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Gender Diversity Trends in the New Zealand Governance Environment 2003-2013

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An exploration of the changing nature of gender diversity on New Zealand governance boards, barriers to governance gender diversity, and enablers that will support the drive towards more gender balanced boards.

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Executive Summary

"To only draw ideas and experience from half of our available talent pool makes us significantly less competitive. The composition of boards needs to reflect the stakeholders and communities they aim to serve and greater representation of women is critical to achieve this." Andrew Barclay – CEO, Goldman Sachs.

In 2013, New Zealand celebrated the 120th anniversary of becoming the first nation to allow women the right to vote. Now, 120 years on, one cannot help but wonder what Kate Sheppard might think if she could witness the imbalance at the governance and C-suite level in the majority of our nation's leadership teams. Hidden at the bottom of the globe, with relatively few natural resources, and the distance to market as a major obstacle, New Zealand must take advantage of the resources of every capable and passionate business person on our shores. We cannot afford to limit our innovation, our strategy and our governance oversight to only half of the population. For NZ Inc. to prosper, Diverse NZ Inc. must also be successful in addressing the imbalance at the board table, at the C-suite level, and throughout the country.

A great number of column inches have been dedicated to evidencing the lack of governance diversity, whether it is diversity based on gender, age, physical ability, or ethnicity. With respect to gender diversity which is the focus of this research report, governance boards internationally are on notice to improve their diversity record, with that notice being given variously by Governments, shareholders and investment advisors, and by interest groups such as Women Corporate Directors, Women 20:20, and the Boston Club, who are mobilizing on an international basis. More locally, parties such as the New Zealand Stock Exchange, the Institute of Directors, Global Women, the 25% Club, Springboard, Sport New Zealand, Women on Boards, and the Ministry of Women's Affairs are working to address the gender balance on corporate, public sector and community boards. At the most basic level, it just makes good sense to ensure that a board truly represents its customer base, the key decision makers in households, and 50% of the population. The Global Financial Crisis has caused a microscope to be placed over the role of gender in risk taking and financial performance, and from there, to question whether a different outcome might have resulted from boards that were gender balanced. Research supports the commercial imperative of gender diversity to the financial and organisational health performance of companies, and internationally, countries that have introduced quotas for public sector and listed companies are making great progress.

It is clear from the research on the New Zealand Stock Exchange that although the statistics are trending in the right direction, change is occurring at a relatively slow rate, and significantly slower rate than those countries that have implemented quotas. In the 2013 reporting period, 38% of the sample companies did not have even one female director on their board. The recent publication of gender diversity reporting requirements by the New Zealand Stock Exchange will

add pressure to New Zealand firms, but it remains to be seen whether the pace of change will improve. There was little evidence in this research to suggest a correlation between the size of the company and the percentage of its board occupied by females, and only a small correlation between board size and the number of women on the board. This is perhaps surprising, given that large companies often have larger boards, therefore more room and flexibility to accommodate the addition of female board members. Further, larger companies could be expected to have a more global outlook on business that would make them aware of the commercial imperative for gender balanced boards, and are more likely to have the financial resources to attract highly competent and experienced female directors.

With one of the justifications for imbalanced boards being that there is 'no room at the top' for women due to the relative stability and long tenure of existing directors, it was disappointing to find that despite a 10% turnover of directors between 2003 and 2013, women were appointed to these vacancies on only 7% of those occasions. Of the 73 new board roles that were created during the sample time period, only 23% were filled by females. Of the 142 retirements of various types, 51% of these vacancies were filled by males, 37% were not filled at all, and only 12% were filled by females. When female directors retired and were replaced, they were replaced by another female on only 67% of the occasions. Companies appear to be missing the opportunity to improve the performance of the business, given that the research points to a very real improvement in the performance of a company once the gender mix has achieved a level of 30% female directors. Overall findings from the literature suggest that tokenism should be avoided – the drive for diversity will be set back should a person who does not have the skill set required for the position be selected to address a gender imbalance. However, with respect to gender diversity on New Zealand boards, it is simply not credible to claim that there are only enough sufficiently talented female executives who are ready, willing and able to take up governance roles in just 62% of NZX listed companies.

The review of literature on leadership at both the governance and executive level suggests the solutions to achieving a pipeline of ready, willing and able female directors sit on both the demand and the supply side of the equation, and a Supply and Demand Model is illustrated in Appendix 1, with responsibility at both the corporate and individual level.

On the supply side, the family and school environment plays a vital role in shaping a young female's value set, and experiences of leadership. A young woman can prepare for a future in leadership through her involvement in sport or community activities where leadership opportunities are available early, and her work ethic and value set around commitment, team work, discipline and fair play is developed in a team environment.

Most importantly women need to take a proactive role in managing their own careers. The continuing education and choices a female makes throughout her school years and career

determine the breadth of knowledge she brings to the board table. They must make their career aspirations clear to decision makers. Where possible they should undertake stretch projects and international assignments to prepare for leadership and governance roles through exposure to complex problem solving, through development of wider and deeper skills sets and experiences through development of self-belief. The presence of strong leadership role models is also a key ingredient along with the presence of mentors and sponsors to help support and guide her career.

Women need to take responsibility for the development of a wide and deep network of well-connected supporters, including experienced directors and governance level recruiters, also ensuring that they register with entities that hold director candidate databases. Seeking experience in not-for-profit boards, including schools boards in New Zealand, provides an excellent starting point for first board roles, where the new director can gain skills and confidence while developing their governance CV. Sitting on school and not-for-profit boards also serves to increase the network of the aspiring director, with trustees and directors on such boards often being well enmeshed in the corporate world in executives and governance roles.

At an organisational level, firms must implement human capital recruitment, retention and reward systems that attract, develop and retain high quality women to help fill the pipeline. Providing flexibility to meet the challenges of balancing family with career is vital, including provision of sabbaticals, and flexible work hours. Of vital importance is the evolution of an organisational culture that accepts flexible working arrangements for both men and women as a valuable methodology for retaining talent within the firm, rather than a concession that puts people, particularly women, at a career disadvantage. Vital to the retention and development of high potential females is the provision of sponsorship and mentoring from both genders.

On the demand side, governance codes including target setting, reporting, and the development of organisational diversity support structures are working to guide firms towards diversity, but it is Government quotas that have achieved the most significant improvements in governance gender diversity internationally, with Norway mandating and achieving 40 percent women on boards, along with Spain (40 percent), France (40 percent), Iceland (40 percent), Belgium (33 percent), Italy (33 percent), and Israel, where publicly traded companies requiring at least one female board member. There are mixed views about the desirability of quotas, but even those who are firmly anti-quota will often accept that such a strict measure may be required to address the issue in an acceptable time frame. Interim measures such as increasing the size of the board to create space for women, and the implementation of maximum tenure or mandatory retirement ages will also create space for women to join boards at a greater rate than is currently evident. Board gender diversity will be expedited by legislative quotas, but in the absence of those, and in addition to those, champions of diversity must lead the public and the commercial world towards the goal.

Director nomination and recruitment committees, along with their recruitment advisors, must be given clear direction about the requirement for gender diversity. The nomination committees themselves should be gender balanced if possible, and recruiters should be required to provide a slate of candidates that is gender balanced.

Leadership by diversity champions is a softer but powerful way of raising the issues of gender imbalance and showing the way forward, a measure being promoted by the Australian Champions for Change through its case study publications. Diversity NZ Inc., a local initiative within the Global Women organisation, has many of New Zealand's biggest companies as signatories but it is too early in the programme to report any impact.

In the face of such sluggish progress, New Zealand may well have to consider tougher measures such as those being implemented in Germany which includes the assignment of 30% of its non-executive board seats to women beginning in 2016, the requirement for large companies to publish plans for taking more women into leadership roles, and forcing companies to leave director roles unfilled if they cannot find women to fill the position. Quotas are clearly successful in quickly addressing the gender imbalance at the governance level but remain mostly very unpopular as a lever.

In summary, the journey towards female board readiness begins early and there are key inputs throughout a woman's life that position her well for becoming a skilled director. Responsibility lies with the individual, society, the organisation, and Government if the development of a pipeline of ready, willing and able women is to be achieved, ultimately driving towards gender balanced boards becoming the norm, and performance of our companies being maximized through the diversity of thinking that comes from diverse representation.

1. Introduction and Motivation for the Research

There is enough evidence internationally to support the view that there is an issue with the lack of diversity of all types at Governance level – 'Pale, Male and Stale' is the criticism leveled at corporate governance in recent times.

There is also evidence supporting the positive impact of diversity, in particular gender diversity, on the financial performance and organisational health of companies. At the most basic level, it just makes good sense to ensure that a company's management team and board truly represents its customer base, the primary decision makers in households, and 50% of the population. The Global Financial Crisis has also caused both the markets and academia to examine the role of gender in risk taking and financial performance, and from there, to question 'what if'. What if boards had been more gender balanced? What if the risk profile of a board had been balanced by the inherently lower risk taking nature of women? What if the values base of a board had been more balanced and in line with the population of stakeholders?

There clearly is an issue. As the world economy slowly recovers from the Global Financial Crisis, there is a need to understand the current state, the trends currently in play, and the drivers of governance gender diversity. The purpose of this research dissertation is to examine the current state of gender diversity on governance boards in New Zealand, to identify whether the status of gender diversity on governance boards is improving, and to identify the characteristics of change within the New Zealand governance environment. Rather than look outward and place blame on the 'pale, stale and male', this literature review and research project proposes possible solutions from within the female population, from corporations and governments, as well through design of the structural underpinnings that support or drive diversity.

2.   Literature Review

The State of Play – New Zealand and the Global Picture

New Zealand Status:

According to the New Zealand Census of Women's Participation (2012) 14.75% of directorships in New Zealand's top 100 listed companies were held by women, with a total of just 69 women participating in that pool of 90 female-held directorships across 55 companies. Two of the top 10 listed companies had no female representation at all. Of the top 100 companies, nine had three female directors, and five of the top 10 had two women on their boards. In Crowned Owned entities, 35% of directors are female, while the numbers range between 25% and 100% in Government Agencies. While the New Zealand Stock Exchange has adopted a position on gender diversity, the Human Rights Commission noted that quotas and affirmative action would require serious consideration if the NZSX guidelines do not have a significant impact over the next few years (New Zealand Stock Exchange 2012, The Human Rights Commission 2012). The New Zealand Census of Women's Participation (The Human Rights Commission 2012) calculated that at the current rate of change, it will be another 35 years before boardroom equality would be achieved. The report also suggests that women themselves set very low targets for gender diversity, and that there is a generally regressive orientation for gender diversity amongst women, stating that policy drivers towards women's equality seemed to have disappeared, despite New Zealand's international treaty body commitment to gender equality. The United Nations Committee on the Elimination of Discrimination Against Women (2012) noted that "while there is co-operation between the Government and private sector to identify targets for the advancement of women in decision-making positions, the targets, goals and time frames set are not sufficient and may be a symptom of regression rather than progress in women's representation."   The Committee on the Elimination of Discrimination Against Women (2012) found that while 59% of New Zealand respondents (compared to 47% globally) agreed that their board had introduced diversity policies, guidelines or goals for board composition, only 20% were concerned with maintaining gender diversity, focusing instead on diversity of skills and competence. Over 45% of New Zealand respondents agreed in principle that greater diversity of directors would assist the board in considering issues from a broader perspective, and would contribute to development of global business strategies (Committee on the Elimination of Discrimination Against Women 9-27 July 2012).

