”), or through the Institute of Directors, by doing the training and networking with existing directors. Being quite new to the world of governance, she has chosen the second route.

Chantry is in favour of more women on boards in New Zealand, but is unsure about enforcing a quota. “I would always wonder if I got my role because of my skills or because of my gender.”

Ultimately it’s not just about having women on boards, it’s about having diversity on boards, she believes. “You should have men and women, accountants and lawyers, industry specialists, differing ethnicities. You just need the right people to offer value to a board.”



Debra Chantry.

more women should be appointed to boards.

In Norway, the government mandated participation on the basis that 'diversity is a value in itself, and it creates wealth'. There are a number of factors that drive this outcome. Firms that have strong women as role models attract the best female employees. These also tend to be firms that take into account issues that affect women such as work-life balance, ensuring that they retain and get the best performance over time from these staff.

Let's not underestimate the power of the woman consumer. Eighty percent of consumer purchasing decisions are driven by women, and they like to support firms that are women-friendly. Businesses need investors and women are increasingly becoming shareholders.

In Norway, it was acknowledged that board members were generally selected from a small circle: "their buddies". Ironically one of the reasons women are successful is that they are usually outsiders and as such are more likely to challenge and extend the thinking of the board without concern for politics or personal loyalties.

They are also more likely to ask questions men don't think to ask and tend to be inclined towards risk mitigation and policies and procedures. A total of 72 percent of boards with women on them have formal performance appraisals compared to only 49 percent in boards with only men.

Boards often complain it is hard to find suitable women candidates. A quick Google search of "women on boards" is all it takes to find the Ministry of Women's Affairs ([www.mwa.govt.nz](http://www.mwa.govt.nz)) and the Institute of Directors ([www.iod.org.nz](http://www.iod.org.nz)), both of which have databases of qualified women.

Perhaps the problem is that many board chairs are still looking for people just like themselves to sit alongside them on the board. These assumptions need to be broken down, and they need to consider the gaps the board may have in skills, ideology and approach.

It is true the pool of experienced women may be smaller, and this does pose an issue. It is also true that women are less likely to rate themselves as having value to add to a board, and are less likely to put themselves forward. I too am guilty of this. When I was first appointed to the board of Kensington Swan I wondered what contribution I could make and when I would be found out!

It seems, though, that I am not entirely odd. This is in fact an acknowledged condition, appropriately named the 'imposter' syndrome. However, without wishing to devalue the role of board directors, most of it is not rocket science – some decent preparation and common sense goes a long way.

Whether New Zealand adopts the Australian proposal requiring the reporting of women participation rates remains to be seen, but in the meantime women could help themselves by making themselves more visible and valuing their own contribution. It won't necessarily be the same contribution as a male colleague, but that is precisely the point! ●

Susan Hornsby-Geluk is a board member and partner at Kensington Swan specialising in employment matters.

## THE SENIOR BOARD MEMBER

Business was part of her "daily life" as a child, says Janine Smith. Her family invested in shares and talked a lot about business, so she was always going to be passionate about companies and how they worked.



Now she has shares in the business The Boardroom Practice, sits on a number of boards in a senior role and is involved in tertiary education advisory boards, including for the University of Auckland Governance Centre.

Smith says she doesn't believe a government-determined quota for women in boards in New Zealand would be a good thing. "A quota has the potential to undermine the abilities of any 'quota woman' sitting around the board table, when in fact the person may have the ability in their own right. Trust and mutual respect amongst board members are important for board relationships and for the board to be effective. A quota system could potentially undermine this dynamic.

"Also more women on boards can be achieved without a quota system. The Government state owned enterprises have about 35 percent women on their boards. This has been because they have focused on finding women for the boardroom."

She says she also thinks it is important to look at the board's role. "They are there as agents of the shareholders to build sustainable shareholder wealth and the strategic plan is the mechanism to achieve this. This should identify which board skills are required to benefit the organisation and it is within this framework that one should look at the diversity aspects of boards."

Women do bring different skills to the table, says Smith: "As an observation, women tend to be more comfortable and more direct in asking questions at the board table and more prepared to engage in a dialogue. They also bring a different approach to looking at problems. Both these characteristics are important for directors to contribute in the boardroom."

Smith says she first thought about becoming a board member when she was enrolling for London Business School in 1989. "My commerce degree involved both marketing/strategy and finance and I felt this was a good combination for boards, as it gave me the ability to understand the figures in looking backwards (monitoring) while at the same time marketing or strategic focus is looking at the trends going forward. I had also by that time spent nearly 10 years in the manufacturing sector in New Zealand and had been exposed to board functions."

She is currently on the board of The Warehouse Group, deputy chair of Kordia Group and chair of McLarens Young New Zealand.

Smith says she spends all of her time on work related to governance and boards.