

PREFACE

In 2008 when I first reported the research for this book Australia like most western economies was experiencing a time of unprecedented economic growth. Business and consumer confidence were riding high and shareholder value appeared to be on an ever rising trajectory. The business case for diversity had been made and organisations were increasingly focused on the strategic advantages of greater representation of women at the top. It seemed that finally the floodgates preventing women's advancement could be opened and better equity would result. Shortly after the report's findings were initially released, the Global Financial Crisis (GFC) hit. In its early stages it appeared that analysis of the causes of the Crisis would support the increased involvement of women in business, the reality has been much bleaker. Fundamentally, the unconscious biases that are at the heart of women's lack of progress remain with us, and the findings of my research remain, unfortunately, as relevant today.

THE CONTEXT IN 2008

Competition for high quality executive talent saw a 'war on talent'. The narrow talent pool from which executive leadership was being drawn was increasingly seen as strategically limiting. Opening up the talent pool to attract and retain female talent was a major strategic opportunity.

In 2008, the economic case for widening the talent pool had been well established. A number of research studies had linked superior business performance to a higher percentage of female directors on boards and

in senior executive positions. McKinsey's¹ research into the relationship between financial and organisational performance and the number of women managers indicated that those organisations with three or more women on their senior management teams scored higher on almost all dimensions of performance excellence than did companies with no women. Additional studies by Columbia Business School and the University of Maryland², Catalyst³ and the Conference Board of Canada⁴ all confirm the business benefits of more women on boards and top executive teams.

At a rhetorical level, business was acknowledging the opportunity cost of ignoring female talent. In response to the tight labour market and reputational risk associated with gender discrimination, business executives were attesting to the need to take action to address the lack of progress.

This is not just about being blunt, but I think it's important we have a robust conversation because, sadly, on issues like diversity I'm concerned that we have a lot of nice words and platitudes but insufficient action. And, in the absence of meaningful progress, that's building cynicism rather than belief⁵.

Yet despite the market's hunger for high level talent, and significant investment by business into attraction and retention strategies, women remained significantly under-represented at senior executive level. Economic buoyancy was not providing the levers for change. The level playing field that prides itself on freedom, opportunity and meritocracy, and that serves as a foundation for competitive markets and sustainable economic growth, was proving an illusion.

1 McKinsey & Company (2007) *Women Matter: Gender diversity, a corporate performance driver*

2 Rosin, H. (2010) 'The End of Men', *The Atlantic*, July/August

3 Catalyst (2007) *The Bottom Line: Corporate Performance and Women's Representation on Boards*

4 Brown A.H., Brown D.L., Anastasopoulos V. 2002, The Conference Board of Canada Report (2002) 'Not Just the Right Thing, But the Bright Thing' I ISSN 0827-1070 • ISBN 0-88763-545-8

5 Smith, M. (2008), 'Diversity and Business Performance', Presentation, AICD 2008 EOWA Census launch Sydney, 28 October

The acknowledgement of a dissonance between the rhetoric of policies and programs to support women in management and a reality which saw a paucity of women in senior executive positions allowed me entrée into ASX top 100 organisations, government departments and a university to explore some of the deeper assumptions that inform gender dynamics and organisational cultures.

The alignment of leadership and masculinity is the major recurring theme that emerges from the evidence. This phenomenon impacts on every aspect of workplace structure and culture. Entrenched beliefs regarding gender roles in organisations and society see leadership as an enterprise that privileges males and masculinity. While these beliefs may not be overt and explicit, they are nevertheless more insidious because they are subtle, often unconscious, and deeply embedded in the psyche of the organisation. These beliefs are powerful in perpetuating cultural archetypes, feeding societal and organisational stereotypes and diminishing the field of potential leadership candidature. While big business has been at the forefront of addressing the flexibility needs of professional women through design and delivery of flexible work initiatives, it has not been able to address deeply embedded values that have the capacity to undermine female confidence, female experience and female retention. The book explores in detail these less visible but powerful dynamics.

