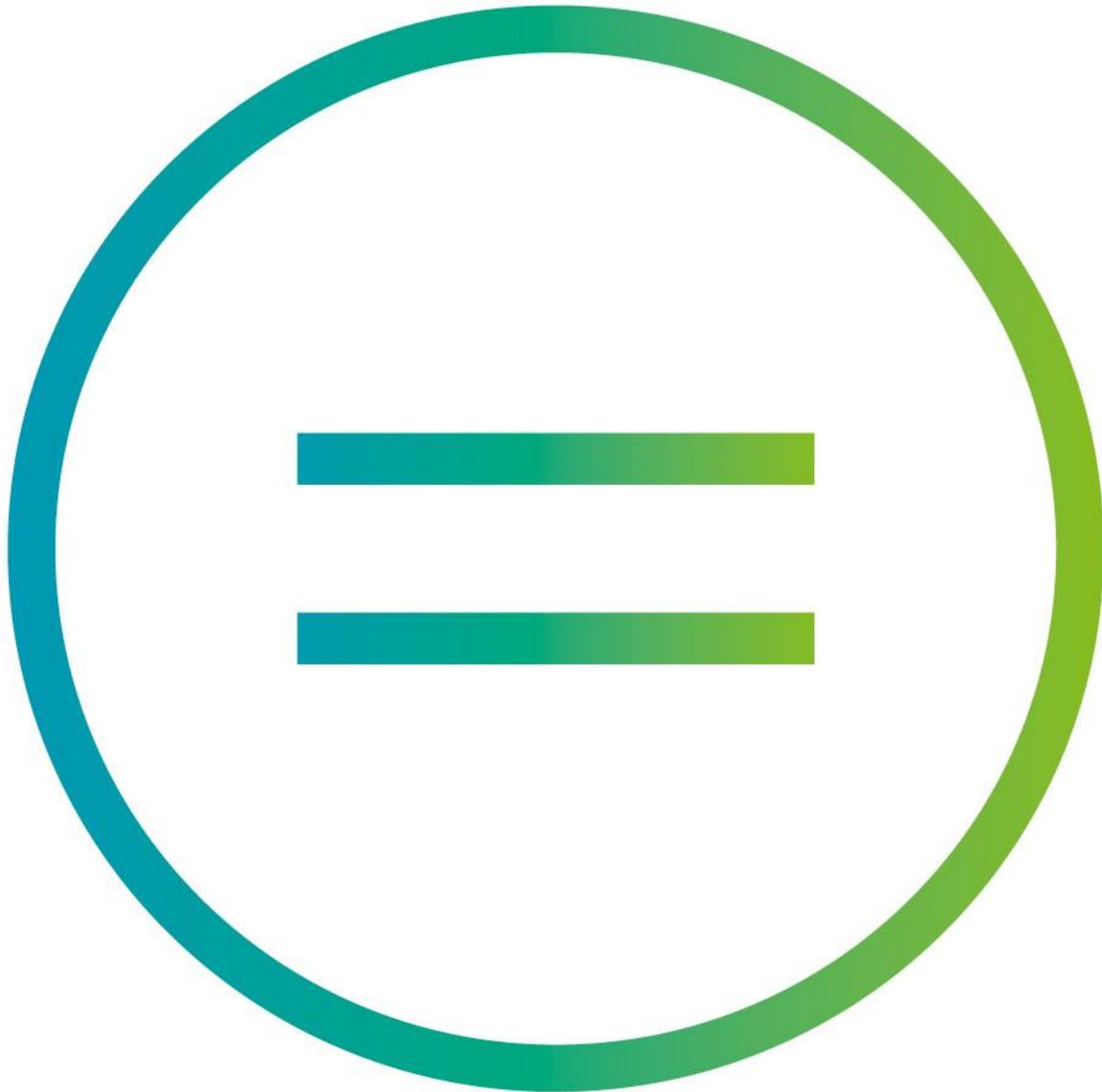


# **Deloitte.** Access Economics



Research Report

Toward Gender Parity : Women On Boards Initiative

Department of Communities, Child Safety and Disability  
Services, Office for Women

October 2016

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# Glossary

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ABS	Australian Bureau of Statistics
AICD	Australian Institute of Company Directors
ASX	Australian Stock Exchange
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
FY	Financial Year
GSP	Gross State Product
GVA	Gross Value Added
LNG	Liquefied Natural Gas
QLD	Queensland
ROA	Return on Assets
WOBI	Women On Boards Initiative

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# Abstract

Deloitte has been commissioned by the Department of Communities, Child Safety and Disability Services, Office for Women and Domestic Violence Reform to establish the case for change for board gender parity in Queensland. This report draws together analysis from a scan of literature relating to the benefits and barriers to gender parity, a quantitative economic analysis to estimate the impacts of achieving gender parity, a survey of Queensland Government boards, and consultations to identify current barriers, attitudes and actions occurring across Queensland Government Boards.

Key findings indicate that, there are positive economic impacts associated with achieving gender parity that spread across organisations, society and the broader economy. Further action could be taken of Queensland boards to support the achievement of gender parity. The implications for Queensland are the loss of potential organisation performance and economic growth because of insufficient action to achieve gender parity on boards. Barriers to achieving gender parity in Queensland include inadequate commitment, accountability and leadership by key leaders within organisations, ineffective recruitment processes which prioritise informal networks, gender stereotypes rather than providing an equal opportunity for all candidates, and the potential limiting factors of legislation. Success imperatives to overcome these issues focus on the seven facets framework which addresses the barriers to gender parity.