In 2013, an analysis of 107 NZX listed companies (Pashootanizadeh 2013)showed that 58 companies, or 54% of all listings, had no female directors, with only 5 companies, or just under 5% of all listed companies having a completely gender balanced board. Over 85% of all companies on the NZX had less than 30% of their board roles filled by female directors, and only five companies

out of 107 (less than 5%) had a female in the role of Chair, with two of those chair roles held by the same woman.

From 1 December 2012 onwards, NZX listed companies with annual reports covering balance dates ending on or after 31 December 2012 have been required to provide an account of the gender composition of their Boards of Directors and Officers, and in addition, an evaluation of their performance with respect to any formal diversity policy they publish. Further, annual reports must ensure that trends in diversity are apparent from year to year. The NZX intends to monitor annual reports in order to build a database of different approaches to diversity over time, in order to assist in the writing of any future diversity rule changes.   In November 2013, the NZX released the Third Quarter Diversity Statistics, noting that female directors and senior managers on listed companies still numbered less than 20% in most cases. Of 81 companies which had published their diversity in their annual reports, only 11% of directors were female, with a total of 52 female and 414 male directors listed. The statistics for female executive offers officers was better at 20%, but still points to a pipeline issue for governance boards (McLaughlin 2013).

By way of contrast to private sector boards, and demonstrating the impact of government and public scrutiny, women's representation on statutory boards remains significantly higher in the state sector, with women making up 41.5% of ministerial appointees to statutory boards in 2009.

The New Zealand Government, in particular the Ministry for Women's Affairs Nomination Services team, are working to improve the participation of women on boards where they are currently underrepresented, and to create an environment where key decision-makers accept the importance of appointing women and actively seek out suitably qualified women candidates. However, it was been noted in the Human Rights Commission Report (2012) that the results have slipped by a small amount each year since 2008.

Global Status:

The Eversheds LLP report (2011) on global board gender diversity in the top 20% of companies in each region found that women represent only 13% of all board directorships internationally, with an average of 1.5 female directors per board, and an average board size of 10 members. The apparently significant increase in recent years is off of a low base, with most boards either appointing their first female director, or simply going from one to two female directors. Respondents expressed little support for quotas aimed at addressing gender equality on boards, with 49% more concerned about experience and sector diversity, 25% with international experience and background, 16% in age and generational diversity and only 10% with gender diversity. Notably, the Eversheds LLP Report (2013) results for the top 20% of companies in each region remained unchanged from 2011 results noting that 61% of directors believed that a broader application of diversity has the most effect on board performance, meaning diversity of skill set, experience in other industries, international experience, age and background, as well as gender. The international focus for diversity is very much on avoiding group think in decision making. Researchers found very little evidence of support for quotas for women on boards (Eversheds LLP 2013). This contrasts with research out of the United States (Groysberg, Bell 2013) which found that in countries where quotas have been introduced, men supported quotas to a greater degree than men in countries without quotas. This research found that the female response in countries with quotas in place was even more unequivocal – nearly all female directors from countries with quotas believed quotas were effective, versus fewer than 50% of female directors in countries without quotas (Groysberg, Bell 2013).

The GMI Ratings 2013 Women on Boards survey involved respondents from almost 6000 companies based in 45 countries. The results show 11% of directorships at the world's largest and most well-known companies are held by women, with 63% having at least one female director, and 13% with at least three. European countries where quotas have been introduced or are being considered are setting the pace on board gender diversity with Norway, Sweden and Finland leading with 36.1%, 26.8% and 27.0% of female directors respectively. The quota requirement of 40% mandated in Norway has resulted in female representation on boards increasing from 9% in 2003 to more than 40% in 2012. France ranks 4th globally with 18.3% female directors, and Italy is also making progress as a result of law changes. Despite implementation of quotas in Spain, the lack of consequences for non-compliance has resulted in slow progress. In North America, change has been slow in the absence of quotas, relying instead on voluntary change and investment market pressures, while in Asia, change is even slower. Japan has the lowest rate of female presence on boards, China is static, and India is merely creeping forward (Eversheds LLP 2011).

In research conducted on almost 400 US-based companies between 2010 and 2013 (Groysberg, Bell 2013), three key themes were identified: Firstly, in general it was found that in order to be considered for directorships, women had to be more qualified and paid a higher personal price than their male counterparts. Secondly, boards did not appear to know how to take advantage of diversity, with women in the research reporting that they did not feel that they were treated as full members of the Board, while their male counterparts seemed oblivious to this fact. Finally, the research identified the need for formal processes and cultural development to enable a board to leverage the talent of each member and their contribution to the board.

Germany, where 17% of board roles are held by women, announced in November 2013 that it was set to introduce legislation requiring top DAX-listed companies to assign 30% of its non-executive board seats to women beginning in 2016. The proposals are the most detailed and far reaching of recent quota movements, also requiring large companies to publish plans for taking more women into leadership roles, and forcing companies to leave director roles unfilled if they cannot find women to fill the position. Germany had previously adopted a voluntary code solution, but after their introduction in 2001, very little progress has been achieved.

In November 2013, the Australian Business Council announced a goal of increasing the presence of females in senior executive roles to 50% in the next decade, along with publishing a toolkit to support its attainment. Currently only 10% of key executive roles in ASX200 companies are filled by women.

The key global trends identified include (The Human Rights Commission 2012, Catalyst 2012, Catalyst Inc. 2012, Eversheds LLP 2013):

• There tends to be a higher proportion of women on boards for companies that make products or services that are close to final consumer demand whereas there tends to be a lower proportion of female board members in businesses near the bottom of the supply chain

• There tends to be a greater proportion of female board members in larger companies compared to small companies

• European countries where quotas have been introduced are showing the greatest rates of improvements, while in Asia the lack of participation by women at board level is a direct reflection of low labour market representation by women, and the lack of either quotas or targets.

Commercial Imperatives

The argument for board diversity of all types is very clear - diverse teams with good leadership are more creative, more productive and have a higher collective intelligence than homogenous teams (Carter, Foust-Cummings et al. 2013). The presence of female directors drives a focus on critical issues and constructive debate (Burke, Mattis 2000). Enhanced focus on strategic tasks and innovation results from the participation of three or more women on a board, or at least 30% of the board. (Torchia, Calabrò et al. 2010, Kanter 1976, Kramer, Konrad et al. 2006). Progress towards gender balance throughout an organisation results from higher percentages of women on boards (Joy, Lang 2007, Matsa, Miller 2011). The corporate social responsibility reputation of organisations are enhanced by the presence of gender-balanced boards and having a balanced board sends strong signals to all stakeholders about the company's commitment to diversity at all levels (Carter, Foust-Cummings et al. 2013, Soares, Marquis 2011).

Those in favour of gender diversity argue that a balanced board is required in order to understand changing consumer and market needs and wants, to motivate a generally diverse workforce towards increased productivity, and to address the expectations of shareholders. However it is the commercial imperative that is most likely to gain the attention of the incumbents, the shareholders and the stakeholders in general.

With respect to the economic imperative, the research falls on both sides. Some argue that gender diversity positively impacts upon corporate performance while other reports claim that gender diversity makes no difference whatsoever (Shrader, Blackburn et al. 1997). Others claim that gender diversity has a negative impact claiming that the correlation between gender balanced boards and strong business results is a reflection of the fact that the company was already a strong performer, rather than an indicator of strong performance in the future (Adams, Ferreira 2009). However, it is important to note that those studies which found that the presence of female board members did not drive a positive change to corporate performance had generally based their research on boards with less than 10% of their directorships being held by females. Research into well-established gender-balanced boards are by far the better measure of the impact of board gender diversity, rather than boards who have undergone a rapid change to gender diversity, often populated by younger, inexperienced female directors. Research based on balanced (three women or more), and experienced boards are strong in evidencing the improved performance of gender balance on boards (Bear, Williams Woolley 2011, Rhode, Packel 2010, Barsh, Nudelman et al. 2013, Campbell, Minguez Vera 2009, Erhardt, Werbel et al. 2003). It seems widely accepted in the literature that a 30% base of female directors is required to see the benefits of gender diversity (Barsh, Yee 2011, The Human Rights Commission 2012, Eversheds LLP 2013, McKinsey & Co 2008).

A Chinese study found a positive correlation between the company's performance and the number of women in management (Ting, Zheng 2011). In France and Spain, studies have found that the higher the number of women in management, the less the share price fell during the global financial crisis (Ferrary 2009) and that female appointments to the board were positively associated with firm value (Campbell, Minguez Vera 2009). A Catalyst study of Fortune 500 companies between 2004 and 2008 found that those companies with the most women board directors performed above those with the least women board directors by at least 16% on return on sales, and 26% in terms of return on capital invested (Carter, Wagner 2011).

Adams and Ferreira (2009) found the average effect of gender diversity on firm performance to be negative, but also noted that gender-diverse boards appeared to devote more energy to monitoring, noting that female directors have a generally greater attendance record and have positive impact on the attendance record of their counterparts

The Credit Suisse Report on Gender Diversity and Corporate Performance (Credit Suisse Research Institute 2012), surveyed 2,400 international companies from 2005 through to 2012, finding that on average, an investor would have been better to have invested in firms with women on their management boards than in those without, with firms with one or more female directors delivering higher growth, better share price performance, higher average returns on equity, lower gearing, and an improved price/book value multiples over the six year period. The report also concluded that balanced boards tend to limit volatility and provide more balance across the economic cycles. Further research found that having one female director reduced the likelihood of a firm going bankrupt by 20%; more than one reduced the risk even further (Wilson, Altanlar 2009).

In addition to financial performance imperatives, there are a range of cultural, leadership and reputational benefits to gender diversity. Research has found the women outperform men in a wide range leadership competency areas (Folkman 2012, Eagly, Carli 2007, Kanter 1976, Eagly, Johnson 1990), and that staff turnover can be reduced, and productivity increased if an inclusive style of management is adopted (Center for Advanced Human Resource Studies 2010, Guthrie 2001, Huselid 1995, Barak 2010, Terjesen, Sealy et al. 2009). A McKinsey survey measuring 100 companies against an Organisational Health Index found that companies with executive teams or boards holding three or more women performed better than their peers and that organisational health score increased significantly once a critical mass of around 33% of board directors was reached (Terjesen, Sealy et al. 2009, Barsh, Yee 2011). The presence of female directors has also been found to improve the reputation of the firm as both an employer of choice, and as a good corporate citizen (Bear, Rahman et al. 2010).

