

# Gender agenda: Unlocking the power of diversity in the boardroom

An Insync Surveys study in conjunction with Gender Worx and Board Benchmarking



## Further information:

Insync Surveys

**Melbourne:** Level 7, 91 William Street, Melbourne VIC 3000

**Sydney:** Level 2, 110 Pacific Highway, North Sydney NSW 2060

[research@insyncsurveys.com.au](mailto:research@insyncsurveys.com.au)

Phone: +61 3 9909 9222

Phone: +61 2 8081 2000

[www.insyncsurveys.com.au](http://www.insyncsurveys.com.au)

# Contents

Executive summary.....	3
About the sample.....	4
Statistical techniques used.....	4
Characteristics of gender diverse and male dominated boards.....	5
Key finding 1: Gender diverse boards add greater decision making value .....	6
Key finding 2: Greater esteem for chairs of gender diverse boards.....	8
Key finding 3: Greater integrity of directors on gender diverse boards.....	12
Key finding 4: Lower satisfaction with the connection between remuneration and outcomes on gender diverse boards .....	13
Key finding 5: Gender diverse boards require greater clarity of roles and responsibilities .....	16
Conclusion.....	18
References.....	19
About Insync Surveys.....	20
About Gender Worx.....	20
About Board Benchmarking.....	20

**Authors:** Nicholas Barnett, Karen Morley PhD, Hannah Piterman PhD.

## Copyright warning

The survey statements included herein and the contents of this report are strictly subject to copyright. They must not be copied or used, either wholly or in part, without the express written permission of Insync Surveys and Board Benchmarking.

## Executive summary

This is the sixth study in a series on the effectiveness of boards in Australia and New Zealand. It focuses on the impact of gender diversity on board effectiveness based on the views of 849 directors who serve on 105 boards.

This study determined that male dominated boards and gender diverse boards (boards comprising at least 33% women) are meaningfully different in a number of important respects. Analysis showed that the men and women on the gender diverse boards thought similarly and that men on gender diverse boards thought differently from men on male dominated boards. That is, the reason for the meaningful difference in the way that gender diverse boards perceived matters was not as a result of women on those boards perceiving matters differently to their male counterparts.

There have been a number of studies over recent years that have concluded that organisations with gender diverse boards have a higher level of organisational effectiveness and financial performance than more male dominated boards. Two such studies include Catalyst's 2004 report, *The Bottom Line: Corporate Performance and Women's Representation of Boards* and Campbell and Minguez-Vera's (2008) study, *Gender Diversity in the Boardroom and Firm Financial Performance*.

In *A Business Case for Women* (2008), the writers argue that a higher proportion of women in senior management positions leads to greater financial performance. In Canada, boards that were all male in 1995 ranked an average of 17<sup>th</sup> in their industry five years later, while companies with two or more women were ranked an average of 10<sup>th</sup>. When ranked according to revenue, all-male boards were ranked a low 40<sup>th</sup> while boards with two or more women were ranked an average of 17<sup>th</sup> in their industry groups (Brown, Brown & Anastasopoulos 2002).

This report supports that global research, but goes further to identify the main areas in which gender diverse boards perceive matters differently to male dominated boards. It adds to recently emerging research that examines the link between the increased presence of women and better organisational outcomes, focusing specifically on the different dynamics that characterise gender diverse boards.

In summary, our research shows that board members on gender diverse boards believe that they:

- add more organisation value through the quality of their decision making
- have chairs that are more effective in several ways (a better manager of boardroom dynamics, greater personal integrity and a more effective leadership style and decision making process)
- have directors who act with greater integrity
- are more vigilant about the connection between management's remuneration packages and performance, and
- require better documentation of roles and responsibilities.

Gender diverse boards show greater evidence of a diversity of thought and perspective and at the same time, greater unity and collegiality. Unity is a fundamental strength of an active and independent board and implies a focus on the importance of the board as a whole, active support by all directors for decisions made, an atmosphere of trust, respect and confidence amongst members and a combination of internal dissent and external solidarity (Brown, Brown & Anastasopoulos 2002).

Paradoxically, homogeneous boards that think the same have a lower level of unity. Unity that is achieved from different thoughts and perspectives provided by a diverse, heterogeneous, non-dominant group is largely where the added value is derived.

## About the sample

This study is based on the views of 849 directors who serve on 105 Australian and New Zealand boards. They all responded to 120 best practice survey statements developed by Board Benchmarking. The boards included represent a broad cross section of organisations, including around 20% ASX organisations (including in the top 10), private companies, associations, not-for-profits and government entities.


The data were gathered between January 2006 and August 2010. The majority of directors in the research sample are males and non-executive directors (NEDs), with the largest age group in the 55-64 year age bracket. The sample is almost evenly split between organisations with a profit versus a not-for-profit motive.

Representation of women on each board ranged from 0 to 66.7%, with an overall average of 22.8%.


The 105 organisations were divided into quartiles based on the gender diversity of their boards. Gender diverse boards are those 25 boards in the top quartile with at least one third of their members being women; ten of the boards had 50% or more women members. The male dominated boards are the 25 bottom quartile boards with the lowest representation of female directors. Twenty of these boards had no females and the remaining five had one female member.

The nature of the gender diverse boards and the male dominated boards is shown on the next page.


This study highlights the differences in the responses to survey statements by the top and bottom quartile boards. Survey statements were responded to on a seven point scale where “1” represents strongly disagree and “7” represents strongly agree. For the purpose of this report, the seven rating options were aggregated under the titles of “disagree”, “neutral” and “agree” as follows:

Disagree = 

Strongly disagree (1)  
Disagree (2)

Neutral = 

Slightly disagree (3)  
Neither agree nor disagree (4)  
Slightly agree (5)

Agree = 

Agree (6)  
Strongly agree (7)

## Statistical techniques used

The statistical technique used to examine the data was a one-way Analysis of Covariance (ANCOVA). The use of ANCOVA allowed for a specific examination of whether the difference in responses was based on gender diversity while controlling for the influence of other factors such as organisation type.

This report presents only the 10 (of 120) survey statements where we can be more than 90% confident that the reason for the difference in the views of the gender diverse and the male dominated boards (a statistically significant difference) is as a result of gender diversity while controlling for the influence of other factors such as director age, director experience, director tenure or organisation type (i.e., profit, not-for-profit or government).

Most of the male dominated boards in our sample are “profit” based and most of the gender diverse boards are not-for-profits (refer page 5). The results of the ANCOVA analysis showed that organisation type, whilst controlling for other factors, did not account for a significant amount of variation in the perceptions of the statements examined, except for the 10<sup>th</sup> survey statement (see figure 10).