## Reading the report

This report provides an overview of the benefits associated with gender parity, establishes the current state of gender parity on Queensland boards and sets out key barriers that need to be overcome to achieve gender parity. It includes the following sections:

- **Introduction** – background and overview of the research and analysis approach (this section);
- **Literature scan of the benefits associated with gender parity** – an analysis of the literature regarding gender parity, and the associated benefits it can provide;
- **Survey analysis** – outlines the current state of gender parity on boards in Queensland and highlights key themes among government boards;
- **Economic analysis** – presents the economic impacts to Queensland resulting from the achievement of gender parity on boards;
- **Barriers inhibiting gender parity** – outlines the barriers that hinder the achievement of gender parity on boards;
- **Conclusion** – summarises the key findings of the report; and
- **Looking forward** – presents necessary actions that will enable the achievement of gender parity on boards.

# 1 Executive summary

Greater representation of women on boards offers tangible benefits to organisations spanning the corporate, government, and the not-for-profit sectors. This research report, which includes economic modelling, indicates that, overall, **gender equality on boards will improve productivity of the Queensland population by \$87million<sup>1</sup>**. Gender parity in the boardroom enhances board performance, senior leadership and, by extension, organisational performance and hence the broader economy. Benefits are likely to be maximised if board gender-parity is extended across all industries.

## Board diversity affects board performance

Gender parity on boards positively influences the financial and non-financial performance of organisations. Some researchers have attributed these outcomes to a *direct* relationship between gender diversity and greater breadth in a board's human and social capital. Others attribute the positive *indirect* effects of gender parity on group dynamics, including psychological safety, conversational turn-taking and social cohesion. Either effect, breadth of perspective or speaking up, helps facilitate higher decision quality, greater creativity, and innovation – hence providing a competitive advantage to the organisation. **Performance improvement will only occur if diversity and inclusion are both simultaneously engaged.** A survey was administered for Government Boards which asked a series of questions related to the effectiveness of the boards measured through a number of output measures, a series of questions related to inclusion and questions related to diversity. Based on answers to these questions an assessment was able to be established in relation to the effectiveness of the board and a score of diversity and inclusion. Figure i shows a comparison of the high and low performing boards measured against scores of diversity and inclusion on a matrix.

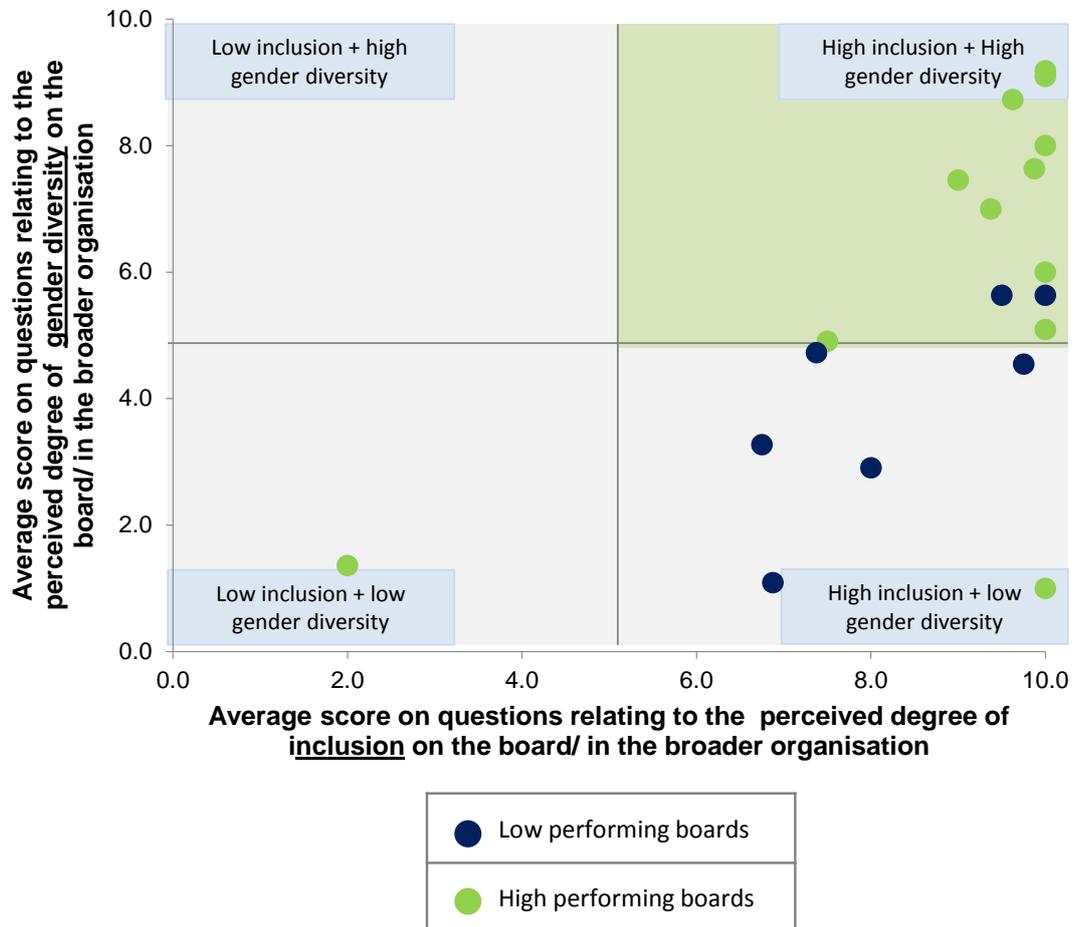
This demonstrates that **high performing boards are more likely to have higher scores in both areas of diversity and inclusion.** Whereas low performing boards scored lower on diversity indicators but were somewhat similar in relation to inclusion indicators. Further analysis of the results showed that these boards were more homogenous in relation to male/female representation creating an environment of inclusion based on the similarities of the board members.