Barriers to Gender Diversity in Governance Boards

Demand Side Barriers:

When justifying the lack of board diversity three reasons are often given. Some boards believe that they have performed well without women present therefore there is no need for change. Some claim they cannot find suitably qualified women. Lastly, a general lack of board vacancies is cited, driven by the historical stability of boards and unwillingness to expand the size of the board to include vacancies specifically for inclusion of women. (The Boston Club 2006, The Human Rights Commission 2012, Credit Suisse Research Institute 2012, Burke, Mattis 2000)

On the Demand side, *Second-generation Gender Bias* is described by (Ibarra, Ely et al. 2013) as the primary cause of persistent underrepresentation of females in leadership roles describing *double binds* - the mismatch between qualities which are conventionally conceived of as feminine and those qualities typically thought of as necessary to be a great leader – characteristics admired in men are found to be confronting and uncomfortable when present in women.

'Affinity Bias' resulting from a lack of networks continues to limit the access of women to leadership and governance positions (Beeson, Valerio 2012, Terjesen, Sealy et al. 2009, Burke, Mattis 2000). This is supported by Hawarden (2010) who argues that boards are no different from any other 'network', with failure to expand diversity on boards being a typical characteristic of other networks which tend towards a self-perpetuating structure. Board characteristics are perpetuated by the tendency to recruit like-minded newcomers to the board, rather than risk upsetting the apple cart.

The Queen Bee syndrome has also been identified in by research as potential a barrier, where successful women aim to maintain their own position by actively frustrating and opposing the succession of other women (Staines, Tavris et al. 1974).

Supply Side Barriers

Gendered character traits have been identified as impediments to progress, with women tending to rank their ability as equal to their peers, while men often rate themselves higher than their peers (Credit Suisse Research Institute 2012, Eagly, Carli 2007, O'Leary 1974, Eagly, Johannesen-Schmidt et al. 2003). In a study by the Institute of Leadership and Management, females were been found to have a reduced level of ambition compared with men with only 15% of highly qualified females aspiring to positions of power, compared to 27% of men. In the same study only half of females expected to become managers, compared to two thirds of the male respondents (Institute of Leadership and Management 2011).

The *Second-generation Gender Bias* previously described by Ilabrra, Ely et al. (2013) also includes supply side issues: the lack of inspirational female role models, the persistence of gendered career

paths and gendered work, and the lack of access to networks and sponsors, all of which support the development of board ready women.

The fall-off in progression of women at C-suite level is also stated as a cause of the lack of supply of board-ready women, along with the lack of mentoring and sponsorship for women, and lack of flexibility for women in the workplace (Berry, Franks 2010, Howard, Wellins 2008, The Human Rights Commission 2012, Ministry of Women's Affairs New Zealand 2013, Australian Institute of Directors 2010, Biernat, Wortman 1991).

The so called 'time binds' articulated in the seminal work on work-life balance by Hochschild (1997) set family life against work life such that women may either choose not to make the sacrifice to their family lives, cannot make the grade as a result of the commitments to family, or are pre-judged to be unable to make the commitment to senior level roles (Biernat, Wortman 1991, Ibarra, Ely et al. 2013).

A study of 540 human resource leaders (Mercer Consulting 2010) identified insufficient breadth or depth of experience, lack of an executive sponsor, and work-life balance as key barriers to the succession of women to leadership roles.

On balance, the argument for gender diversity on boards is a strong one, both from an economic and from an organisational health perspective. However, change is frustratingly slow and the percentage of female directors remains inexcusably low on a global basis.   The next chapters explore how **supply side** and **demand side** solutions can be implemented to assist in the achievement of board gender diversity.

Demand Side Solutions

In 2012 the Committee on the Elimination of Discrimination Against Women in its Concluding Observations on New Zealand's seventh periodic report made 46 recommendations to the Government. The number and scope of the recommendations in part reflects weak target setting for women by the Government, business and the private sector. (The Human Rights Commission 2012)

Demand Side solutions refer to the cultural, structural and legislative drivers within and around organisations that support the achievement of gender diversity on boards.

Creating Space

Increasing the size of the board addresses the issue of low turnover levels and creates space of the inclusion of women directors (The Boston Club 2011). The retirement of male board members creates the opportunity for achievement of a more balanced gender scorecard. Limiting the tenure of directors and implementing mandatory retirement ages may also accelerate the creation of additional opportunities for women to be recruited into governance roles (The Boston Club 2011) although the downside risk of this type of policy is that organisational knowledge and capable directors could be lost while the director is still adding value to the company.

Legislative Quotas

"If women's equality is to be achieved in our lifetime then 'better than nothing' is not good enough and never will be. What gets counted gets done." Dr Judy MacGregor, (The Human Rights Commission 2012).

Government quotas have been adopted in several European countries, with Norway mandating 40 percent women on boards, Spain (40 percent), France (40 percent), Iceland (40 percent), Belgium (33 percent), Italy (33 percent), and Israel, where publicly traded companies must have at least one women board director. In Norway, policy guidelines were originally set targeting 40% female representation on both private and public sector boards, and by 2003 this target had been achieved in the public sector. However, it took the introduction of quota legislation in 2003 to achieve 40% representation in private sector boards by 2012. The risk of non-compliance was dissolution and the inability to list on the Norwegian Stock exchange.

Anti-quota parties argue that quotas lead to stereotyping and create questions around the competence and merit of women who have achieved board appointment.   However, research has concluded that the quotas have not negatively affected the quality of women succeeding in achieving board appointments or the long term performance of the companies who have appointed females to the 40% mark (Whelan, Wood 2012, Branson 2012).

Corporate Women Directors International (2010) note that a complete plan for implementation of quotas would require a step-wise approach, with a specified completion timeline, support through

the provision of resources required for execution, strong punitive measures to promote compliance, political support for the quota implementation, and a database of qualified women to meet the needs of the quota law being enacted.

In New Zealand, attitudes have typically been anti-quota, with a preference for meritocracy being evident, in spite of the fact that quotas have achieved an increasing presence for Maori and Pacifica (men and women) in education for many years without any backlash.

Governance Codes

Governance codes which are being implemented globally promote the establishment and publication of diversity policies, including measurable diversity objectives, progress towards which must be disclosed in annual reports (Branson 2012, New Zealand Stock Exchange 2012, Australian Institute of Directors 2010). New Zealand is the 16th country to adopt such a code.

Australian corporates have adopted a governance code (Australian Institute of Directors 2010), and actively promote case studies where male leaders are championing the gender diversity issue. The Australian Institute of Directors is actively supporting the drive towards gender diversity with publication of guidelines for achievement of diversity. In the Early Adopter Case Studies report (Australian Institute of Directors 2010) large corporates report on their early success in their drive towards diversity, noting that success will come as a result of adopting diversity as a 'must have' for the purpose of improving business performance. It is also noted that targeting and focusing on key areas such as parental leave and career pathing will gain momentum more quickly than a shallower, broader approach. Companies in the study point to their commitment to diversity (of all types) as vital to achievement of their strategic objectives, in terms of achievement of business targets, in terms of promoting the company's reputation as an employer and as a performer, and in terms of actively attracting, engaging and retaining diverse teams of talented people.

Gender Mainstreaming

Promoters of gender equality understand that the systemic causes of inequality need to be addressed in order for fundamental change to be achieved (Doubell 2011). Gender diversity must become part of business-as-usual, and visibility must be increased through inclusion in board presentations to shareholders, business awards, conferences, and media reporting (Vinnicombe 2009). Incorporating gender equality into the day to day and annual business planning cycles is referred to in a range of literature on the gender diversity issue (Hafner-Burton, Pollack 2002, Squires 2005, Grosser, Moon 2005).

The Emergence Of Male Corporate Leaders As Champions

Barsh and Yee (2011) found that the CEOs and senior management team that walk the talk when it comes to achieving gender diversity have a commitment to diversity that is rooted in their upbringing, their early life experiences, and their own experiences of discrimination. In Australia,

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15 leaders of top public companies have formed the Male Champions of Change group (MCC), believing that women and men need to work together to make a difference, committing to inclusive business leadership, recruitment of gender diversity, safe working environments, balance for work and family life, public advocacy, and the building of the CEO Champion network with a commitment to a 'plus one' strategy where each MCC member brings one or more peers to the table each year (Male Champions of Change 2011).

Diversity Of Appointment And Nomination Committees

Establishment of recruitment strategies and processes that are gender-neutral, such as gender balanced appointments and nomination committees, instruction to recruiters that the slate must include a balance of genders, and training to avoid unconscious gender biases will assist in addressing the board gender imbalance (Morgan, Marher Kaplan et al. 2012).

Shareholder and Share Market Activism

Shareholder activism is suggested as a tool for improving the gender diversity on boards, suggesting that shareholders vote for directors in a way that demonstrates the importance of balanced boards, such as voting against men and for women. The writing of letters to the Chair, directors, nominating committees, and corporate secretaries challenging the lack of diversity is also suggested, along with raising the matter in person at annual shareholder meetings. At the very least shareholders should be demanding written diversity policies and targets from their investment company boards (The Boston Club 2011, 20:20 Women on Boards 2013).

Institutional investors can also play an important part in promoting the achievement of gender diversity, by insisting that the companies they wish to invest in adopt diversity policies and targets, along with adopting proxy voting guidelines that vote against the election of all-male boards.

Supply Side Solutions

The perception of, and perhaps the reality of, the dearth of suitable candidates must be addressed. There are clearly challenges that need to be overcome by both the employer and the aspiring board member herself. The Mercer report (2010) identified four key solutions in advancing the supply of board ready women: flexible working arrangements; overcoming unconscious bias to support diversity recruiting; mentoring; and coaching, factors supported by the report published by New Zealand's Ministry of Women's Affairs (2013).

Taking Responsibility – How Women Can Prepare for Governance Roles

Individual Preparedness:

Women must first and foremost take responsibility for their own readiness for governance roles. The non-negotiables include a strong performance record, and the demonstration of integrity and strong ethics. A strong drive towards taking a leadership position must be evidenced, and the aspiring director should work to develop the Core Selection Factors, while being very self-aware of De-Selection factors. (Beeson, Valerio 2012, Burke, Mattis 2000). **Core selection factors** include strategic skills (creating strategy, not simply leading it); recruiting, leading and retaining strong teams; demonstrating effective implementation skills; initiating innovation and leading change successfully; and cross-organisational leading and influencing skills. Executive presence is also highlighted, including demonstrating self-confidence, making the tough call, and standing strong in the presence of other powerful team members (Bowles 2012). International experience is also referenced frequently through the literature as a powerful feature for aspiring directors (Burke, Mattis 2000, Marcus 2010). **De-selection factors** that may block a strong candidate from achieving a higher role include poor interpersonal skills, abrasiveness and insensitivity, consistent evidence of self-interest, and narrow-mindedness with respect to business and the wider environment.