# Characteristics of gender diverse and male dominated boards

## Gender diverse boards

Total: 216 respondents (across 25 boards)

Gender		
Female	102	47%
Male	114	53%

Director age		
Less than 45	30	14%
45-54	72	33%
55-64	84	39%
Over 64	27	13%
Unspecified	3	1%

Director tenure		
Less than 2 yrs	50	23%
2-5 years	102	47%
Over 5 years	58	27%
Unspecified	6	3%

Director experience		
Less than 5 yrs	52	24%
5-9 years	70	32%
Over 9 years	88	41%
Unspecified	6	3%

Organisation type		
Profit	22	10%
Not-for-profit	119	55%
Government	75	35%

## Male dominated boards

Total: 187 respondents (across 25 boards)

Gender		
Female	7	4%
Male	180	96%

Director age		
Less than 45	17	9%
45-54	54	29%
55-64	83	44%
Over 64	29	16%
Unspecified	4	2%

Director tenure		
Less than 2 yrs	26	14%
2-5 years	82	44%
Over 5 years	70	37%
Unspecified	9	5%

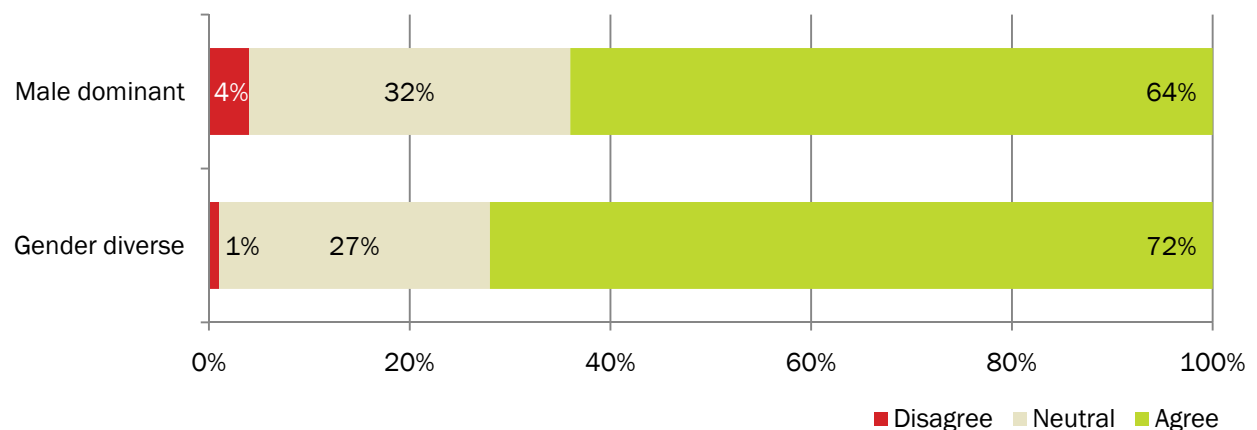
Director experience		
Less than 5 yrs	30	16%
5-9 years	54	29%
Over 9 years	92	49%
Unspecified	11	6%

Organisation type		
Profit	120	64%
Not-for-profit	47	25%
Government	20	11%

## Key finding 1: Gender diverse boards add greater decision making value

Gender diverse board members perceive that they add more organisational value through the quality of their decision making. The main reasons seem to be their fresh thinking, different styles of contribution and personal capabilities that build unity.

Figure 1: Response to survey statement “Our board adds organisational value through the quality of our decision making”.



Gender diverse boards perceive that they add more organisational value through the quality of their decision making. The reason for the difference in perception between gender diverse and male dominated boards is not a result of women perceiving matters differently from men. Men *and* women on gender diverse boards have a similar view and their view differs from that of men on male dominated boards.

The main reasons that gender diverse boards have been shown to add more organisational value than male dominated boards include:

- Fresh thinking and a wider debate
- Increased focus on problem solving
- More productive discussions and greater unity
- Increased conscientiousness
- Greater self-reflexivity
- Women’s interpersonal skills improve board dynamics.

Boards that are not diverse tend not to be aware of the degree of similarity in how they think. They are also less likely to express dissenting views. Women’s different experiences and perspectives provide a new voice and contribute to fresh thinking in decision making enabling wider debate of the merits of various courses of action (Terjesen, Sealy & Singh 2009).

A number of research studies have identified women board members’ greater propensity to raise the tough issues. In addition, in one study they identified their engagement of the board in creating solutions to tough problems as their greatest contribution. In part, women attributed their ability to engage their boards in this

way to their years of experience working through problems and issues in masculine organisational cultures (McInerney-Lacombe, Biliamoria & Salipante 2008).

Women are particularly valued for their focus on productive discussion (Neilsen & Huse 2010). The presence of women on the board changes the functioning and style of deliberation in clear and consistent ways most particularly by being an enabler of board unity. Board unity is a core element of good governance (Brown, Brown & Anastasopoulos 2002).

A number of studies have identified women's approach to their board work being more conscientious than that of men (Adams & Ferreira 2008, EOWA 2008). Women have better board attendance records than men, and men on gender diverse boards have a better attendance record than men on male-only boards. Women prepare more thoroughly for board meetings, another factor that may lead to better decision making (Adams & Ferreira 2008). In Australia, women NEDs were seen as highly conscientious and more professional in their approach than men; they sought out additional information about the company, participated in site visits, were punctual, and unlike their male colleagues, were diligent in reading their board papers, ensuring that they attended meetings well-informed (EOWA 2008). While attendance itself does not guarantee better decision making, it is one way in which directors are informed, which is an important component in effective decision making.

Boards with higher proportions of women are more likely to introduce board evaluations, develop clearer board instructions and institute development programs (Neilsen & Huse 2010). These processes increase the level of self-reflexivity in the boardroom.

Women's interpersonal capabilities are also a key contributor to better board dynamics. Good boards are collegial and collaborative and work toward consensus. Each board member adapts their style responsively to the group. Women's presence is associated with a lower level of conflict and with a higher level of creativity (Neilsen & Huse 2010).

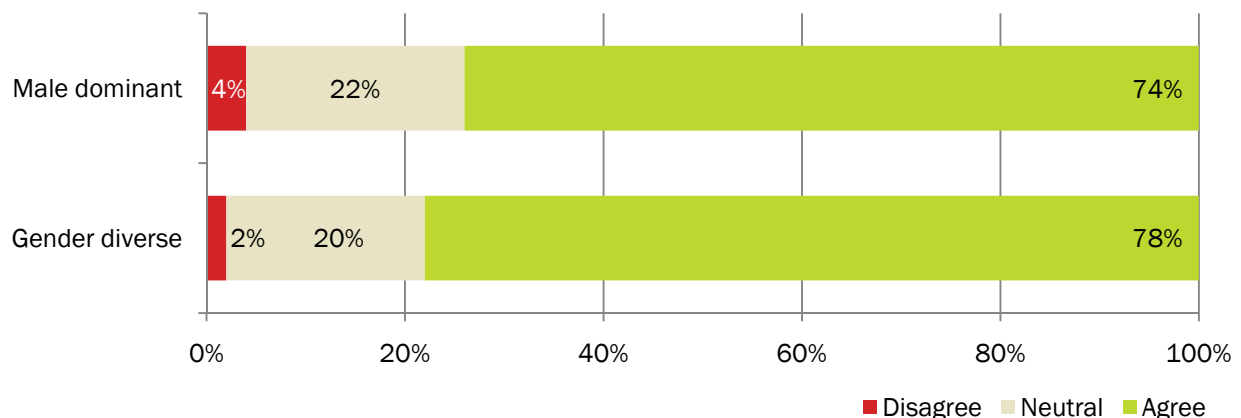
Women on boards develop good relationships with each other and are admiring of other women directors (Konrad, Kramer & Erkut 2009). Long-standing, close relationships amongst female board members, a characteristic noted by Australian female board members, contribute greater social capital to the boardroom and lead to increased unity (Sheridan 2001). These capabilities serve the board's internal workings. In addition, boards with three or more women are more likely to ensure effective communication externally with stakeholders (Konrad, Kramer & Erkut 2009).