In addition to improved governance processes, the research notes that the boards with gender parity **increase the breadth of strategic human and social capital**, which results in more diverse ideas and enhances the conversation dynamic. This subsequently facilitates higher decision quality, greater creativity, and innovation – **providing a competitive advantage to the organisation.**

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<sup>1</sup> 2015/16 dollars

**Figure i: High performing Queensland Government boards— perceived degree of gender diversity and inclusion on the board and in the broader organisation**



Source: Deloitte Access Economics analysis based on Government board survey 2016

As illustrated in the figure above, boards with high performance indicators have a greater commitment to gender diversity and inclusivity. Note, though, that the causation may be two-way. Some research suggested that high performing boards drove diversity and inclusion, as they recognise the benefits can offer diversity. However, the majority of research suggests it is diversity and inclusion that drive performance.

### Gender parity can improve productivity

Performance improvement at the board level provides an obvious advantage to an individual organisation – but there is a further benefit, namely the accumulated uplift in the productivity of the Australian economy. At a time when Australia’s productivity growth is diminishing as mining construction subsides,<sup>2</sup> board diversity can provide a much needed boost to the Queensland economy. It is a boost that is financially meaningful. This research predicts that gender parity on boards could increase gross value added growth by

<sup>2</sup> For comparison, we need labour market productivity to be closer to 3% to maintain the 2001 to 2013 GDP growth.

0.12%, representing a 5% increase to the 2.2% growth observed in 2014-15. This translates into an **increase of \$87 million, conservatively estimated, in productivity gains for Queensland.**

The research also reveals that the benefits of board gender-parity extend beyond typical measures of organisations' performance. The presence of women on Boards can have a cascading affect and spark organic diversity change at the organisational level. This shift devolves to improved human and social capital at the team level, which can lend itself to longer-term social and economic gains for the organisation.

## **It takes more than programs**

There is a caveat to these findings; namely, to realise the full benefits from board diversity, board members must work within an inclusive environment, i.e. one in which the contribution of each board member is respected and valued. Put another way, diversity is only part of the board performance story; an operating environment of inclusion converts the diversity potential into a reality.

**There are supply and demand barriers to gender diversity:** Some barriers to gender diversity are being addressed, but others remain. Based on the literature scan, consultation and a survey of Government Boards conducted as part of this research, the barriers experienced are detailed below.

- **Key decision makers, such as board members and senior executives, are not genuinely committed to achieving gender parity.** Based on the results of the survey organisations were considered to be genuinely committed if they had a long term strategy, action plans, processes and metrics to progress gender parity. The survey results identified that 81% of respondents were committed to gender parity. However, only 8% satisfied this definition of commitment.
- **Board members and senior leadership do not see it as their personal responsibility to create change,** 66% of survey respondents did not have an individual on the board responsible for achieving gender parity.
- **Decision makers are not held accountable for gender parity.** Only 28% of respondents have metrics for measuring gender parity on the board which are publically available.
- **Conscious and unconscious gender biases limit women's career progression and undermine personal aspirations.** 'Informal criteria' was cited as an issue obstructing gender-parity on boards, which suggests that it is likely to be influenced by unconscious biases e.g. gender bias that women are not suitable for the boards of certain sectors.
- **Board members and senior leadership assume there is a very limited supply of experienced, capable, women** because they apply real and perceived criteria that narrow the candidate pool.
- **Similarity attraction and in-group bias influence homogenous search processes in a way that disadvantages women** – by not being part of the group already; women are locked out of the networks that are critical for board sponsorship.

## We can address these issues

Historically, there has been an emphasis on discrete sponsorship and networking activities as a way to increase women's representation on boards. While these efforts are laudable, more strategic approaches integrate sponsorship and networking activities into a broader framework – with seven elements to address systemic barriers as outlined in Table ii, which also includes the key findings of our survey in alignment with this framework. The framework incorporates the following elements:

- **Vision/strategy:** There exists an authentic vision for diversity and inclusion, and a clear roadmap for change;
- **Governance:** There is senior level oversight of diversity and inclusion, and appropriate resources have been allocated;
- **Leadership:** Leaders are committed to diversity and inclusion, behave inclusively and are held accountable for outcomes;
- **Systems and processes:** Inclusive talent management processes support the attraction, engagement and retention of diverse talent;
- **Specific initiatives:** Interventions targeted at specific demographic groups are employed;
- **Data and metrics:** Data and metrics are regularly monitored to measure performance; and
- **Branding and culture:** External communications, partnerships and actions re-inforce leadership commitment to diversity and inclusion.