THE CONTEXT 2008–2010

The GFC saw a sudden halt to the fortunes of the world economy. Business practices and behaviours that had been aligned with success and rewarded were now under scrutiny. Despite Australia's capacity to weather the global storm, individual business failure has been rife and a climate of vulnerability increasingly evident as a number of companies became mired in accusations of conflict of interest, breach of directors' duties and the lack of compliance structures.

It seemed a global crisis of immense proportion would sheet home the unsustainability of competitive and individualistic models of business

practice. The GFC provided legitimacy for change, an opportunity for business to recalibrate to do things differently and smartly and to utilise its scarce females more effectively. However, evidence suggests that inertia remains and business has not taken advantage of the opportunities afforded. Short-term and knee-jerk responses to the crisis have had a negative impact on Australian women. Research by McKinsey⁶ reveals that the crisis has not altered firms' priorities with regard to gender diversity. According to research by the Australia Institute⁷, the difficulty women face in the labour market has been exacerbated by the financial crisis. While women of social disadvantage are the hardest hit, discrimination transcends economic circumstances. Women across all socio-economic strata have borne the brunt of the financial crisis. *The Australian's* partnership survey⁸ found that over the first six months of 2009, leading law firms were not including women in their partnership intake. Half of the 32 firms covered by the survey included no women in their intake. The figures for 2010⁹ show career prospects of senior women lawyers have not kept pace with their male counterparts. Women accounted for 22.4 per cent of all new partners appointed in the six months to June, down from 27.6 per cent the previous year.

Clearly then, neither economic buoyancy nor economic crisis appear to have any differential impact on the status of women in organisations.

As a first world economy Australia has a poor record regarding gender equality at senior levels. Notwithstanding the well-established and unambiguous business case for women in senior leadership and the chorus of rhetoric from our business leaders, discrimination remains chronic. Indeed evidence suggests gender equality has taken a step backwards as organisations have chosen to take the path of least resistance. Women are

6 Mc Kinsey & Company (2010) *Women Matter: Women leaders, a competitive edge in and after the crisis*, September

7 Richardson, D. (2009) 'The Impact of the Recession on Women', Background Paper, *The Australian Institute*

8 Merritt, C. & Berkovic, N. 'Women Hold Ground but Equity Elusive', *The Australian*, June 25, 2009

9 Harrison, V. & Merritt, C. (2010) 'Women Sidelined in Partnership Race in Legal Firms', *The Australian*. June 22

grossly under-represented in leadership positions and their contribution is undervalued relative to their male counterparts. Within Australia, women currently represent about 12 percent of ASX200 executive managers. There are only four women holding chief executive positions in the ASX200. Almost half of those top 200 companies had no women on their executive team. Overall women hold just 7 percent of top earner positions. ABS figures released in May 2010¹⁰ show that the pay gap between the sexes has widened and is now 18 percent with the most significant gaps occurring at senior management level. One lone female sits among ASX100 chief executives. According to EOWA Australian Census of Women in Leadership 2008, the number of women in board director roles in the ASX200 had dropped to their lowest levels since the agency began collecting data in 2002. Research by Goldman Sachs JBWere¹¹ found that 53 percent of companies in the ASX200 in 2009 still had no female directors. While there has been some positive activity that has seen the number of appointments of women to ASX200 companies significantly rise over six months to June 2010 (from 8.3 percent to 9.2 percent), Australia has a long way to go to achieve gender equity in senior levels. On all measures Australia has now fallen behind the US, Canada, Britain and South Africa. These countries have themselves fallen behind many forward thinking European countries. The exclusion of women from leadership is an international phenomenon.

The capacity for relinquishing rational intelligence when it comes to women's role at the leadership table is reflected in research that finds stock valuations of a company falling after the announcement of a female CEO, but not after that of a male CEO despite no fall-off in corporate results¹². The researchers suggest that gender bias sees fund managers associate men with leadership and success which may cause them to disfavour companies that appoint women to boards, most likely without realising it.