Both men and women on gender diverse boards attribute greater value to the quality of their decision making than do members of male dominated boards. In exploring global board research to make sense of our findings, we have identified a number of factors that have explanatory value: it seems that particular characteristics of women impact the behavioural interactions of all board members, contributing to their perception of adding greater value through the quality of their board's decision making.

## Key finding 2: Greater esteem for chairs of gender diverse boards

Our research finds that there is a noticeable association between gender diverse boards and the level of esteem in which the chair is held. Gender diverse board members hold their chair in higher esteem than those from male dominated boards. Members of diverse boards are more likely to regard their chair as a better manager of boardroom dynamics, as demonstrating greater personal integrity, having a more effective leadership style and conducting a more effective decision making process.

Figure 2: Response to survey statement “Our board chair builds healthy boardroom dynamics”.



Members from gender diverse boards are more likely than those from male dominated boards to agree that their board chair generates healthy boardroom dynamics.

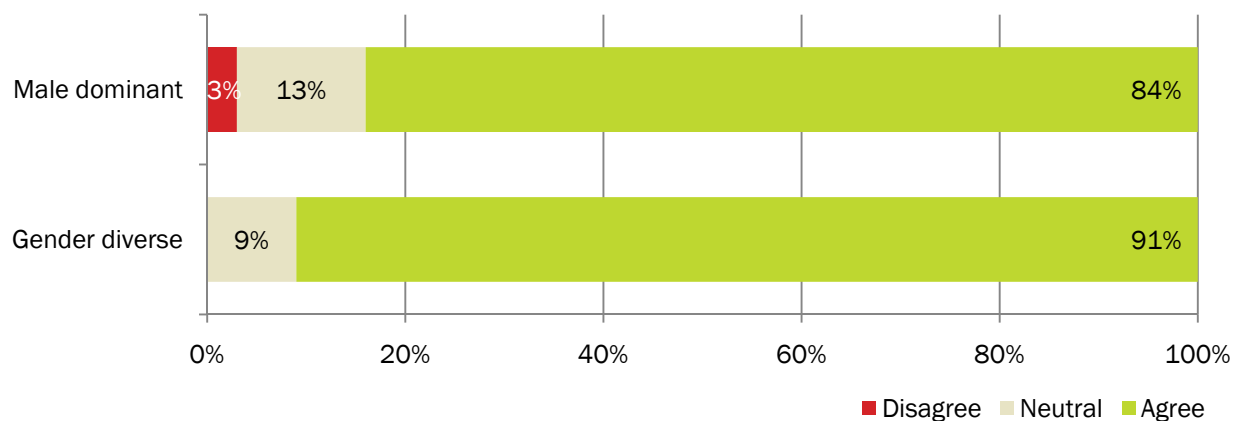
While the chair is ‘first among equals’ on a board, his or her guidance in the boardroom has a significant impact on the overall dynamics. It is our proposition that the role of the chair in managing boardroom dynamics becomes easier where there are a number of women who contribute positively to the dynamics.

Several research studies point to the different behaviour that characterises a boardroom that comprises women as opposed to one without. In particular, behaviour is more civilised and there is greater openness to the perspectives of others (Terjesen, Sealy & Singh 2009). Male directors say that they temper their behaviour when women are present in the boardroom, using more polite language, being more civilised and moderating their aggression. Men’s tendency towards highly political behaviour is also tempered in the presence of female board colleagues. These dynamics, more characteristic of gender diverse boards, and orchestrated by a high performing chair, lead to more effective performance and better governance (Terjesen, Singh & Sealy 2009).

Gender diversity is an enabler and essential precursor to board unity, an accepted essential element of good governance, and a core contributor to any effective team. Board unity or solidarity means that the board acts as one, there is an atmosphere of mutual trust, respect and confidence, and dissent is promoted within the boardroom (Brown, Brown & Anastasopoulos 2002).

According to UK research the best chairs spend significant time mentoring, developing and advising their colleagues and are empathic team builders. They achieve consensus by encouraging contributions and challenging and probing fellow directors. They have an acute critical faculty and a critical thinking ability (Dulewicz, Gay & Taylor 2006). Good chairs maximise the benefits of a diverse board.

Figure 3: Response to survey statement “Our board chair has a high level of personal integrity”.



Almost all gender diverse board members agree that a high level of personal integrity characterises their chair, and none disagree. Eighty-four percent of male dominated board members likewise agree. While this is a high percentage, it is significantly lower than gender diverse boards.

The key findings of a detailed UK study of NEDs found that outstanding chairs had a high level of integrity, showed high ethical standards in their own behaviour, as well as provided the lead on corporate governance matters. They promoted investor confidence and ensured high returns to investors (Dulewicz, Gay & Taylor 2006).

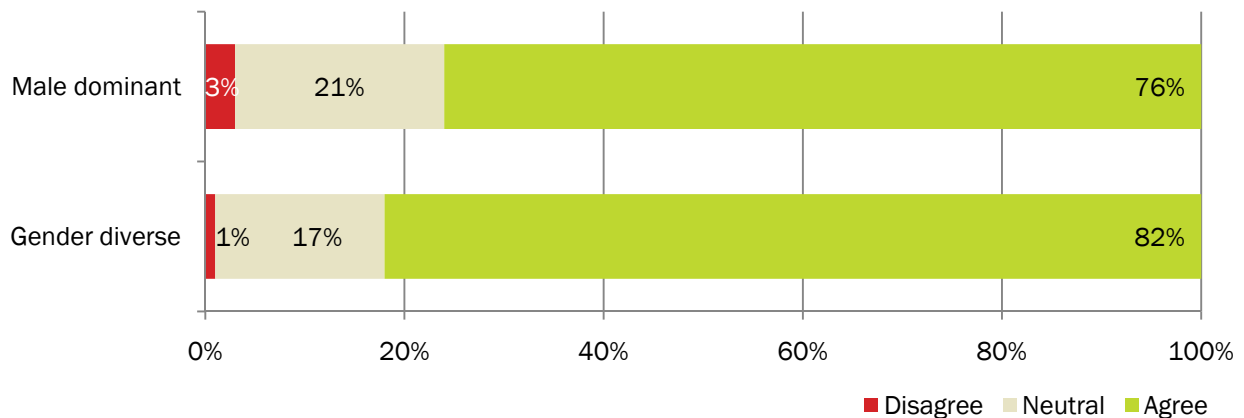
Do board chairs with a higher emphasis on integrity select more women, or are more women directors attracted to chairs who display a higher level of integrity? Does the presence of women, who place a higher emphasis on a range of integrity and accountability tools, increase the chair's commitment to processes that support integrity?