Beeson (2012) outlines a number of practices that aspiring women leaders can engage in order to develop their own leadership capability, including being open-minded to constructive critique from relevant and influential people within and outside the organisation, focusing in particular on the key skills that require development, and on their executive presence. Aspiring directors need to find ways to develop and demonstrate those skills, including involvement in high profile, cross-functional, and where possible, international projects. Actively seeking roles in areas (such as finance and law) that have historically developed successful executive and directorship candidates is important, along with development of well-honed presentation skills – strong group and one-to-one communication skills are vital in leadership positions. They should regularly take stock of their progress, and reflect on successes and failures to ensure that the lessons are absorbed, and self-awareness is developed, and importantly, to adjust the path of progression to ensure it still fits with their motivations. Maintaining a strong LinkedIn profile is a relatively recent addition to the toolkit.

Networking, Mentoring, and Coaching

Aspiring leaders should develop a network of *legitimizing agents* (Burt 1998) - allies, mentors, professional coaches, and networks, both inside and outside the organisation (Levin, Walter et al. 2012, Uzzi, Dunlap 2005, Cross, Thomas 2011, Burke, Mattis 2000, Marcus 2010, Howard, Wellins 2008). A study of elite sport female directors, 100% of respondents referenced the support of a mature (over 55 years) male mentor as a key success factor, indicating that the mentor had assisted in identifying their readiness and demonstrated confidence in their ability to step into directorship roles (Brown, Light 2012).

Women who are already in a position of influence, in Executive or Governance roles, must play their part in actively supporting as a mentor or sponsor, those high-potential women with aspirations to fill C-suite or governance roles in the future.

Advocacy and Activism

There is a significant responsibility for women to help themselves and other women to achieve their aspirations for leadership and governance. There has been a substantial amount of activity in this area over recent years. Global Women's Network, the 25% Club, Women On Boards New Zealand, the New Zealand chapter of the International Women Corporate Directors Networks, Springboard, the Institute of Directors, and the work of the Ministry for Women's Affairs, are all working to address and promote the importance of gender diversity, and it is vital that the voice of women become coordinated, focused, consistent, in order for this momentum to translate into visible progress for women (The Human Rights Commission 2012).

Experiencing Leadership and Responsibility Through Sport, School and Community:

In a survey of female elite sport leaders (Brown, Light 2012), the majority of respondents noted that early childhood experiences were fundamental to shaping their leadership styles, reporting that parental influences, experiences in sport and involvement with school leadership were significant elements of their development. Involvement in community and sport activities impacted their willingness to lead, and had a significant impact on their values, self-confidence, and sense of competitiveness. Many respondents had been elite athletes themselves, fostering a competitive nature and a refined leadership approach prior to being in professional leadership roles. The survey also found commonality in that long term and trusting mentor relationships were key to the development of self-confidence, a broad range of business skills and problem-solving generally.

Organisational Environment and Career Pathing

Highly visible acts are a vital part of entrenching gender diversity in an organisation. Personal sponsorship of high potential women, from both men and women in senior positions, is an important part of not only normalising gender diversity but also assisting the prospective board member in overcoming the inherent character traits that can hold an aspiring director back, in particular the issues of self-confidence and readiness (Sanders, Hrdlick et al. 2011). Adobe CEO Shantanu Narayen notes "If you have good role models, then people are inspired." (Barsh, Yee 2011) pg3). Jim Hackett, CEO of Steelcase which is respected for its people centric approach, speaks about being "human centered", such that the environment is nurturing and flexible for all employees. The focus is less about women, and more about benefiting all employees and thus the values of an organisation are an important piece of the puzzle. Gender-diversity programmes in isolation are unlikely to significantly shift an organisations attitude to diversity. Improvements will come from the role-modeling of a strong value base that supports respect and diversity throughout the organisation.

In the report *Realising the Opportunity – Addressing New Zealand's Leadership Pipeline Through Attracting and Retaining Talented Women* (Ministry of Women's Affairs New Zealand 2013) three factors were identified as barriers to the career progression of talented women: *unconscious bias*, taking *career breaks* in particular due to family demands, and requirements for *flexible working arrangements*.

Stereotypical views regarding leadership capability of women can lead to unconscious bias negatively influencing employer views on the potential of existing and future female employers. Career breaks brought about through taking the lead caregiver role often creates a major challenge for females looking to re-enter the workforce, while the requirement or desire for flexible working arrangements may result in women trading down their skills in order to gain that flexibility, and may impede their progress into leadership roles.

Organisations must ensure that succession planning practices do not perpetuate gender stereotyping, and must support equality with respect to career development for employees (Erhardt, Werbel et al. 2003, Beeson, Valerio 2012, Branson 2012, Eagly, Carli 2007, Ministry of Women's Affairs New Zealand 2013). Facilitators may be required to identify gender bias during sessions in which the career path or promotional prospect of candidates are discussed. High-potential employees should have formalised development plans, ensuring that opportunities are identified in those positions that have historically produced executive level candidates, and where possible, should include international experience. Organisations should actively provide stretch assignments to help develop executive skill and experience development, and should be bold in the provision of constructive feedback when discussing career development. Reporting on gender balancing statistics in terms of the number of women in key positions, retention, and success of

development programmes should be the norm. Organisations should promote and reward the formation of mentor networks, encouraging high achieving women and men to share their experiences with future leaders (Branson 2012, Beeson, Valerio 2012, Center for Advanced Human Resource Studies 2010, Doubell 2011, Male Champions of Change 2011). Aspiring leaders should be encouraged to look for opportunities for involvement in related organisations outside the firm such as sector associations, encouraging the development of leadership experience and exposure to external stakeholders (Beeson, Valerio 2012, Sanders, Hrdlick et al. 2011, Barsh, Nudelman et al. 2013, Barsh, Yee 2011, Ministry of Women's Affairs New Zealand 2013).

Overcoming the 'time binds' and work-life balance challenges are key to keeping high potential women within the workforce, freeing them up for governance commitments. Flexibility of working styles is in high demand from both men and women, and must become mainstream in order to prevent organisations from losing talented employees (Coffman, Hagey 2010). Flexible work arrangements, such as part-time hours, flexible start and finish times, and the option for working from home to need not only be available, but also must be seen to be working for future or current leaders, lest they be interpreted as career limiting choices. Allowing the role to change in concert with the changing home demands, and promoting sabbaticals rather than assuming resignation is the only option, will also assist firms in retaining high potential employees (Sanders, Hrdlick et al. 2011).   However, a debate in Australia (Women's Agenda, 2013) challenged the impact of flexible working arrangements, proposing that flexible working arrangements further set women up for bias, with their commitment to their roles being questioned as a result. The argument was made that flexible working arrangements reinforced the gap between men and women, with 'hours gaps' leading to 'pay and promotion gaps'. It was argued that until flexible working arrangements were equally taken up by men and women, and until there are balanced responsibilities in the home, there would never be gender balance in the workplace.

Affirmative Action
In the Australian CEO group, Male Champions For Change, members publicly advocate for gender diversity at executive and governance level, committing to sponsoring one or two aspiring women towards board appointment (Male Champions of Change 2011). In New Zealand, 35 companies have signed up to the United Nations Women's Empowerment Principles which offer organisations guidance on how to empower women in the workplace, marketplace and community. Many of New Zealand's leading listed companies have also pledged their support to DiverseNZ Inc. which is targeting improved levels of diversity on a broader basis.

Sport New Zealand and the New Zealand Olympic Committee have committed to affirmative action, including encouraging women to register on various board recruitment databases, running a series of regional workshops aimed at women who are interested in sports governance service, mentoring for women who have recently been appointed to boards, funding of scholarships for
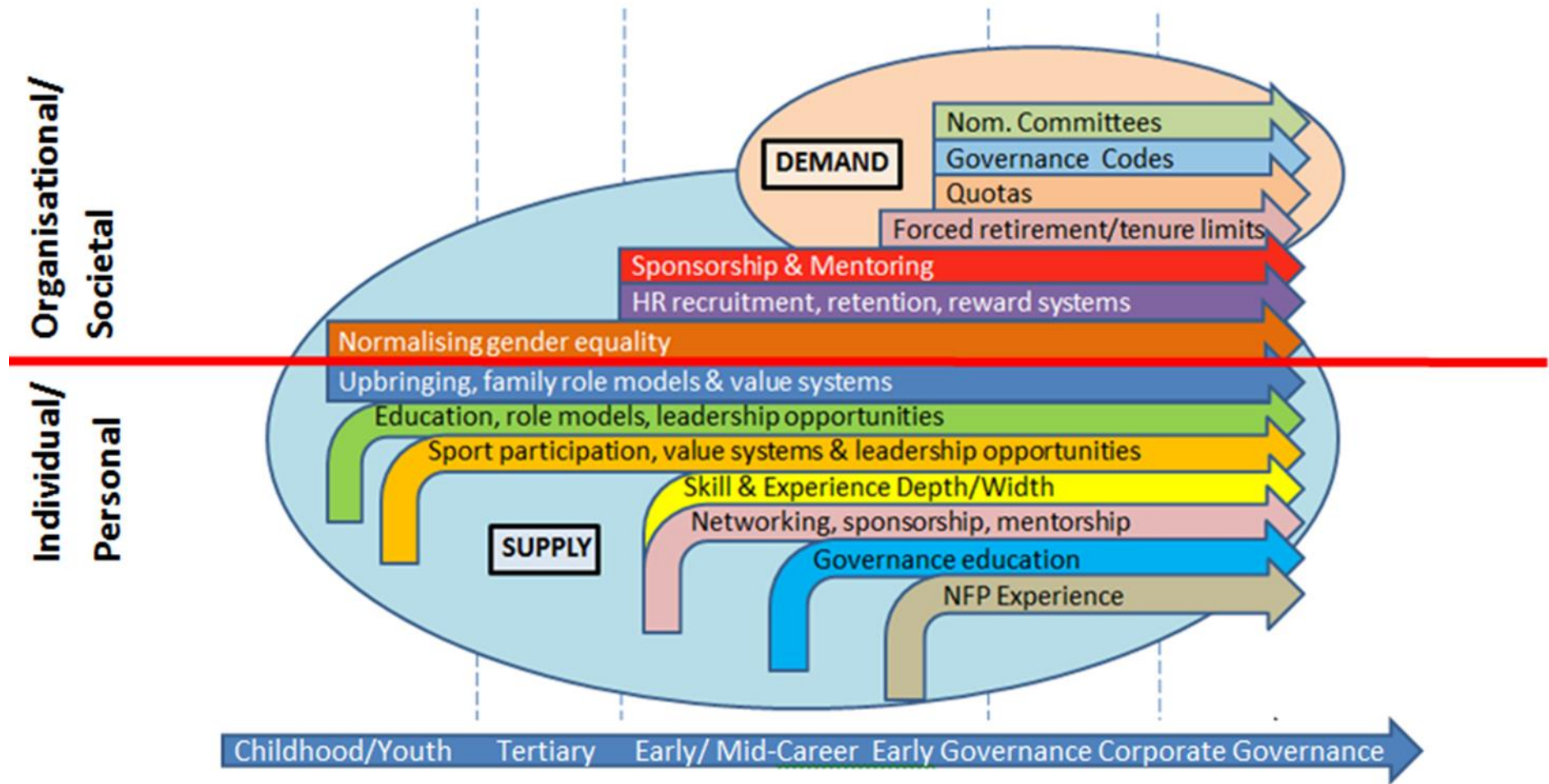
high-potential women sport leaders, the formation of a 'public faces' champion team, and the promotion of networking for women in governance positions, and those aspiring to be so (The Human Rights Commission 2012).