In the context of Queensland Government boards, promising change has been seen in the one year since the launch of the Women On Boards initiative. However, this research reveals opportunities for some boards to adopt a more strategic approach to gender parity and inclusion and to better position themselves to meet the target of 50% of women on government boards and bodies by 2020. Table ii outlines key findings from the survey as they relate to the seven facets framework, outlining key areas of focus required to address barriers of gender parity on Government Boards.

**Table ii: Seven facets framework**

Facet	Description	Current performance of Queensland Government boards surveyed
 Vision and strategy	The board/department/organisation has articulated why diversity and inclusion is important, and established a strategy for change	38% of survey respondents agreed that their board has a documented strategy for progressing gender parity on their board
 Governance	There is appropriate oversight of the board's diversity and inclusion strategy and progress towards its goals	34% of survey respondents agreed that there is an individual(s) on the board responsible for achieving gender parity on their board
 Leadership	The board members are committed to gender parity and an inclusive operating environment, demonstrate inclusive behaviours and are accountable for outcomes	While 81% of survey respondents agreed that their board is committed to gender parity, only 43% have action plans aimed at building the commitment and inclusive capability of decision-makers to achieve gender parity
 Systems and processes	The board dedicates attention to ensuring that bias is eliminated from processes, including recruitment, and that board deliberations are inclusive	59% of survey respondents agreed that their board has processes and systems in place to support the achievement of gender parity on the board
 Specific initiatives	The board supports specific initiatives (e.g. sponsorship programs) until gender parity is attained	39% of survey respondents agreed that their board has specific initiatives to drive the achievement of gender parity on the board
 Measurement	The board regularly evaluates its performance on gender parity and an inclusive operating environment	28% of survey respondents agreed that their board has metrics for measuring progress on gender parity on their board and report these publicly
 Branding and communication	The board communicates externally its commitment to gender parity and inclusion	80% of survey respondents agreed that their organisation is perceived to be inclusive of women, and 70% of survey respondents agreed that their industry is perceived to be inclusive of women

*Source: Deloitte Access Economics analysis based on Government board survey 2016*

The evidence demonstrates the potential gains to the wider society resulting from gender parity on organisational boards. Therefore, Deloitte recommends an ongoing commitment to this initiative to allow for these benefits to materialise. Deloitte will develop a range of resources and information which will be made available on the Queensland Government website to allow all organisations to make a difference and contribute to the ongoing change.

## 2 Introduction

### 2.1 Women On Boards Initiative

Deloitte has been commissioned by the Department of Communities, Child Safety and Disability Services, Office for Women and Domestic Violence Reform to assist with implementing the Women On Boards Initiative (WOBI) over the next three years. The intent of WOBI is to achieve greater representation of women on government boards by expanding the pool of potential female candidates, providing mentoring and support for potential candidates, and facilitating more opportunities for women to be appointed to government board positions. Additionally, the WOBI includes working in partnership with the private and not-for-profit sectors to improve gender diversity on business and not-for-profit boards.

The Queensland Government recognises that despite the positive changes to women's status and roles made over the past century, gender inequality persists in our community. This restricts women's full participation in social, economic and cultural opportunities across Queensland. In seeking to address this issue the Queensland Government has released the *Queensland Women's Strategy 2016-21* – a framework for government, the private sector and the wider Queensland community to progress toward achieving gender equality in Queensland.

The *Queensland Women's Strategy 2016-21* identifies four areas that have emerged as strategic priorities for realising positive change (see Figure 2.1). Each priority outlines a series of actions that will guide achievement of gender equality over the next five years.

**Figure 2.1: Queensland Government gender equality priority areas**



Source: Queensland Women's Strategy 2016-21.

Within the 'Participation and leadership' priority, the Queensland Government has committed to a range of activities to support capacity building for women in the workforce. These include, but are not limited to:

- Delivering women's leadership initiatives. One example is the Women On Boards Initiative (WOBI), which seeks to proactively increase the number of women on boards to achieve the Queensland Government's 50% target by 2020;

- Implementing *On Equal Footing: The Queensland Public Sector Gender Equity Strategy* to ensure men and women have the same rights, opportunities and access to career success;
- Delivering the *Advance Queensland Women's Academic Fund* to support the retention, development and progression of female researchers within Queensland-based universities and publicly funded research institutes or organisations; and
- Delivering the *Queensland Entrepreneurs of Tomorrow — Home-based Business Program* to help stay-at-home parents establish or grow home-based businesses, while keeping a healthy parity between work and family life.

The suite of work commissioned comprises research, action plan resources, mentoring, education and promotional material. This report presents the findings of the research component of the engagement.

## 2.2 Purpose

This report summarises the findings of the initial research phase of the engagement. The purpose of this stage of the project is to conduct a research and literature scan that will support the case for change by reviewing and synthesising evidence pertaining to:

- The benefits from gender diversity on boards for Queensland;
- Barriers preventing gender equality for women's representation in leadership positions and on boards; and
- Identification of effective strategies for addressing drivers, issues and barriers.

This report will inform subsequent phases of the engagement, by guiding the work plan of leadership activities to be delivered under WOBI. This two stepped research-before-action approach will ensure the WOBI initiatives reflect best practice and are augmented to effectively and sustainably achieve the Queensland Government's board gender parity targets.

## 2.3 Approach

The research approach has been designed to ensure it remains practical to both:

- Inform the program of work delivered by Deloitte and the Office for Women and Domestic Violence Reform to progress toward the gender parity on boards targets; and
- Provide new insights to the Queensland community as to the benefits of, and barriers to, achieving gender parity on boards as they relate specifically to Queensland.