Global research provides some clues to understanding personal integrity and why board chairs from boards with a higher representation of women might be seen as having greater integrity. Boards with more women are more likely to:

- enforce conflict of interest guidelines (94% versus 68%)
- ensure a code of conduct for the organisation (86% versus 66%)
- have higher levels of board accountability with formal limits to authority
- conduct formal board appraisals (72% of gender diverse boards versus 49% of all-male boards)
- ensure formal induction programs, and
- increase transparency by placing more emphasis on using search firms rather than relying on the old boys' network to recruit new members (Brown, Brown & Anastasopoulos 2002).

Our proposition is that chairs with greater integrity, and women who contribute a particular emphasis on integrity, are correlated. Whether women are selected or self-select for boards led by chairs who have greater integrity, or whether chairs with greater integrity recruit, support and enable diversity thereby maximising the particular value women place on integrity, awaits further research.

Figure 4: Response to survey statement “Our board chair has an effective personal leadership style”.



Eighty-two percent of gender diverse board members consider their chair has an effective leadership style compared with 76% of male dominated board members. One quarter of male dominated board members are neutral or disagree that their chair has an effective leadership style, a concerning finding.

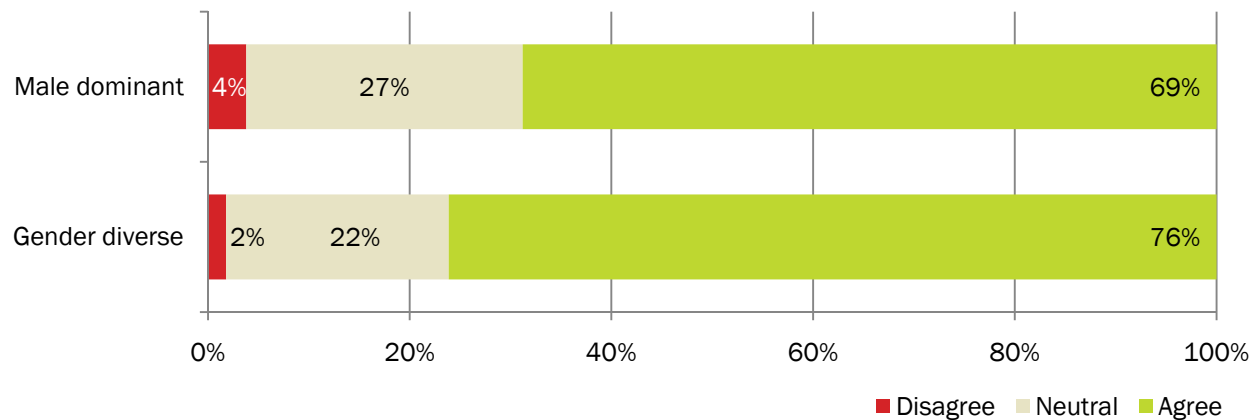
Do board chairs who have effective leadership styles attract/seek more diverse talent? Are they better at leadership because they believe in the contribution of women and do more to harness female talent? Does the more relationally oriented style of women as board members contribute a more positive atmosphere to board interactions and thus create a halo effect for the chair?

Women's interpersonal skills and more collaborative style have an impact on board processes. Women manage conversations to ensure continued diligence and constructive dissent. They are more likely to listen patiently to others, to consider others' points of view and to help the group identify mutually satisfactory outcomes on contentious issues (Konrad, Kramer & Erkut 2009).

Rather than women's greater interpersonal focus making them 'soft' contributors, women have been identified as much more likely to ask questions leading to greater understanding of issues by all board members. Two or more women on a board moves the board dynamic from one of status to one of collaboration with richer discussion, increasing understanding of the business (Konrad, Kramer & Erkut 2009). US research suggests that diverse boards are more likely to raise tough issues and to ask tougher questions (Konrad, Kramer & Erkut 2009). As a board grows more homogenous, members stop asking the tough questions (Brown, Brown & Anastasopoulos 2002). Diversity helps manage the risk of over-familiarity and 'group-think'.

Australian women NEDs consider that a 'courageous' chair is required to be able to identify the skills and abilities of candidates from less well-known groups such as women (EOWA 2008). Perhaps this courage is a further demonstration of the more effective leadership style of those board chairs on gender diverse boards.

Figure 5: Response to survey statement “Our board chair conducts an effective decision making process”.



Over three quarters of directors of gender diverse boards agree that their board chair promotes effective decision making, while just over two thirds of directors from male dominated boards do the same.

Different perspectives lead to better solutions and results. Board leadership, structures, development activities, culture and levels of openness mediate women's influence on board task performance (Huse 2008). Board chairs who respect diversity harness women's unique contributions. Women's backgrounds, personalities and behaviours (the deeper components of diversity) are appreciated for their difference and they are perceived as contributing unique value to the board (Terjesen, Sealy & Singh 2009).

Women are more likely to approximate the ideal of the independent director, highlighted in board theory and considered a contributor to better performance, because they are not part of the 'old boys network' (Adams & Ferreira 2008).

Boards with two or more women are much more likely than male dominated boards to raise a broader set of issues and performance requirements (Terjesen, Sealy & Singh 2009) and to take a longer term perspective (Konrad, Kramer & Erkut 2009). They are also more likely to utilise:

- non-financial performance measures, including customer and employee satisfaction, and diversity
- measures of innovation, and
- measures of social and community responsibility (Brown, Brown & Anastasopoulos 2002).

This demonstrates that women's presence broadens the scope of board discussion, shifting the focus from activities to results, from operations to strategy and from owners to stakeholders (Brown, Brown & Anastasopoulos 2002).

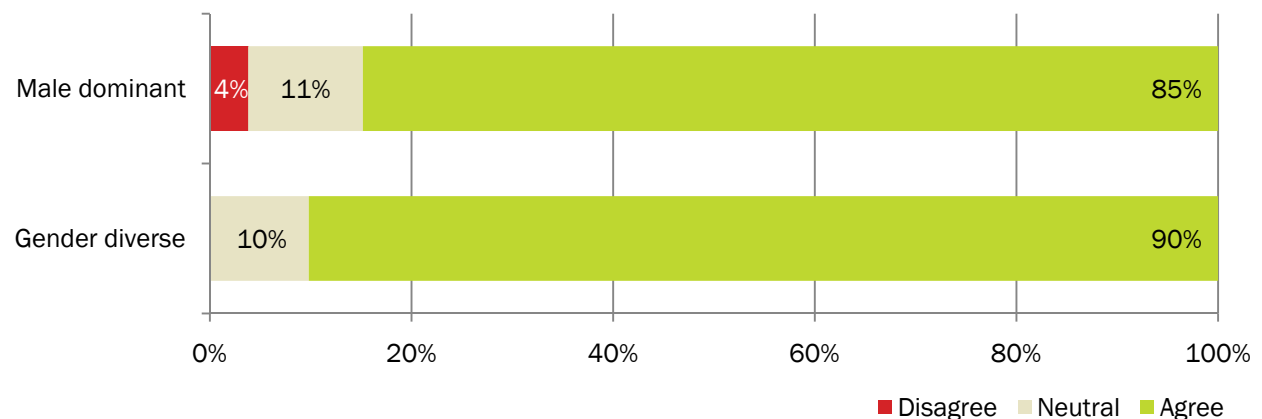
One of the benefits of diversity is that board members are less likely to presuppose the way fellow directors think. Rather, board members express their opinions more thoughtfully and with greater precision, and there is a greater freedom to express unconventional views (Konrad, Kramer & Erkut 2009). The enhanced capacity for board dialogue impacts on organisational results.