Conclusion:

"If the function of the Board is to provide guidance in corporate mission, vision and values, the vision most white male board members are likely to provide is monochromatic. Monochromatic vision in a world of increasingly vibrant colors is a recipe for stagnation, if not abject failure" (Johnston 2005)

Gender diversity is a competitive necessity in a global economy; Politicians, directors, and senior executives of both genders must hold themselves and each other accountable for creating and maintaining a culture of inclusion if we are to be globally competitive over the longer term. This review has indicated that a lack of female talent is not the only issue. Development and nurturing of structures and strategies designed to fill and retain the pipeline of board-ready women is required, along with institutional, legislative and personal responsibility for ensuring demand is created for gender diversity on boards. The Governance Gender Diversity Model (McAteer, 2013) on the following page illustrates the interaction of both Supply and Demand solutions which will result in a pipeline of highly capable female business leaders sitting within a governance community which is comfortable with, and nurturing of, the conditions which promote balanced boards and better business outcomes over the long term.

Governance Gender Diversity Model - © Dianne McAteer 2013

Governance Gender Diversity – A Model of Supply and Demand Solutions

Organisational/ Societal

Individual/ Personal

DEMAND

Nom. Committees
Governance Codes
Quotas
Forced retirement/tenure limits

Sponsorship & Mentoring
HR recruitment, retention, reward systems
Normalising gender equality
Upbringing, family role models & value systems
Education, role models, leadership opportunities
Sport participation, value systems & leadership opportunities
Skill & Experience Depth/Width
Networking, sponsorship, mentorship
Governance education
NFP Experience

SUPPLY

Childhood/Youth   Tertiary   Early/ Mid-Career Early Governance Corporate Governance

3.   Key Issue and Research Questions

Having identified the circumstances in which an abundant pipeline of board ready women might be fostered, the focus of this next section of research is to measure whether there is any real progress towards gender diversity on governance boards in New Zealand. Specifically, the following questions will be examined:

1. Is gender diversity on governance boards improving in New Zealand?
2. Is there any correlation between Market Capitalization and Board Gender Diversity?
3. What are the patterns in changes to gender representation on board?

4.   Methodology and Data Sources

In order to measure the trends in gender diversity on governance boards in New Zealand the following methodology has been used:

Data Collection:

In order to track the trends in female board participation, board composition data from the annual returns of companies listed on the New Zealand Stock Exchange was utilized. Trends over the period 2003-2013 were measured by recording the changing gender mix on listed companies through the 11 year period.   The annual director list for each of these companies has been sourced from www.companies.org.nz. The Market Capitalization of each of the sample companies as at 1 November 2013 was retrieved from the New Zealand Stock Exchange website. The total number of directors and the number of female directors was recorded, with percentages then calculated. The incidence of director changes and replacements through the sample period was also recorded.

Information regarding the gender mix of membership was also retrieved from the Institute of Directors and the Springboard group.

Sample Population:

The sample was drawn from the top 50 companies listed on the New Zealand Stock Exchange (NZX). In order to appropriately track long term trends, only companies with Annual Returns data lodged with the Companies Office every year from 2003 to 2013 were studied. This sampling methodology yielded 34 sample companies.

Data Analysis:

a. Trends in the occurrence of female directorships:

The data from the annual returns from each of the sample companies was tabulated in spreadsheet form to track the number and percentage of male and female directors on each of the sample boards over the decade between 2003 and 2013. These findings were then graphed and examined for trends.

b. Market Capitalization and board gender diversity:

Regression analysis was used to examine the relationship between Market Capitalization and the number of Female Directors on each board, both in terms of the average for each board over the sample time frame, and for the actual number of female directors on each board in 2013.

c. Patterns of change with respect to board gender diversity

In addition to the quantitative analysis of directorship changes, the nature of director replacement has been recorded. Eight possible scenarios that were identified and measured:

1. Retirement **male**, replaced by **male**	5. New position added, filled by **female**
2. Retirement **male**, replaced by **female**	6. New position added, filled by **male**
3. Retirement **female**, replaced by **female**	7. **Female** director retired, not replaced
4. Retirement **female**, replaced by **male**	8. **Male** director retired, not replaced

Rationale For The Research Method:

This methodology was chosen because complete, consistent and reliable data was available from independent sources. Rich data over an appropriate time frame was available from the online annual returns filed with the Companies Office of New Zealand, and via the New Zealand Stock Exchange. Since the purpose of the research was to track actual numeric trends, the quantitative method was most appropriate.

The method has allowed for the long term trends of gender diversity on board to be accurately tracked over a suitable time period, and is therefore the optimum choice for this research.

5.   Analysis and Results

a. What Evidence Exists To Support A Hypothesis That Gender Diversity On Governance Boards Is Improving In New Zealand?

The sample data suggests that gender diversity on New Zealand Stock Exchange Boards is slowly improving, growing from an average of 7.94% of directorships held by women in 2003, to a peak of 16.12% in 2013 (Chart 1). In 2013, only 21 of the 34, or 62% of sample companies have female directors on their board (Chart 3). This 2013 result comprises 33 directorships out of 224 total directorships, held by 27 unique women in 21 companies. Five of the women held two directors each.

Chart 1:

Chart 2:

Chart 3:

Percentage of Boards With At Least One Female Director
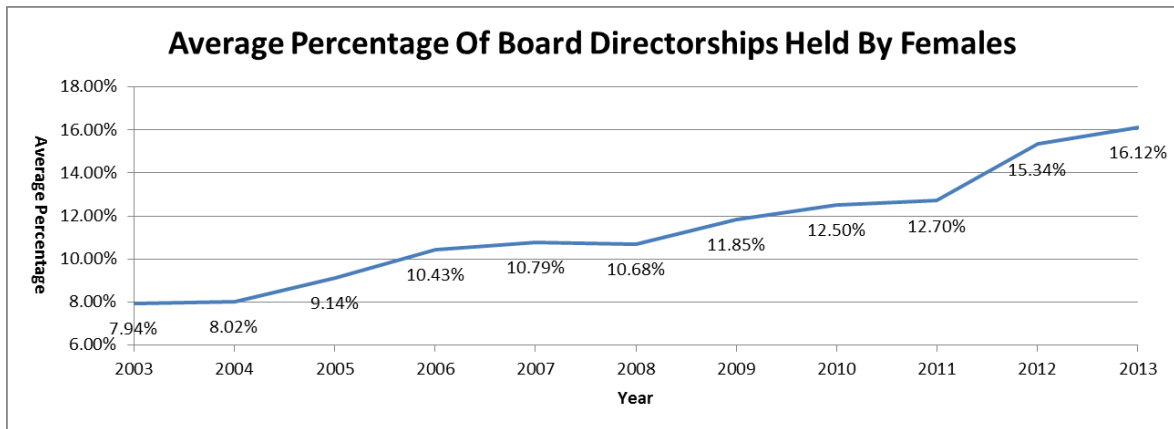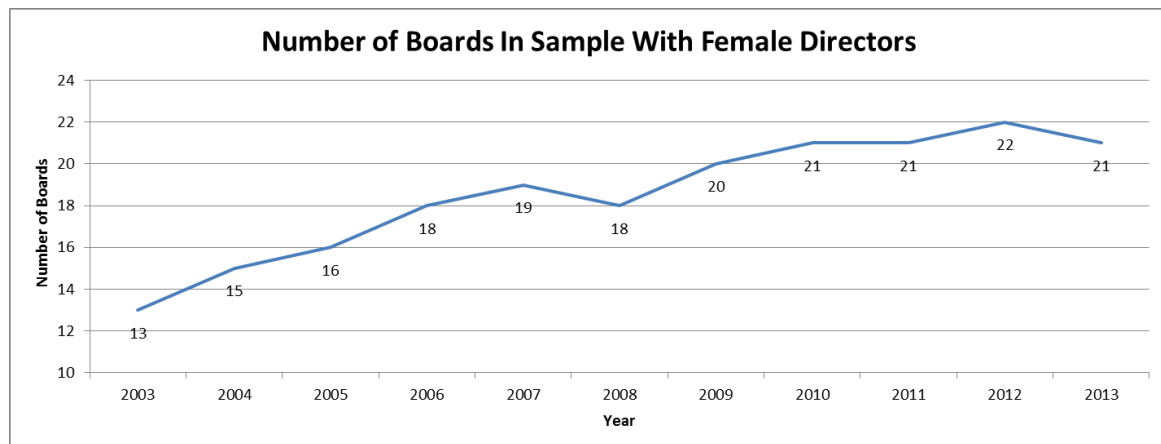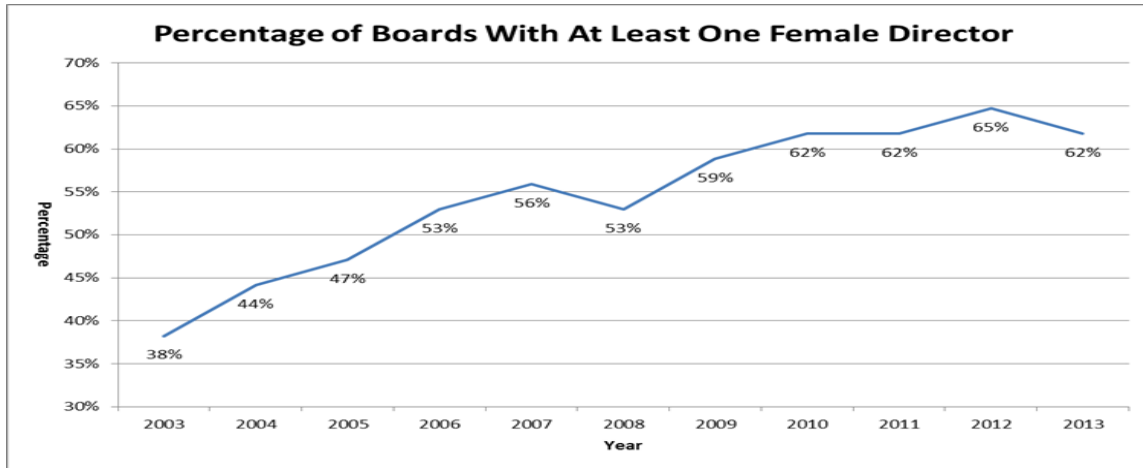
Of the 34 sample companies, 13 companies or 38% had no female directors in the 2013 annual returns. However the number of boards with no female directors is on a strong downward trend over the sample period (Chart 4 & 5).