10 Australian Bureau of Statistics (2010) Average Weekly Earnings 6302.0, February

11 Goldman Sachs JBWere (2009) *Australia's Hidden Resource: The economic case for increasing female participation*

12 O'Connell, A. (2010) 'Why Stock Price Drops When Women Join the Board', *HBR OnLine*, <<http://blogs.hbr.org/research/2010/04/why-stock-price-drops-when-wom.html>>

Women have proven their cognitive prowess, their social intelligence and communication skills – major value drivers in today’s knowledge economy. More than 50 percent of graduates are female and girls consistently outperform boys in the education system. Women make up around half of all workforce entrants. Moreover, they are graduating in equal or greater numbers to men in economics, commerce, business and law faculties and perform as well, if not better, than males in their cohorts. By the time they reach senior executive level, however, their proportion has fallen to 10.7 percent, while only 2 percent get to sit in the CEO’s chair¹³. While men and women enter the workforce in about equal numbers, men have a nine times better chance of reaching executive level than women (CEW 2009). The extent of wastage of talent in Australian companies that sees a generation of qualified and ambitious women stalling at middle management level or leaving is a travesty.

On the current trajectory it will take over 150 years for women to hold anywhere near the same number of positions at senior levels as men. According to research conducted by Goldman Sachs JBWere¹⁴ discrimination at any level of the organisation comes at a major cost to the nation. Their research found closing the gap between male and female employment would boost Australia’s GDP by 11 percent. Australia cannot afford the social and economic implications of precluding women from participation in the leadership of the economy. The parlous state of women’s representation at senior level has led to Goldman Sachs JBWere recommending a minimum quota of two women on board positions in ASX200 organisations on the basis that the board would reach better decisions and greater female visibility at senior level would encourage greater female participation.

Internationally a number of countries have addressed the gender issue by introducing legislation to meet diversity targets and set quotas on women’s representation. In 2009 the Australian Securities Exchange (ASX)

13 Chief Executive Women (2009) ‘The Business Case for Women as Leaders: One woman is not enough’, February

14 Goldman Sachs JBWere (2009) *Australia’s Hidden Resource: The economic case for increasing female participation*

announced that it would push listed companies to set targets for gender diversity. In fact it has threatened to wield a bigger stick if things don't improve. Eric Mayne¹⁵, the ASX Corporate Governance Council's chief executive, said that if there was no sign of progress over two or three years the issue may be elevated to listing rule status – allowing the ASX to suspend from trade companies that did not set targets or have diversity policies.

History has shown the law has had a powerful role in shaping a culture of equality. The looming spectre of quotas is raising gender as a priority item on board agendas. Peak business bodies, including the Australian Institute of Company Directors (AICD) and the Business Council of Australia (BCA), have taken commendable steps in supporting women to prepare for leadership. The impact has seen a significant jump in the number of women appointed to ASX200 companies were women. In 2009 only 5 per cent of appointments to ASX200 companies were women. By mid June 2010 women made up 24 percent of new board appointments. Nevertheless, the task ahead remains daunting. Eric Mayne reports, according to search firms, that of the 150 to 200 yearly board appointments in the top 200, one in three would have to be a women to get the percentage up to 15 percent¹⁶.

In July 2010 the ASX Corporate Governance Council announced amendments to its Principles and Recommendations, encouraging all listed companies to adopt policies on diversity of their board and employees, and to disclose the policy or a summary of that policy on the ASX announcement platform. Companies are also encouraged to disclose the proportion of women employees at all levels of the organisation, in senior executive positions and on boards and to set targets to be reported against in the annual report.