Good chairs harness the best ideas and options from a rich array of possibilities contributed from a diverse membership. Thorough discussion and analysis results from management of varied perspectives.

## Key finding 3: Greater integrity of directors on gender diverse boards

Directors of gender diverse boards perceive that their colleagues have a higher degree of integrity than male dominated boards. Any perceptions of a lack of integrity of one's colleagues will have a consequent detrimental impact on the board's effectiveness.

Figure 6: Response to survey statement “Our directors have a high level of integrity”.



Members of gender diverse boards perceive themselves as having a higher level of integrity than male dominated board members. The theme of the greater unity of gender diverse boards expressed throughout this paper is likely to contribute to those directors having a greater degree of trust for each other.

We stated on page 9 that global research has shown that boards with more women are more likely to:

- enforce conflict of interest guidelines (94% versus 68%)
- ensure a code of conduct for the organisation (86% versus 66%)
- have higher levels of board accountability with formal limits to authority, and
- increase transparency by placing more emphasis on using search firms rather than relying on the old boys' network to recruit new members (Brown, Brown & Anastasopoulos 2002).

Contributing to the increased integrity of gender diverse boards is the greater attention women pay to audit and risk oversight and control (Brown, Brown & Anastasopoulos 2002). Women are disproportionately more likely to sit on board monitoring committees (with the exception only of remuneration committees where they are less likely). Women monitor performance from a stricter frame of reference and place a stronger emphasis on accountability for performance, which may be why they are over-represented on most monitoring committees (Adams & Ferreira 2008).

Fortune 500 companies experienced a positive performance effect from gender diversity, through women's greater involvement in audit committees, controlling for industry, size of firm, board ownership and structure (Carter, D'Souza, Simpkins, & Simpson 2008). Committees are an avenue for increasing impact on board decisions and therefore board performance. The research showed causality, i.e., firms were more profitable when they had more women, not that profitable firms were more likely to select women. Women are not substitutes for other directors, but instead they make a unique, value-adding contribution to the board around integrity and accountability.

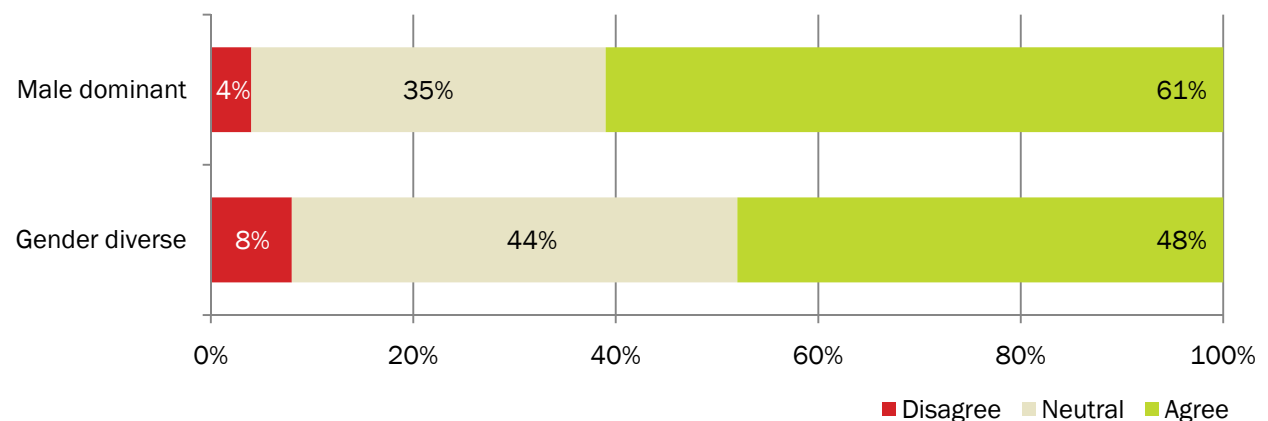
Alarming, Swedish research found that 20% of board members had criminal convictions, and that this applied similarly to Swedish companies listed in Sweden and the US: 85% of Swedish listed companies had at least one board member who had previously been convicted of a crime. Male board members were much more likely than female board members to have been convicted of a crime. As the number of board members with criminal convictions increased, profitability reduced and earnings' volatility increased (Amir, Kallunki & Nilsson 2010). A little less controversially, men's higher level of overconfidence in the financial arena is shown in research to be detrimental to company performance (Dezso & Ross 2007).

This key finding accords with our proposition regarding the integrity of board chairs previously discussed in key finding 2 (page 9).

## Key finding 4: Lower satisfaction with the connection between remuneration and outcomes on gender diverse boards

Gender diverse boards are more critical of the appropriateness of management remuneration and its alignment with performance and are more questioning of the effective use of remuneration to drive organisation strategy. While another way to read this data may be that male dominated boards do a better job at ensuring the remuneration packages are appropriate and linking management's remuneration to the successful implementation of strategy, this conclusion is not supported by the experience of the authors, the other findings of this report nor by the other global research set out below.

Figure 7: Response to survey statement "The remuneration packages of our management (other than our CEO) are appropriate".



Less than 50% of gender diverse board members are satisfied that management remuneration packages are appropriate, while almost two thirds of male dominated board members are satisfied, equally disappointing results.

These results do not apply to the appropriateness of the CEO's remuneration. There was not a statistically significant difference as a result of the gender diversity of the board in the way gender diverse and male dominated boards perceive the appropriateness of the CEO's pay. Are gender diverse boards more concerned than male dominated boards about the process and appropriateness of the quantum of the

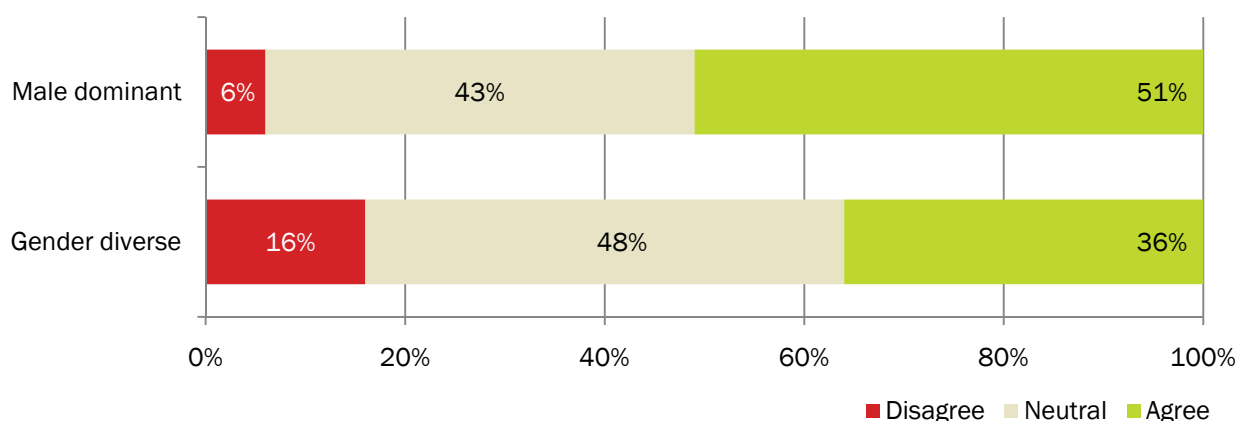
remuneration of management over which they have less input, while they are more comfortable with their board's judgements of the appropriateness of the CEO's remuneration?