Chart 4:

Number of Boards With Zero Female Directors

Chart 5:

Percentage of Boards with Zero Female Directors
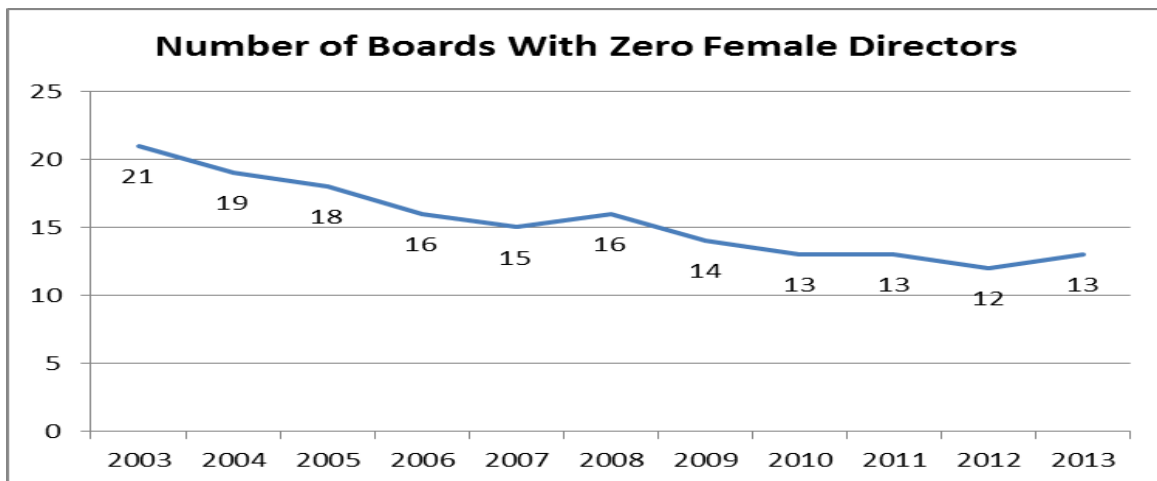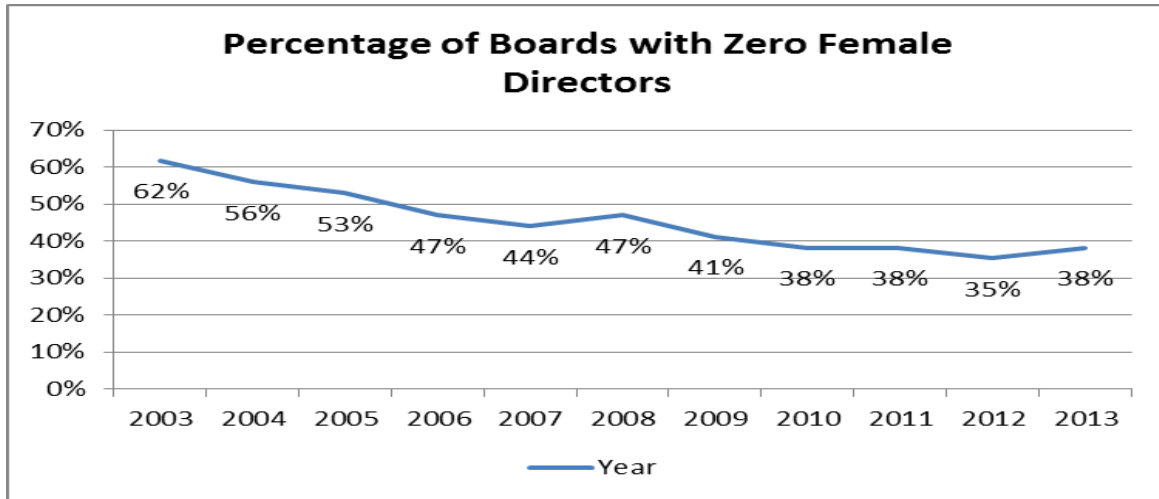
Until 2011, the subset showing the greatest increase was with boards with One Female Director, with a 60% increase between 2003 and 2011. After 2011 however, the number of boards with only one female director dropped 19% in favour of boards with two or three female directors. The data shows that the greatest improvement in female director presence is in the Two Directors subset with a 300% increase over the period, followed by Three Directors with a 200% increase between 2003 and 2012, before dropping again in 2013 (Chart 6). It is noted that the increases are off of small bases and are small in absolute increment terms.

Chart 6:

Number of Female Directors Per Board
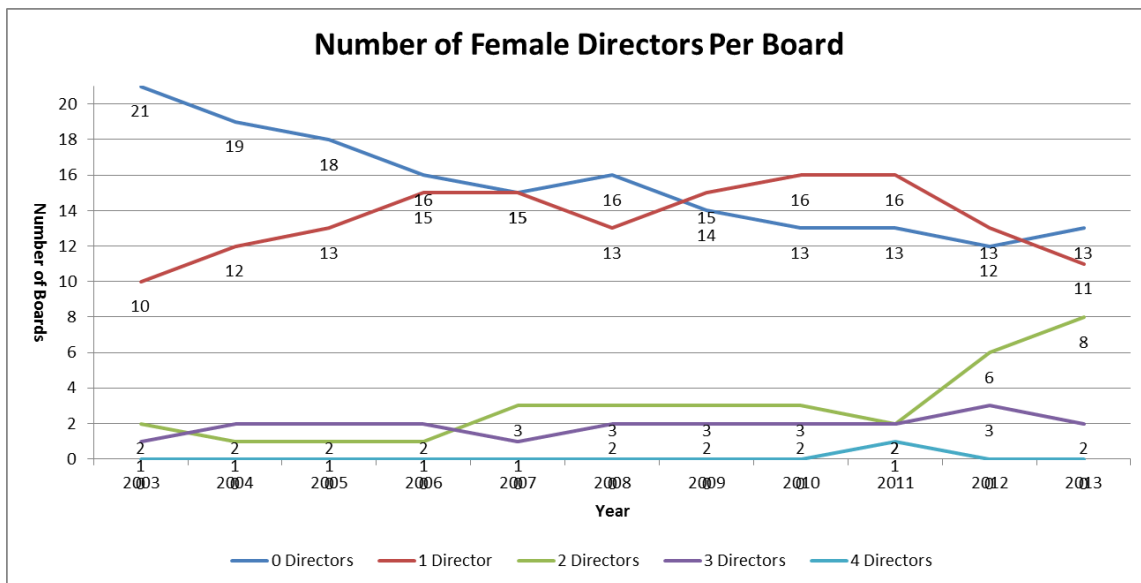
b. Is There Any Correlation Between Market Capitalization And Board Gender Diversity?

Market Capitalization Regression Analysis:

The 2013 Market Capitalization for each of the sample companies was logged and then analyzed using Regression Analysis to test the correlation between Market Capitalization and the number of female directors.

a. Market Capitalization vs. Average Percentage of Female Directors 2003-2013

From the regression analysis the Significance F value tells us that the model is not significant in explaining the variation in the average number of female directors, with a value of more than 0.05. The R square value tells us that the model explains only 2% of the variation in the percentage of female directors. The p-value is more than 0.05 so there is little evidence to suggest a correlation between Market Capitalization and the Average Percentage of Female Directors on each of the boards between 2003 and 2013.

SUMMARY OUTPUT   Average Percentage of Female Board Members 2003-2013

Regression Statistics	
Multiple R	0.143365143
R Square	0.020553564
Adjusted R Square	-0.010054137
Standard Error	1575584017
Observations	34

ANOVA

	df	SS	MS	F	Significance F
Regression	1	1.66702E+18	1.66702E+18	0.671516103	0.418585271
Residual	32	7.94389E+19	2.48246E+18		
Total	33	8.11059E+19			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Capitalisation	1364378220	388470097	3.512183384	0.001347547	573090526.5	2155665913	573090526.5	2155665913
Average Percentage	2050961526	2502818161	0.819460861	0.418585271	-3047112239	7149035291	-3047112239	7149035291

b. Market Capitalization vs. Percentage of Female Directors in 2013

Market Capitalization was then analyzed against the percentage of female board members in 2013, the final year of the analysis. The Significance F Value tells us that the model is not significant in explaining the variation in number of female directors, with a value of more than 0.05. The R square value tells us that the model explains less than 2% of the variation in female directors. The p-value is more than 0.05 so there is little evidence to suggest a correlation between Market Capitalization and the Percentage of Female Directors on Boards in 2013.

SUMMARY OUTPUT   Percentage of Board Filled by Female Directors in 2013

Regression Statistics	
Multiple R	0.133745038
R Square	0.017887735
Adjusted R Square	-0.012803273
Standard Error	1577726749
Observations	34

ANOVA

	df	SS	MS	F	Significance F
Regression	1	1.4508E+18	1.4508E+18	0.582833087	0.450796161
Residual	32	7.96551E+19	2.48922E+18		
Total	33	8.11059E+19			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	1363912820	404135878.8	3.374886743	0.001949491	540714972.9	2187110667	540714972.9	2187110667
Percentage	1611199980	2110461085	0.763435058	0.450796161	-2687668574	5910068535	-2687668574	5910068535

c. Is There Any Correlation Between Board Size And Board Gender Diversity?

The Average Total Number of Directors was then analyzed against the Average Number of Female Directors between 2003 and 2013. The Significance F value of less than 0.05 tells us that the model is significant in explaining the variation in number of female directors, and certainly more significant than Market Capitalisation. The R square value tells us that the model explains almost 20% of the variation in female directors. The p-value is less than 0.05 so there is some evidence to suggest a correlation between Total Number of Directors and the number of Female Directors through the sample period however the correlation not strong.

SUMMARY OUTPUT Size of Board

Regression Statistics	
Multiple R	0.425815571
R Square	0.1813189
Adjusted R Square	0.155735116
Standard Error	1.280099876
Observations	34

ANOVA

	df	SS	MS	F	Significance F
Regression	1	11.61357693	11.61357693	7.087258773	0.012044073
Residual	32	52.43698214	1.638655692		
Total	33	64.05055907			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	5.761772984	0.309416655	18.62140547	9.83111E-19	5.131511884	6.392034085	5.131511884	6.392034085
Female Directors	0.769847177	0.289178084	2.662190597	0.012044073	0.180810695	1.358883659	0.180810695	1.358883659

d. What Patterns Are Associated With The Changing Gender Profile On The Sample Boards?