The research comprises both primary and secondary research, with a detailed methodology provided in 0:

- **Secondary research** – a literature scan was conducted to identify the benefit of, and barriers to, achieving gender diversity on boards and barriers.
- **Primary research** – a survey was conducted to identify high performing boards in Queensland Government. Additionally, a workshop was conducted to 20 Queensland Government board recruiters, to identify the specific barriers they face in identifying potential female candidates, and consultations with Government board members.

## 2.4 Structure of this report

This report is structured as followed:

- **Introduction** – background and overview of the research and analysis approach (this section);
- **Literature scan of the benefits associated with gender parity** – an analysis of the literature regarding gender parity, and the associated benefits it can provide;
- **Survey analysis** – outlines the current state of gender parity on boards in Queensland and highlights key themes among government boards;
- **Economic analysis** – presents the economic impacts to Queensland resulting from the achievement of gender parity on boards;
- **Barriers inhibiting gender parity** – outlines the barriers that hinder the achievement of gender parity on boards;
- **Conclusion** – summarises the key findings of the report; and
- **Looking forward** – presents three necessary actions that will enable the achievement of gender parity on boards.

# 3 Benefits from gender diversity on boards

## Overview of this chapter

**Purpose:** The purpose of this chapter is to establish the case for why gender parity on boards is important for Queensland. This chapter provides an overview of the benefits that could be realised from increasing the number of women on Queensland boards.

**Method:** The academic and grey literature pertaining to the benefits of gender parity on boards was reviewed and synthesised. This research spanned Australian and international sources covering a broad range of sectors including government, not-for-profit and corporate organisations. The specific search strategy is outlined in Appendix A.

## Key findings:

### *What are the benefits of gender parity on boards?*

- **Enhanced financial performance** for organisations, using metrics such as profitability, stock value, and levels of fundraising.
- **Enhanced social performance** for organisations, which can improve an organisation's value in the eyes of investors, and enhance the recruitment and retention of staff.
- A leverage affect, which **facilitates diversity and inclusion across the organisation more broadly**. It can:
  - Overcome a perception barrier among younger females that board positions are unattainable; and
  - Positively impact on the retention, promotion and pay of female staff.

### *How does the mechanism between gender parity on boards and benefits operate?*

- Gender parity enhances the effectiveness of the board and subsequently facilitates higher decision quality and greater innovation i.e. **improving governance and monitoring processes, and increasing the breadth of strategic human and social capital**.

### *What is the relationship between gender diversity and inclusion on boards?*

- Rarely can gender parity on boards, alone, create rewards for organisations – **inclusion is a critical success factor**. Boards who couple gender diversity *with* inclusive operating environments see a heightened performance effect, by providing the socio-cultural infrastructure that is necessary for women's unique contributions to have an impact.

While the board gender targets that motivated the present study specifically relate to Queensland Government boards, this research indicates that greater representation of women on boards offers tangible benefits to organisations spanning the corporate, government, and the not-for-profit sectors.

In term of the benefits to organisations, findings from the literature convincingly demonstrate that gender parity in the boardroom can directly and indirectly enhance the performance of an organisation. Furthermore, performance is heightened among boards operating with inclusive environments. Our research also revealed that the benefits of board gender-diversity extend beyond typical measures of organisational performance. The presence of women on boards can have a cascading affect and spark organic diversity change at the organisational level. This shift devolves to improved human and social capital at the team level, which can lend itself to longer-term sustained social and economic gains for the organisation.

### 3.1 Evidence that board gender parity impacts on organisational performance

#### Definitions:

**Diversity** refers to the visible and invisible characteristics that make people unique. Gender is just one aspect of diversity, and the subject of this report. However, research shows boards perform better when they include the best people with a diverse range of perspectives and approaches, and this value-add is not limited to gender alone<sup>3</sup>.

**Inclusion** is comprised of perceptions of: (1) fairness and respect; and (2) value and belonging. The highest level of inclusion is when people feel safe to speak up even when they have a different point of view to the majority (“psychological safety”). These feelings of inclusion are separate concepts and build upon each other sequentially<sup>4</sup>.

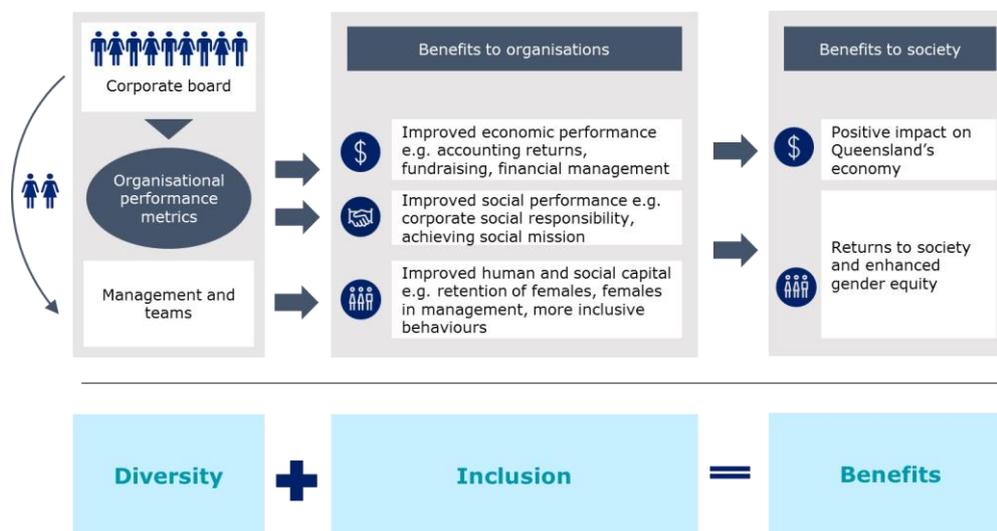
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<sup>3</sup> Bourke, J. (2016) *ibid*.