The appropriateness of the structure and size of executive remuneration packages is increasingly debated in the public domain. In particular, the coincidence of sizeable remuneration packages, bonuses and severance packages with corporate collapses has increased the intensity of public scrutiny. Agency theory attributes the board with the responsibility of monitoring the self-interest of management in line with the interest of shareholders (Carter, Simkins & Simpson 2003). With public and shareholder scrutiny and hostility driving greater transparency and accountability for management remuneration, it is not unexpected that board members bring an increased level of scrutiny to this area.

Boards that are gender diverse have a greater propensity to interrogate the structure of remuneration packages and the incentive capacity of remuneration packages to drive strategy and performance (Campbell & Minguez-Vera 2008). In our second research study in this series, *CEO performance and remuneration: a boardroom perspective*, we reported on the low response of directors to the appropriateness of the remuneration packages of management. We stated, "The pay culture that built up in many organisations during the recent sustained period of economic growth often treated a performance bonus as a right and as a part of normal remuneration. The Global Financial Crisis has had a silver lining in terms of switching the focus from short-term returns to longer-term value creation. This has given organisations and boards the opportunity of recalibrating expectations of CEOs and senior management by ensuring bonuses are not seen as a right, but something that is earned as a result of outstanding performance that adds organisational value over the long term".

It seems that boards still have further to go to recalibrate remuneration expectations of senior management and ensuring they are aligned with organisation performance that adds real long term value. Gender diverse boards appear to question the appropriateness of remuneration in greater detail, which should ensure boards, CEOs and management align their thinking on this important issue sooner.

Figure 8: Response to survey statement "The remuneration of management is linked to the successful implementation of our organisation's strategy".



Nearly two thirds of gender diverse board members disagree or are neutral regarding the link between management remuneration and achievement of strategy compared with about half of male dominated board members.

The board is responsible for the organisation's long-term success. Remuneration is a key driver for aligning management behaviour with strategic outcomes. Boards have been criticised for being silent on important issues, of at times being groups of wise individuals who collectively fail to make wise decisions and of giving inadequate attention to the truly consequential issues that the organisation faces. The contribution that

women bring to gender diverse boards in tougher monitoring of the connection between strategy and performance may assist to increase the board's wisdom (McInerney-Lacombe, Biliamoria, & Salipante 2008).

Women contribute a much greater strategic emphasis in the boardroom. In one research study, 75% of boards with women explicitly identified the criteria for measuring strategy, whereas less than 50% of male only boards did and 94% of boards with three or more women explicitly monitored implementation of strategy compared with 66% of male only boards. Eighty percent of gender diverse boards set objectives to measure management performance compared with 58% of male only boards, and 86% assessed management's success in meeting objectives compared with 74% (Brown, Brown & Anastasopoulos 2002).

A growing body of research supports this particular contribution of women board members. Women's focus on strategic control is a significant differentiator from the operational focus that characterises male dominated boards (Neilsen & Huse 2010) and leads to better decisions. It seems that women contribute a combination of broader perspectives, improved psychosocial processes and tougher monitoring which increases vigilance of strategy and its connection with performance. In a context highly critical of management remuneration, gender diverse boards are likewise more critical.

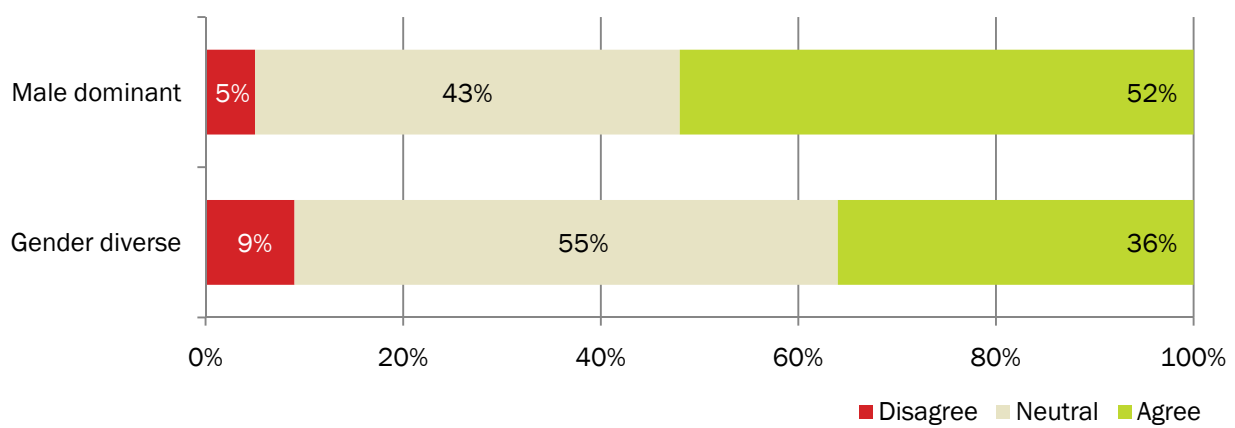
Male dominated boards tend to take a more narrow view of the successful implementation of strategy and may perceive that aligning remuneration with strategy is largely akin to aligning remuneration with financial performance. Female directors and gender diverse boards tend to take a broader and more wholistic view of strategy, including taking into account areas such as improvement in culture, risk management and corporate reputation.

If gender diverse boards take a more critical and broader view, one would expect that, over time, those boards will embed improvements in the alignment of remuneration with strategy closing the gap or even having a greater level of agreement than male dominated boards.

## Key finding 5: Gender diverse boards require greater clarity of roles and responsibilities

Gender diverse boards are more critical of the appropriateness of the codification of board roles and responsibilities generally and in relation to the roles and responsibilities of committee chairs, specifically. As with key finding 4, an alternative view may be that male dominated boards do a better job at ensuring the board has appropriate documentation of its role and responsibilities and that of its committee chairs, but again, we consider this conclusion is unsupported.

Figure 9: Response to survey statement “Our board has appropriate documentation of its role and responsibilities”.