In addition to the quantitative analysis of directorship changes, the nature of director replacement has been recorded. There were four director change scenarios identified:

1. On the retirement of any existing male director, was a male or female director appointed to the vacant role?
2. On the retirement of any existing female director, was a male or female director appointed to the vacant role?
3. When a new board position was added, was the new appointment male or female?
4. In the case of a director retiring and not being replaced, what was the incidence with respect to female retirements compared to male retirements?

These scenarios resulted in eight different possible outcomes:

1. Retirement of **male** director, replaced by **male**
2. Retirement of **male** director, replaced by **female**
3. Retirement of **female** director, replaced by **female**
4. Retirement of **female** director, replaced by **male**
5. New position added, filled by **female**
6. New position added, filled by **male**
7. **Female** director retired, not replaced
8. **Male** director retired, not replaced

Findings:

While there does not appear to be any pattern to the nature and frequency of changes in board size or gender composition, the data shows that in 215 incidences of a change to the director slate, vacancies were filled by females on only 34 (7%) occasions. Of the 73 new board roles that were created during the sample time period, 77% were filled by males. Of the 142 retirements of various types, 51% of these vacancies were filled by males, 37% were not filled at all, and only 12% were filled by females.

When female directors retired and were replaced, they were replaced by another female on only 67% of the occasions.

SCENARIO	Number	Percentage of Total	Total	Percentage of Scenario
New Position Created:			73	
New position filled by male	56	26%		77%
New position filled by female	17	8%		23%
Male Retirement:			77	
Male retirement replaced by male	68	32%		88%
Male retirement replaced by female	9	4%		12%
Female Retirement:			12	
Female retirement replaced by male	4	2%		33%
Female retirement replaced by female	8	4%		67%
Retirement Not Replaced:			53	
Female retirement not replaced	4	2%		8%
Male retirement not replaced	49	23%		92%
	215	100%		

Of all Female Retirements, 25% were not replaced, 50% were replaced by another Female, and 25% were replaced by a Male. This contrasts with Male retirements where 39% were not replaced, only 7% were filled by a Female, and the remaining 54% were replaced by another Male.

Female Retirements	Not replaced	Filled by Females	Filled by Males
16	4	8	4
	25%	50%	25%
Male Retirements	**Not replaced**	**Filled by Females**	**Filled by Males**
126	49	9	68
	39%	7%	54%

e. What Are The Statistics on Supply of Ready, Willing and Able Women?

Institute of Director Membership Statistics

Total Membership: 6239

Total Females: 1498

IOD Membership by Year		
Year	Female	Male
2005	17.90%	82.10%
2006	18.70%	81.30%
2007	19.00%	81.00%
2008	19.20%	80.80%
2009	20.10%	79.90%
2010	20.90%	79.10%
2011	22.10%	77.90%
2012	23.20%	76.80%
2013	24.60%	75.40%

Springboard

Total Membership: 2730

Total Females: 1228

Springboard Membership		
Year	Female	Male
2013	45.00%	55.00%

6. Discussion and Conclusions

The data provided by the research is both encouraging and concerning – encouraging because it appears that gender diversity on New Zealand Stock Exchange Boards is slowly improving, but concerning in that in 2013, only 62% of sample companies have female directors on their board leaving 38% of the sample companies without the representation of the female population, the mothers, the main household shoppers, 50% of the commercial talent and decision makers in New Zealand.

Overall findings from the literature suggest that tokenism should be avoided – the drive for diversity will be set back should a person who does not have the skill set required for the position be selected to address a gender imbalance. However, with respect to gender diversity on New Zealand boards, it is simply not credible to claim that there are only enough sufficiently talented female executives who are ready, willing and able to take up governance roles in just 62% of NZX listed companies. Research has shown that performance of a board and organisation improves once a 'critical mass' at least three women or 30% of board roles being held by women was achieved, noting that no significant difference in company performance is observed below this threshold (McKinsey & Co 2008, Barsh, Yee 2011, The Human Rights Commission 2012). Research holds that a single 'token' female voice would struggle to be heard or to compete with boardroom politics, but that the contribution of female board members is given a higher level of consideration once the 30% mark was achieved. With these findings in mind, to have almost 40% of New Zealand Stock Exchange companies remaining without even one female director, despite the regular opportunities that arise to consider the placement a female director, is not acceptable. Only three of the 34 sample boards (9%) achieve the recommended 30% threshold, with only 35% of the sample boards achieving one quarter or more of the board being composed of female directors. With an average board size of 6.5 members, the immediate target should be at least two female directors per board.

The trends are heading in the right direction, and appear to be in line with international trends although significantly behind those countries where quotas have been legislated. The pace of change however is sluggish at best, with the Human Rights Commission predicting it will take another 34 years to achieve balanced boards at the current rate of change (The Human Rights Commission 2012). Based on the findings of this research, at the current rate of change it will take another 21 years simply to reach the 30% representation mark.

Answering the Demand Side Question

The literature pointed to 'no room at the top' being one of the demand side issues that prevents the ascent of more women to governance roles and proposed mandatory retirement ages, limits to length of board tenure, and/or the interim creation of additional director positions as solutions. The findings of this research suggests that there are ample opportunities in New Zealand for women to be appointed to boards but that newly created vacancies are more often than not filled again by another male, with women being appointed to vacant roles in only 7% of the occasions during the 11 year period of the research. The literature also suggests that creating new director positions could be utilised as a way of making space for the addition of female board members. Research into the patterns in the sample companies shows that this potential is not being exploited in New Zealand, with only 23% of the newly created roles being filled by women. With respect to mandatory retirement as a way of creating space for women to participate, in this research, only 12% of retirements were filled by females. Further, on the retirement of female directors, they were replaced by another female on only 50% of occasions.

From 1 December 2012 onwards, NZX listed companies with annual reports covering balance dates ending on or after 31 December 2012 have been required to provide an account of the gender composition of their Boards of Directors and Officers, and in addition, an evaluation of their performance with respect to any formal diversity policy they publish. Further, annual reports must ensure that trends in diversity are apparent from year to year. The NZX intends to monitor annual reports in order to build a database of different approaches to diversity over time, in order to assist in the writing of any future diversity rule changes.

This is a positive move from the NZX, but based on the research into the patterns of change when vacancies do arise on boards, lack of space at the top is clearly not the only issue in New Zealand. Perhaps a part way measure, rather than quotas, would be to adopt the German direction of requiring directorships to remain vacant until such time that an appropriately skilled and experienced female director can be identified and appointed to the role.

Answering the Supply Side Question

There is a significant commitment to addressing the gender imbalance on boards, being driven by the New Zealand Stock Exchange, the Institute of Directors, Global Women, Sport New Zealand and Springboard, the 25% Club, among others, to broaden and deepen the pipeline of board-ready women such that lack of supply cannot be the justification for ongoing imbalance at governance level.

In 2012, the NZX100 reported 90 female directorships or 14% of a total of 610 directors across those 100 company boards, although multiple directorships may be held by a single male or female director. Although we cannot accurately extrapolate this 14% finding to all boards necessarily, we could hypothesize that as almost 25% of the IOD members are women, and

hypothesize that they are as 'ready, willing and able' to fulfill board duties as the male IOD members, then it is possible that up to 25% of all New Zealand directorships could be held by women right now.

Since 2011, the Institute of Directors has been supporting the Mentoring for Diversity programme, aimed at bringing through high potential emerging female director candidates. Running for three years now, the number of sufficiently skilled and committed female director applicants has fallen, with 30 mentees selected in 2012, 27 selected in 2013, and 21 selected in 2013, although the number of female IOD members is climbing each year. Membership of the IOD is not sufficient in and of itself however. The critical matter is to ensure that those members are undertaking the appropriate educational and experiential activity to position themselves for governance roles.

Sport New Zealand offers a similar programme for its Women in Sports Network group, along with Study Scholarships for women with governance aspirations. These programmes are actively supported and promoted by Springboard, an organisation dedicated to increasing the broader diversity of governance boards, particularly in terms of age and gender. Diversity NZ Inc. was recently launched to work with medium-large businesses to identify and develop strategies and resources to assist broader cultural change in New Zealand business leadership.

The Institute of Directors has over 6239 members, 24% (1497) of whom are women. Springboard has a total membership 2730, with 45% (1228) of them being women. We are not able to identify the number of unique individuals who are putting themselves forward for board roles, but as the Springboard membership is limited to those under 45 years of age, one has reason to hope that the early pipeline is filling steadily. We cannot assume that those female Springboard and Institute of Director women are any more or less capable, competent or suitable for the available roles than the men, and on that basis could conclude that a target of at least 20% of board roles being filled by women at this point in time is not an unrealistic expectation.

Given the predominance of SMEs and NFPs in New Zealand one solution to filling the pipeline with board ready women would be to utilize those SMEs and NFPs more formally to create a 'nursery' in which aspiring commercial directors can increase their governance skill base, and importantly their confidence.

Implications for the Business Community

A business culture that is inclusive of diversity is one in which an employee can align their own values and objectives with those their employer in a way that contributes to its success while being their true, authentic self. The organisation respects and successfully leverages their capabilities, and values the employee for their contribution to the business. An inclusive workplace is "one where all who come with the professional skills sufficient to perform the requirements of the job feel welcome, supported and rewarded, and are inspired to succeed based on their abilities." Brad Wilson, CEO Blue Cross (Groysberg, Connolly 2013). However, it is a natural inclination for networks to 'self-perpetuate' and the characteristics of a board will similarly be perpetuated by the tendency to recruit 'like-minded' newcomers. The question then is how the business community, and indeed the individual, can take responsibility for improving the pipeline, the appointment, and the success of women on governance boards:

Corporate Responsibility

In the report *Good Intentions, Imperfect Execution? Women Get Fewer of the "Hot Jobs" Needed to Advance* (Beninger, Carter et al. 2012) Catalyst found that companies may be developing men towards leadership and governance positions in a more strategic manner than the way they are investing in women. Specifically the research found "that women get fewer of the highly visible projects, mission-critical roles, and international experiences that lead to career advancement (which) begs the question of whether or not there will be an ample supply of board-ready women when companies need them in the future."

Driving the C-suite Pipeline: With the C-suite being a vital feeder to the improvement of female participation at the governance level, the following measures should be considered by companies wishing to strategically manage their female talent pool:

1. Track the metrics of inclusion and diversity – what gets measured, gets managed:
   Include diversity measures in the employee engagement surveys, testing whether people feel they are fairly treated, irrespective of gender, ethnicity or background.
2. Build diversity KPIs into management performance targets:
   Ensure that each executive and manager feels personally responsible for the inclusiveness and diversity of their team. Allocate a portion of financial incentives against targets which drive towards the diversity goal. If people are not demonstrably committed to building diverse organisations, manage them out of the business.
3. Embrace flexible working arrangements within the culture of the organisation:
   People working with flexible work arrangements cannot be judged to be contributing less than those on more structured hours. Flexibility must be available to all employees where possible, and must be modelled from the top down, proving that families are important, and that those

with families can contribute just as effectively as those without family demands, or with different support structures in place.