While the amendments are a major initiative, they do not have the weight of enforcement behind them. Companies will set their own targets, and those that fail to set targets will not be penalised. However, should a

15 ASX (Australian Securities Exchange) (2010) Edited Transcript of ASX HY 2010 Media Briefing, 18 February

16 Fox C. (2010) Impetus grows for more women on super boards, AFR July 1, p.58

company elect not to implement a diversity policy, it will need to explain to the market why it has chosen not to under the ASX's 'if not, why not' principle of the recommendations.

The quota debate has resurfaced a number of enduring and deep seated beliefs about the potential of women's contribution and its merit. The major concern is that if boards have women imposed on them to meet quota requirements the quality of board decision making would be undermined because the board would not be able to choose the best person for the job. A number of women fear that they will be seen as tokens and their contribution diminished by the prism through which their appointment is viewed. David Gonski, Chairman of the ASX, has stated that "quotas give companies a wonderful excuse for failure. If a company got into trouble its executives would be able to claim that they were unable to choose the board they wanted"¹⁷. His statement supports the argument that quotas may stigmatise women and the achievements they have made. It also feeds into a deeply held assumption that there is a limited pool of talented women (as opposed to talented men) and quotas will require boards to drop standards of board excellence to accommodate lesser quality appointments. This argument speaks to anxiety as opposed to reality.

Other arguments for excluding women are based on women not fitting into the culture. While board cohesiveness is enhanced when people fit in, 'cultural fit' can also become a code word for propagating a culture of homogeneity that sees highly-talented women sidelined. Research by Egon Zehnder¹⁸ suggests that the appointment process to boards remains largely subjective with women being one of the groups most disadvantaged by this subjectivity. It also highlights cultures where it is difficult for women to establish their identity because their ideas are ignored or attributed to a male. This behaviour is regarded as subconscious rather than deliberate but occurs frequently.

17 Fox, C. (2010) 'Gonski Finds Downside to Quotas for Boards', AFR, July 6, p.58

18 Egon Zehnder International & Equal Opportunity for Women in the Workplace Agency (EOWA) (2008) *Gender in the boardroom*

The recent focus on increasing female representation on boards, while being very promising, will also see women face challenging cultures which are predominantly male and will continue to be so for some time. Initiatives to assist women provide them with stilts to play on an uneven playing field rather than levelling it. Appointing more women into senior executive and board positions needs to be complemented by a concerted effort to address organisational cultures. Otherwise the gains made will be ephemeral. Women will choose with their feet.

CREATING A NEW FUTURE

The GFC has irrevocably changed the landscape in which Australian business competes. Success in today's complex, networked, global economy is about agility, intelligence and innovation. A homogeneous executive or board will not provide the talent infrastructure to guarantee success. Those organisations that are able to utilise talent, irrespective of how it is packaged, will be the winners in the future. Failure to capitalise on the opportunities diversity brings is an organisational problem requiring an organisational solution. It is not a women's problem. Leadership is required to identify and address barriers to the full utilisation of women in all aspects of organisational life. Raising awareness of more relevant and contemporary management styles and addressing the constraints of gender discrimination would open up a wider pool of men and women traditionally excluded from leadership positions.

The findings of my research show that discriminatory practices are firmly entrenched in organisations. They impact on everyday experience and place limits on organisational success. The last couple of years have done little to improve the situation. Women are integral to a sustainable future. Leadership action is required to realise the female talent that has been lying dormant. Organisations that are serious about optimising female potential and creating cultures of social inclusion need to be prepared to undertake a rigorous analysis of all aspects of organisational life that includes talent utilisation, culture, performance and leadership.

For without an evidence base genuine efforts to shift cultures will continue to see dollars spent for little reward. Leadership is required to create a safe and open climate that fosters a preparedness to examine hidden norms that perpetuate cultures of discrimination, to encourage honest conversation about what is going on and to seek creative approaches to address the sources of gender inequality and its symptoms. The future is increasingly about engaging in a heterogeneous, multicultural and unpredictable world. It is time for leaders to embrace the new future, in which women and men are equal partners and together can address the challenges of our times.

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