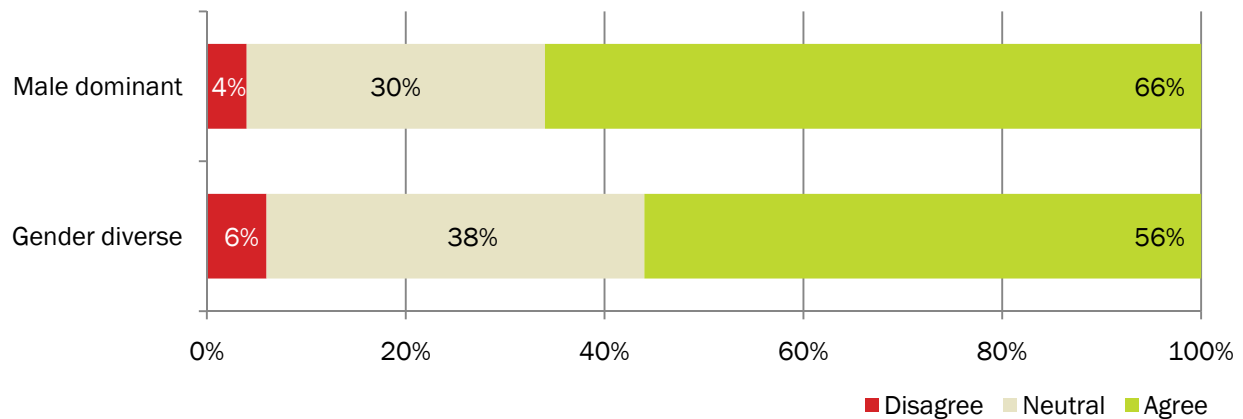
Women directors are more likely to commit to tasks that ensure the effective performance of the board (Terjesen, Sealy & Singh 2009). They provide guidance about expected behaviours such as ensuring working structures with codified rules and norms that guide board members' behaviour are in place.

This is of particular relevance in the board context of infrequent meetings, where process losses are more likely and is additionally useful for new board members (Huse 2008).

Boards with higher proportions of women are more likely to introduce board evaluations, develop clearer board instructions and institute development programs (Neilsen & Huse 2010). As stated earlier, in Canadian research, 94% of boards with three or more women ensured conflict of interest guidelines, compared with 68% of male dominated boards, and 86% with three or more women ensured a code of conduct for the organisation compared with 66% of male dominated boards. Organisations whose boards had more women were more likely to provide directors with formal, written limits to authority (Brown, Brown & Anastasopoulos 2002). A focus on such documentation is representative of the kind of detail that women are more likely to pick up on (Terjesen, Sealy & Singh 2009).

Women board members have higher expectations of board task performance than their male colleagues and so expend more effort in developing and codifying processes that contribute to more effective performance (Huse 2008). Our proposition is that gender diverse board members see a bigger gap in their own boards' performance in this area as they bring a more critical lens.

Figure 10: Response to survey statement “Our board has appropriate documentation of the role and responsibilities of our committee chairs”.



Boards right across the spectrum seem to lack documentation on the role and responsibilities of committee chairs. As mentioned in the first section of this finding, the focus on such documentation by women directors and gender diverse boards is representative of the kind of detail women are more likely to pick up on.

Women may be more likely to codify certain rules and processes, which may explain why gender diverse boards desire greater documentation of roles and responsibilities for committee chair roles. Their focus on codification may not only serve the monitoring, but also serve to clarify how directors work together and what they stand for, enabling more time to be devoted to discussion of issues of substance.

In our fifth research report in this series, *Chair leadership: An inside look at how well board chairs perform*, we reported on the very low response to assessment of the effectiveness of committee chairs (see Section 8). We recommended that “board committee performance can be improved by:

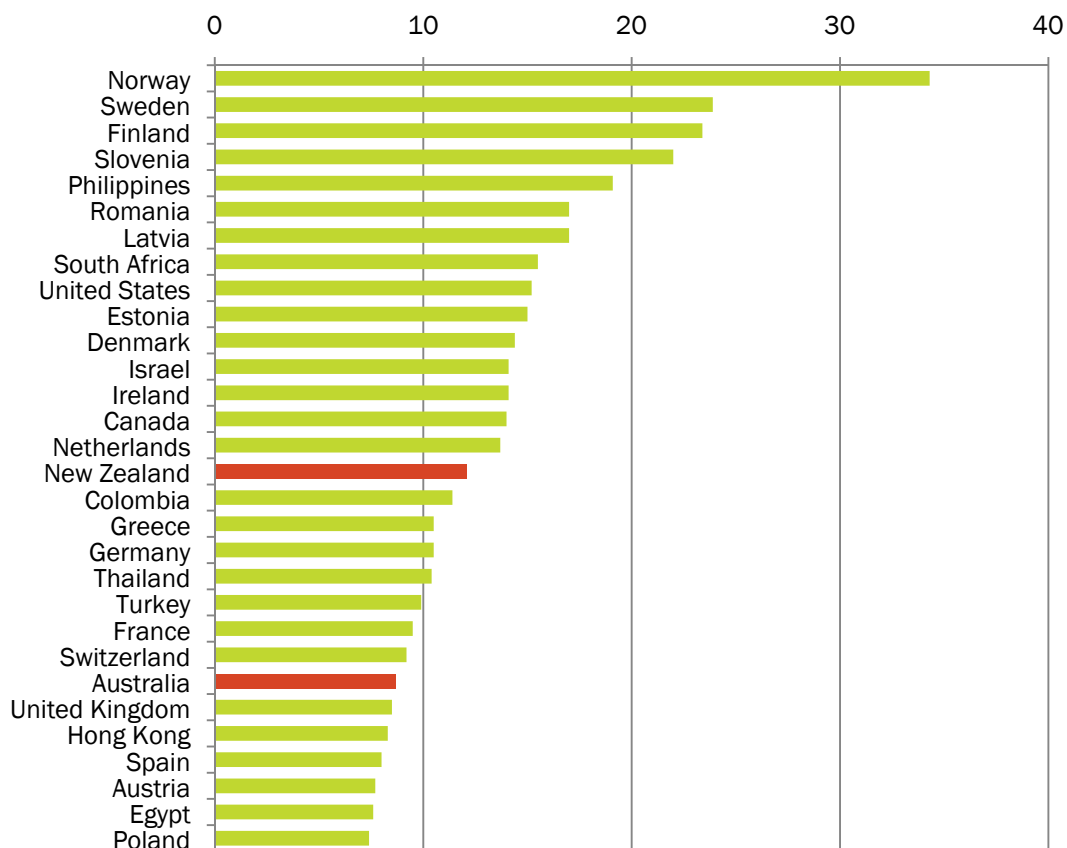
- ensuring there is a clear charter for each committee
- developing a clear statement of roles and responsibilities for each committee chair, and
- a comprehensive assessment process that identifies strengths of each committee and of each committee chair (which can then be leveraged for the benefit of the board) and areas for improvement for which action will be required).

Whilst most boards may not consider improving the documentation of the role and responsibilities of their committee chairs a high priority, the additional focus by gender diverse boards in this area should ensure improvement over time.