4. Pursue a diverse recruitment slate at every level:
Ensure that recruitment activity provides a balanced gender mix of appropriately skilled candidates to choose from, from entry level through to governance. Track the recruitment and retention rate in each area of the business to ensure balance is being targeted. If the gap is significant, consider quotas to close the gap more quickly.

5. Invest in leadership education for women early in and throughout their careers:
Include internal and external training, and support it with exposure to senior executives in the business. Communicate leadership education as a fundamental platform for the business, not a side issue. Allow and encourage C-suite and high potential females to participate in outside governance roles. Ensure that the company policy on governance participation is well communicated to high potential women. Facilitate the interaction between female leaders and the organisations own board, to encourage a mutual learning opportunity which exposes the board to the talent with the organisation, and giving high potential females exposure to the existing governance team.
Include governance training as part of the personal development plan for high potential females. If such programmes already exist ensure that they are taken up by high potential female and male candidates at the same rate.

6. Put in place formal mentoring structures for high potential women:
Ensure that role models within the business are identified for emerging leaders to look to for inspiration and encouragement. Ensure high potential women have formal mentorship either from within the business, or from an external source.

7. Leading by example:
Formal Diversity Officer positions - where an organisation is large enough to have a permanent diversity manager in place, this role must be seen to be fully supported from the top of the organisation through every level. The role is tasked with institutionalizing the intent and the process of achieving an inclusive and diverse organisation.
Setting the tone at the top – the CEO must model the organisation's and their own personal commitment to the diversity vision, through being personally involved in the sponsorship of high potential women, and through active and visible participation in meetings and activities related to diversity.

Governance Community Responsibility

The drive by the Institute of Directors towards accreditation for active directors is certainly a step in the right direction in addressing the claim that there are insufficient competent females available to fill board roles. In addition to delivering the necessary theoretical governance training, the accreditation process will ensure there are objective measures by which to assess the availability and capability of the pipeline of female governance candidates.

The Institute of Directors along with SportNZ is also addressing the need for senior directors to step up into the role of mentor and sponsor to high potential and governance aspirant women. More senior directors need to take their position in supporting the drive for increasing women's participation in governance roles, in particular to assist in overcoming the inherently female character trait of lack of confidence, and the focus on the skills or experience that are 'missing' rather than focusing on the skill and experience they have to contribute at board level. In particular, experienced female directors are an important piece of the puzzle in reaching down to encourage the acceleration of more women into governance roles. Similarly it is vital that C-suite women reach down into middle management and graduate roles to help shape strong careers and confidence that position women for their next career step.

Workshops that bring aspiring and emerging directors together with senior and distinguished directors are an important tool for developing the practical knowledge and the confidence of those seeking to develop a governance career, as well as providing networking opportunities. The provision of networking events that are accessible and welcoming of a more diverse group of aspirants is a goal of the Institute of Directors and recently successful events of this nature have been held. Professional membership organisations such as the New Zealand Institute of Chartered Accountants and Institution of Professional Engineers New Zealand must also play a role in opening up the minds of their female members to the value they could add at governance level in future years, as the preparation the members put in in advance will position them well to take such an opportunity.

There is also a role to be undertaken in the marketing of governance as part of a future portfolio career, such that successful middle managers are encouraged to think about their future potential as a director earlier in their career. They can then work logically towards such a goal, through theoretical and practical skill development, through seeking diversity in their career development, and through a very deliberate methodology of managing their own career.

Individual Responsibility

It is clear through the research that women with aspirations for governance must take personal responsibility and work in a disciplined and determined manner in order to overcome the supply and demand hurdles that currently exist. Proactive action must be taken, including:

1. Developing a Strategic Career Plan

Actively searching for experience and skill development, through international assignments, cross-functional projects, and project leadership opportunities is a vital means of career development, rounding out specialist skill areas, and building a broader experience base. International assignments can be a positive experience for the whole family, and gives the aspiring director a global and multi-cultural perspective which is a strong addition to a governance CV. Attaining operational experience and positions with profit and loss responsibilities will greatly assist a woman's governance aspirations. Experience running their own company is valuable to the contribution to a board. Women must drive their own visibility by working on projects and committees that allow them to create a profile with top management and board members.

Networking actively and widely with people who are already in positions to which they aspire, and in sectors or companies in which they have an interest is important to driving their profile with relevant people and organisations.

The aspiring director must ensure that they have a CV which is designed specifically for applying for and attaining board roles. Emphasis should be placed on key responsibilities and role metrics, project leadership, further executive education, and any not-for-profit boards or organisations they are currently involved with.

Seeking positions on not-for-profit boards such as charities, sport sector or school boards will assist the aspiring director in achieving a board role. Getting the first board position is generally the hardest. Undertaking not-for-profit board roles gives the aspiring director valuable experience with board process and dynamics, demonstrates commitment to a governance career, and builds networks. People on not-for-profit boards are often well qualified business people and governors in the commercial space.

The emerging director must ensure her aspirations are clear to those who need to know, including family and firm. Women should ensure that the extent of their willingness to accept promotions and international assignments is clear to those that make such appointments. Women should take care to ensure that no assumptions can be about their ambitions or lack thereof. Her interest in moving into governance roles should be communicated to her network so that she is top of mind when opportunities do arise.

2. Challenging Gender-based Stereotyping

Women must take care to not allow gender-based stereotypes to negatively affect their salary, promotional opportunities or managerial approach. Gender norms are for women to be nurturing and accommodating, not assertive or aggressive. However, an unwillingness to stand their ground will negatively impact on that woman's promotional and developmental opportunities (Eagly, Johnson 1990, Eagly, Carli 2007).

3. Developing Resiliency

Getting the first board role will not necessarily be easy or quick, and the aspiring director needs to be resilient, and not take the knock-backs personally. After any unsuccessful application, the aspirant should seek feedback where possible on why they have not been successful. A mentor should be engaged to keep them focused, and to challenge the candidate on their presentation including both their CV and their interview technique. A mentor can also be very useful in helping the aspiring director to develop their networks.

4. Taking Responsibility for Continuous Education

Undertaking appropriate governance courses not only develops knowledge but signals full commitment to a governance pathway and builds networks. Staying current with governance issues is vital to fulfilling the obligations of a directorship, and the aspirant should be fully aware of the liabilities and responsibilities governance entrails. Continuous education includes also to executive level education, with a continuous refreshing of management theory and frameworks.

5. Finding a Mentor and Sponsors – and being clear on the difference

Mentors are generally expected to act as a sounding board giving support and guidance as required. They may support and guide their mentee but they will not necessarily put their own reputation on the line to help their mentee advance in their career. On the other hand, a sponsor is someone who believes in their protégé's potential so strongly that they will risk their own reputation to advocate for them. Sponsors will actively connecting their protégés to important networks and individuals, and support the strategic development of a career plan. With many board roles going un-advertised and the prevalence of 'shoulder-tapping' to minimize risk, the support of both mentors and sponsors is a major part of an aspiring director's tool-kit.

Conclusion:

Research into companies on the New Zealand Stock Exchange suggests that the trends for governance gender balance are heading in the right direction, albeit much more slowly than those countries that have quotas or strongly positioned reporting requirements. Opportunities to expedite the achievement of balanced boards in New Zealand are not being exploited, with only a tiny fraction of the vacancies over the last 11 years being filled with female directors. The participation in the Institute of Directors and the Springboard groups suggest there is an already significant and growing participation by women in the governance training and networking space, but at the current time, this is not translating into a matching participation at the board table at the same rate of growth.

Change must come from corporations, from governance support entities, and from the individual themselves, but in the face of such sluggish progress, New Zealand may well have to consider tougher measures.

Leadership by diversity champions is a softer but powerful way of raising the issues of gender imbalance and showing the way forward, a measure being promoted by the Australian Champions for Change through its case study publications. Diversity NZ Inc., a local initiative within the Global Women organisation, has many of New Zealand's biggest companies as signatories.

New Zealand may have to consider levers such as those being implemented in Germany which includes the assignment of 30% of its non-executive board seats to women beginning in 2016, the requirement for large companies to publish plans for taking more women into leadership roles, and forcing companies to leave director roles unfilled if they cannot find women to fill the position. Quotas are clearly successful in quickly addressing the gender imbalance at the governance level but remain mostly very unpopular as a lever.

Hidden at the bottom of the globe, with relatively few natural resources, and the distance to market as a major obstacle, New Zealand must take advantage of the resources of every capable and passionate business person on our organisations. Over 120 year since New Zealand women became the first in the world with the right to vote, we cannot afford to limit the our innovation, our strategy and our governance oversight to only half of the population. For NZ Inc. to prosper, Diverse NZ Inc. must also be successful in addressing the imbalance at the board table, at the C-suite level, and throughout our nation.

7. Limitations:

We cannot know for certain from the annual returns data whether directors truly retired, were exited based on performance, or whether a board position was disestablished to reduce the size (and potentially cost) of the board overall making replacement of either gender impossible. We also cannot know the reason for any given director leaving a board, and cannot make any inferences about the reasons a female or male may have been selected to a board, that is, whether the basis for appointment was to balance the board, or on a meritocratic basis driven by the requirement for the particular skills and experience of the director.

We cannot assess the competence and capability of the members of the Institute of Directors or Springboard group in order to estimate the true availability of ready, willing and able female directors. Similarly we cannot assess the competence and availability of the male members of those groups.

8. Directions For Future Research:

If one solution to filling the pipeline with board ready women is to create a 'nursery' within smaller companies, particularly given the predominance of SMEs and NFPs in New Zealand, then one direction for research is to identify structures that will assist New Zealand SMEs and NFPs with a search, selection, induction and up-skilling resource that is appropriate to the size of their business.   NFPs in particular tend to be abundantly supplied with female trustees and directors, so finding methodologies for increasing their skill base, and importantly their confidence, will assist in the supply side issues described in this report. It would be useful to understand whether diversity is even on the radar for smaller businesses or whether survival pushes this issue to the side. Are director appointments normally a result of 'trusted advisors' or friendships? Does the relative informality of small firms and organisations perpetuate this? Are smaller firms aware of the economic imperatives of diversity?

A further direction for future research would be to compare the ratio of **applicants** by gender for directorships, to the ratio of **appointments** by gender to see if there is in fact a correlation between the number of female applicants and the current rate of appointments. This would go some way to answering the claim that there is a supply side issue, or whether the issue truly is a matter of bias, unconscious or otherwise.

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