<sup>4</sup> Deloitte (2013) ‘Waiter, is that inclusion in my soup? A new recipe to improve business performance’

The benefits to the community, organisations and to Queensland are summarised in Figure 3.1 and discussed in more detail throughout this chapter. To realise these benefits both diversity and inclusion are required to secure the benefits of female representation.

**Figure 3.1: Benefits of achieving gender diversity on boards**



Source: Deloitte Access Economics

## 3.2 The impact of board gender diversity on an organisation's financial performance

**Key finding:** Gender parity on boards enhances the performance of boards and the subsequent financial performance of corporate organisations, using metrics such as profitability, return on equity/assets and market value.

There is a wealth of literature that illustrates the positive relationship between gender-diverse boards and organisational financial performance, using metrics such as profitability, stock value and organisational value. U.S. based think tank Catalyst (2007) found that companies with a share of female board directors outperformed on three financial measures: return on equity (53% higher), return on sales (42% higher), and return on invested capital (66% higher).<sup>5</sup> Further, a recent Credit Suisse Research Institute (2012) study found that companies with at least one female director had higher net income growth during a six-year period than companies with male dominated boards; and companies with a market capitalisation of more than \$10 billion and gender-heterogeneous boards had share price performance 26% higher than comparable businesses with all-male directors.<sup>6</sup>

<sup>5</sup> Catalyst, 2007, The Bottom Line: Corporate Performance and Women's Representation on Boards, Catalyst Information Centre, Retrieved 20<sup>th</sup> July 2016 from <http://www.catalyst.org/knowledge/bottom-line-corporate-performance-and-womens-representation-Boards>

<sup>6</sup> Credit Suisse Research Institute, 2012, Gender Diversity and Corporate Performance, Zurich, Retrieved 27<sup>th</sup> July 2016, from [https://www.creditsuisse.com/newsletter/doc/gender\\_diversity.pdf](https://www.creditsuisse.com/newsletter/doc/gender_diversity.pdf)

These results are confirmed in the academic literature. A meta-analysis of 140 studies conducted by Post and Byron (2015) concluded that female board representation is positively related to accounting returns and the board's two primary responsibilities: monitoring and strategy involvement.<sup>7</sup> These results have been replicated in the Australian context, with Vafaei, Ahmed and Mather (2015) demonstrating the positive impact that women's contribution to the boardroom can make on organisational financial performance, using measures that are accounting-based (return on assets and return on equity), market-based (Tobin's Q), and economic-based (cash flow from operations divided by total assets) in their study comprising a sample of the top 500 ASX companies.<sup>8</sup> To add strength to the business case for gender parity, tests on the direction of causality indicated it was board diversity that affects performance, rather than the reverse i.e. the proposition that better performing organisations were more likely to hire women. This finding was not unique, with other studies also establishing causal relationships between gender parity and organisational value and performance.

**Key finding:** Gender parity on boards enhances the financial management of all boards, including not-for-profit, as measured by the degree of efficiency with which they distribute funds, and levels of fundraising.

Similar findings are documented in the body of research concerned with not-for-profit and government boards. While for these boards fiscal gains are of less importance compared to for-profit boards, financial management remains a key indicator of board effectiveness given that it is integral to the organisation's sustainability. For example, Ward and Forker (2015) and Hartarska and Nadolnyak (2012) provide evidence of a positive association between the gender parity on the boards of community-member banks and enhanced financial strategy, as measured by the degree of efficiency with which an organisation distributed funds.<sup>9</sup> Further, Harris (2014) found that among a sample of boards governing colleges and universities, those with a larger proportion of female members achieved superior levels of fundraising, as demonstrated by the volume of direct donations, indirect donations, and government grants.<sup>10</sup>

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<sup>7</sup> Post C. and K. Byron, 2015, 'Women on Boards and Firm Financial Performance: A Meta-Analysis', *Academy of Management Journal* 58, no. 5: 1546–1571.

<sup>8</sup> Vafaei A., Ahmed K. and P. Mather, 2015, 'Board Diversity and Financial Performance in the Top 500 Australian Firms', *Australian Accounting Review* 75, no. 25: 413–427.

<sup>9</sup> Ward A. M. and J. Forker, 2015, 'Financial Management Effectiveness and Board Gender Diversity in Member-Governed, Community Financial Institutions', *Journal of Business Ethics*, Published online: 30 May 2015.

Hartarska V. and D. Nadolnyak, 2012, 'Board size and diversity as governance mechanisms in community development loan funds in the USA', *Applied Economics* 44, 4313–4329.

<sup>10</sup> Harris E., 2014, 'The Impact of Board Diversity and Expertise on Nonprofit Performance', *Non-Profit Management and Leadership* 25, 2: 113–130.