## Conclusion

This research, when considered with other global research, provides a strong business case for gender diverse boards (boards comprising at least 33% women). With such a strong business case for improving the gender diversity of boards, why do women remain so under-represented on our boards, and why it is that since 2004, the percentage of women board members has increased just 0.2% to 8.4% in Australia (EOWA 2010). With a ranking of 24<sup>th</sup> on the international stage (see figure 11), Australia's board gender performance continues to be of great concern. These figures challenge our cultural pride as an egalitarian country characterised by a 'fair go for all'.

Figure 11: Percentage of women on boards (Sources: Catalyst 2010 and Terjesen, Sealy & Singh 2009)



We applaud the leadership taken by the ASX with their new Corporate Governance Principles that require ASX companies to set targets and report progress in their numbers of women in senior management and on their boards. We also support the AICD and the BCA on the leadership position they have taken in devising some practical steps to support initiatives to add more women to ASX 200 boards. Westpac's announcement that it has set a target of increasing the percentage of women in management from 23% to 40% by 2014 is a bold step which we also applaud.

To achieve sustainable benefits and ensure there is a sufficient pipeline of talented senior women for board positions, organisations will need to identify, expose and deal with the unconscious assumptions and biases that hold back women and that give subtle advantages to men. This requires changing cultures to make them less male dominated and more embracing of both genders. Without a resolute and ongoing commitment from the board, CEO and leadership teams of organisations improvements in gender diversity and the resulting benefits are unlikely to be achieved or sustained.

## References

- Adams, R.B. & Ferreira, D. (2008) Women in the boardroom and their impact of governance and performance, *Journal of Financial Economics*. Downloaded from <http://ssrn.com/abstract=1107721>
- Amir, E., Kallunki, J. & Nilsson, H. (2010) Personal characteristics and firm performance: The economic implications of having unethical board members. Downloaded from <http://ssrn.com/abstract=1489829>
- Brown, D.A.H., Brown, D.L. & Anastasopoulos, V. (2002) Women on boards: Not just the right thing but the bright thing. The Conference Board of Canada
- Campbell, K. & Minguez-Vera, A. (2008) Gender diversity in the boardroom and firm financial performance. **Journal of Business Ethics**, **83**, 435-451
- Carter, D.A., D'Souza, F., Simpkins, B.J., & Simpson, W.G. (2008) The diversity of corporate board committees and financial performance. Downloaded from <http://ssrn.com/abstract=1106698>
- Carter, D.A., Simkins, B.J., and Simpson, W.G. (2003) Corporate Governance, Board Diversity, and Firm Value. The Financial Review, February 2003. Downloaded from <http://ssrn.com/abstract=344042>
- Catalyst (2004) The Bottom Line: Connecting Corporate Performance and Gender Diversity. Catalyst: New York
- Catalyst, (2010) Quick Takes: Women on Boards. Catalyst
- Desvaux, G., Devillard-Hoellinger, S. & Meaney, M.C. (2008) A business case for women. **McKinsey Quarterly**, September
- Dezso, C.L. & Ross, D.G. (2008). 'Girl Power': Female participation in top management and firm performance. Working Paper No. RHS-06-104. <http://ssrn.com/abstract=1088182>
- Dulewicz, V., Gay, K., & Taylor, B. (2006) What makes an outstanding chairman? Findings from the UK Non-Executive Director of the Year Awards, 2006, **Corporate Governance**, **15(6)**, 1056-1069
- EOWA (2008) Agender in the boardroom. Egon Zehnder/Equal Opportunity in the Workplace Agency: Australia
- EOWA (2010) Australian Census of Women in Leadership. Equal Opportunity in the Workplace Agency: Australia
- Huse, M. (2008) Women directors and the 'Black Box' of board behavior. In Vinnicombe, S., Singh, V., Burke, R., Bilimoria, D., and Huse, M. (eds.) **Women on Corporate Boards of Directors: International Research and Practice**, Edward Elgar: Cheltenham
- Konrad, A.M., Kramer, V. & Erkut, S. (2008) The impact of three or more women on corporate boards, **Organizational Dynamics**, **37(2)**, 145-164
- McInerney-Lacombe, N., Bilimoria, D., & Salipante, P.F. (2008) Championing the discussion of tough issues: how women corporate directors contribute to board deliberations. In Vinnicombe, S., Singh, V., Burke, R., Bilimoria, D., and Huse, M. (eds.) **Women on Corporate Boards of Directors: International Research and Practice**, Edward Elgar: Cheltenham
- Neilsen, S. & Huse, M. (2010) The contribution of women on boards of directors: going below the surface, **Corporate Governance: An International Review**, **18(2)**, 136-148
- Sheridan, A. (2001) A view from the top: Women on the boards of public companies, **Corporate Governance: The International Journal of Effective Board Performance**, **1(1)**, 8-15
- Terjesen, S. Sealy, R. & Singh, V. (2009) Women directors on corporate boards: a review and research agenda, **Corporate Governance: An International Review**, **17(3)**, 320-337

## About Insync Surveys

With offices in Melbourne and Sydney, we specialise in employee, customer, board and other stakeholder surveys backed by consulting. Our organisational psychologists and research experts help organisations become more effective.

We co-founded the Dream Employers Survey and have worked with some of the largest organisations in Asia Pacific, including: Cathay Pacific, Toll, Medibank Private, WorleyParsons, Fairfax Digital, Mission Australia, the Australian Curriculum, Assessment and Reporting Authority, state government departments, many local councils and most university libraries. This broad experience allows us to benchmark your results.

Visit: [www.insyncsurveys.com.au](http://www.insyncsurveys.com.au)  
Contact us: [info@insyncsurveys.com.au](mailto:info@insyncsurveys.com.au)

**Melbourne:** Level 7, 91 William Street, Melbourne VIC 3000  
**Sydney:** Level 2, 110 Pacific Highway, North Sydney NSW 2060

Phone: +61 3 9909 9222  
Phone: +61 2 8081 2000

## About Gender Worx

This study has been completed in conjunction with Gender Worx, a specialist gender diversity practice of thought leaders, experts and consultants in gender diversity measurement and change.

Gender Worx is dedicated to assist organisations unlock the potential of women at work, help make organisations better places to work and more profitable. It does this by providing an evidence based organisation-wide survey, supported by consulting.

Visit: [www.genderworx.com.au](http://www.genderworx.com.au)  
Contact us: [info@genderworx.com.au](mailto:info@genderworx.com.au)

Gender Worx can be contacted at the offices of Insync Surveys.

## About Board Benchmarking

Board Benchmarking has two world class measurement tools: its Board Effectiveness Survey and Audit Committee Effectiveness Survey. Both are available globally and are distributed via authorised distribution partners, which include: KPMG Australia, Insync Surveys, Oppeus, Westlake Consulting and Gerard Daniels.

Board Benchmarking has carried out over 100 board and audit committee surveys for organisations ranging from large public companies and government organisations to private companies, associations and not for profit entities. Board Benchmarking's surveys are powered by integrated benchmarked stakeholder survey specialists, Insync Surveys.

Visit: [www.boardbenchmarking.com](http://www.boardbenchmarking.com)  
Email: [ask\\_us@boardbenchmarking.com](mailto:ask_us@boardbenchmarking.com)

Board Benchmarking can be contacted at the offices of Insync Surveys.