### 3.3 The impact of board gender diversity on an organisation's social performance

**Key finding:** Gender parity in the boardroom improves the social performance of organisations, using metrics such as corporate social responsibility and corporate reputation.

In looking beyond the accounting books, there is evidence to suggest that gender balanced boards have greater social impact, which can indirectly improve the performance of an organisation. Organisations participate not just in capital markets but in society as a whole. When exploring the benefits of women on boards it is important to examine how board gender composition affects other performance outcomes such as corporate social responsibility (CSR) and organisational reputation.

The research studying the relationship between gender-diverse boards and social performance is relatively limited, yet almost uniformly positive. The majority of these studies have demonstrated strong relationships between women in the boardroom and companies' social performance, as measured through various CSR measures. The finding is salient for the present study, as CSR offers a number of benefits that are not always immediately identifiable.

**Key finding:** Improved social performance is an important component of the case for change, as it has been shown to:

- Serve as a differentiating factor leading to investors or customers paying a premium for these companies; and
- Improves the attraction and retention of staff.

For example, Bear, Rahman and Post (2010) demonstrated that the number of women on a board had a positive relationship with strength ratings for CSR, and that CSR strength rating was a predictor of corporate reputation.<sup>11</sup> This is an important component of the case for change, as there is evidence that a positive reputation can influence the effective functioning of an organisation. Specifically, Fombrun (2006) illustrated that CSR can be a differentiating factor that leads to investors or customers paying a premium for these companies.<sup>12</sup> Other studies have shown that CSR can improve an organisations ability to attract talent, and increase the retention of staff by enhancing employee satisfaction.<sup>13</sup>

<sup>11</sup> Bear S, Rahman N and Post C, 2010, 'The impact of board diversity and gender composition on corporate social responsibility and firm reputation', *Journal of Business Ethics*

<sup>12</sup> Fombrun C. J., 2006, 'Corporate Governance', *Corporate Reputation Review* 8, 261-221.

<sup>13</sup> Gatewood R. D., M. A. Gowan and U. J. Lautenschlager, 1993, 'Corporate Image, Recruitment Image and Initial Job Choice', *Academy of Management Journal* 36, 414-427.

Similarly, Larkin (2012) found a strong relationship between the number of female board directors and corporate reputation, as measured by the probability of a corporation appearing on *Ethisphere Magazine's* 2010 'World's Most Ethical Companies' or Corporate Responsibility Magazine's 2010 '100 Best Corporate Citizens List'.<sup>14</sup> The study found that while being on one of these lists did not statistically increase stock value, it had a considerable affect in reducing the likelihood of negative returns. This result strengthens the argument that gender balanced boards can improve social performance and, in doing so, create returns to the business.

### **Non-financial benefits for not-for-profit boards**

Measures of board effectiveness for non-profit boards often relate to the degree to which the board can direct an organisation to fulfil its social mission. It makes intuitive sense that a diverse complement of board members will be connected to a diverse set of networks outside the board room.

Ward and Forker (2015) found that gender-diversified boards of not-for-profit community financial institutions were better able to build communication channels with members and link with external stakeholder networks.<sup>15</sup> This span ultimately helped the organisation to reduce information asymmetry and better determine the credit worthiness of loan applicants, thus enhancing the quality of loan books. This subsequently maximised the benefits (e.g. larger dividends, loan rebates to members, and financial security) to members – the social mission of many credit unions.

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<sup>14</sup> Larkin M., Bernardi R.A. and S.M. Bosco, 2012, 'Board gender diversity, corporate reputation and market performance', *International Journal Banking and Finance* 9, no. 1: 1-26.

<sup>15</sup> Ward A. M. and J. Forker, 2015, 'Financial Management Effectiveness and Board Gender Diversity in Member-Governed, Community Financial Institutions', *Journal of Business Ethics*, Published online: 30 May 2015,

## 3.4 Exploring the mechanism behind board gender diversity and board effectiveness

The investigation also sought to better understand how the relationship between board gender parity and organisational performance operates.

### 3.4.1 Improved monitoring

**Key finding:** Gender diversity on boards enhances board effectiveness, by improving governance processes, ethical conduct, and reducing corporate fraud.

Research supports the positive relationship between board gender parity and organisation financial performance, in terms of monitoring an organisation's governance processes and ethical conduct. These studies argue that increased diversity can improve the board's monitoring role, minimising subversive affects to organisational funds, which in turn enhances corporate performance.

For example, Hutchinson, Mack and Plastow (2015) provide evidence that compared to gender homogenous boards, gender diverse boards are better able to manage risk to ensure investments provide a positive return.<sup>16</sup> Importantly, the authors were able to demonstrate how this offers value for organisations, by providing evidence that this more optimal degree of risk management had a positive effect on organisations' financial performance as measured by return on assets.

In a similar vein, Capezio and Mavisakalyan (2015) argue that corporate fraud represents 'an outcome central to the board's monitoring and oversight governance role and is a key litmus test for assessing board effectiveness.'<sup>17</sup> Their study comprising 128 publically listed companies in Australia found that the increase in women's representation on organisational boards is associated with a decreased probability of fraud. Meanwhile, Terjesen, Couto and Francisco (2015) found that gender parity on boards can enhance board independence of thought, so that the organisation can better perform its monitoring function.<sup>18</sup> Additionally, a study by Adams and Ferreira (2009) illustrated that gender-balanced boards have a positive impact on board inputs including attendance at meetings, participation on committees, and are more likely to hold CEOs accountable for poor stock price performance.<sup>19</sup>

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<sup>16</sup> Hutchinson M., Mack J. and K. Plastow, 2015, 'Who selects the 'right' directors? An examination of the association between Board selection, gender diversity and outcomes', *Accounting and Finance* 55, 1071–1103.

<sup>17</sup> Capezio A. and A. Mavisakalyan, 2015, Women in the Boardroom and fraud: Evidence from Australia, *Australian Journal of Management*, 1-16.

<sup>18</sup> Terjesen S., Couto E.B. and M. Francisco, 2015, 'Does the presence of independent and female directors impact firm performance? A multi-country study of Board diversity', *Journal of Management and Governance*, published online 13 January 2015.

<sup>19</sup> Adams R. and D. Ferreira, 2009, 'Women in the Boardroom and their impact on governance and performance', *Journal of Financial Economics* 94, 291–309.

### 3.4.2 Improved innovation and decision-making

**Key finding:** Gender parity on boards increases the breadth of strategic human and social capital, which results in more diverse ideas. This subsequently facilitates higher decision quality, greater creativity, and innovation – providing a competitive advantage to the organisation.

In addition to improved governance processes, the research notes that the boards with gender parity increase the breadth of strategic human and social capital, which results in more diverse ideas and enhances the conversation dynamic. This subsequently facilitates higher decision quality, greater creativity, and innovation – providing a competitive advantage to the organisation.

A recent paper published in the *American Economic Review* by Kim and Starks (2016) found that women who are appointed as corporate directors diversify the set of boards' expertise (i.e. knowledge and experience) more than do their male counterparts.<sup>20</sup> Secondly, the study demonstrated that women bring skillsets that are necessary for maximum board functioning but is often missing from male-dominated boards.

It is important to pause here and clarify that the different areas of expertise and skillsets brought by women do not arise from being a woman *per se* – but rather from a gender differential experience. For example, Kim and Starks (2016) found that women were more likely than men to offer experience in the sustainability and political/ government sectors – two areas the authors believe are integral to optimal board functioning. Similarly, Bourke (2016) notes that there is 'no reliable evidence that being a man or women creates a definitive difference of perspective'.<sup>21</sup>

In extending the conversation to how diversity of thought results in a more effective board, Kim and Starks (2016) conclude with the assertion that by increasing both a) the heterogeneity of expertise and b) the number of unique skillsets necessary for optimal board functioning, female directors improve the board's information endowment, and thus decision outcomes. This ultimately improves the quality of the board's advice.

The argument put forth by Kim and Starks (2016), that women increase the variety of experiences on a board and facilitate more robust recommendations, is well established in the academic literature. For example, Post and Byron (2015) identified that the greater breadth in skillsets on gender balanced boards was important in reducing uncertainty when making strategic decisions.<sup>22</sup> Similarly, Miller and Triana (2009) found that gender-diverse boards are more likely to identify innovative opportunities and produce higher quality decisions compared to those that are homogenous.<sup>23</sup> It was argued that a balanced board,

<sup>20</sup> Kim D. and Starks L., 2016, 'Gender Diversity on Corporate Boards: Do Women Contribute Unique Skills?', *American Economic Review: Papers & Proceedings* 106, no. 5: 267–271.,

<sup>21</sup> Bourke J., 2016, *Which two heads are better than one? How diverse teams create breakthrough and make smarter decisions*, Sydney, New South Wales: Australian Institute of Company Directors, p.50.

<sup>22</sup> Post C. and K. Byron, 2015, 'Women on Boards and Firm Financial Performance: A Meta-Analysis', *Academy of Management Journal* 58, no. 5: 1546–1571,

<sup>23</sup> Miller T. and M. Triana, 2009, 'Demographic Diversity in the Boardroom: Mediators of the Board Diversity–Firm Performance Relationship', *Journal of Management Studies* 46: no. 5: 755–786.

with a variety of experience, means that more alternatives are evaluated. By taking a broader view, the board will have a better understanding of the complexities of the business environment and thus improve organisational oversight.

**Key finding:** Gender parity can positively change the board group dynamic to be more open and conducive to sharing information, thereby enhancing the quality of the board's advice.

However, there is evidence to suggest that it is not solely the diversity of experiences and skillsets that females contribute to enhance board decision-making, but also their positive impact on the group dynamic. Bourke's (2016) review of academic literature and applied research pertaining to diversity and teams, while not refined to board settings, offers relevance for understanding how gender moderates the effectiveness of a group. Bourke's research found that gender parity can positively change a group dynamic to be more open and conducive to sharing information.<sup>24</sup> She argues that gender diverse groups create an environment of psychological safety and social cohesion, helping to ensure there is an equal share of voice for all group members. She concludes men and women behave differently in gender balanced groups compared to single sex groups or groups dominated by one sex, and this improved conversational dynamics and helps to elicit a broader range of perspectives and collaborative behaviours.

### 3.5 The importance of an inclusive board environment

**Key finding:** Gender parity on boards, alone, will not achieve financial benefits – inclusion is a critical success factor.

A key finding emerging from the literature is that gender parity on boards alone will not achieve financial benefits – inclusion is a critical success factor. The literature notes that a board that is not inclusive limits the voice and influence of women, which can result in a reduced performance effect.

Dwyer, Richard and Chadwick (2003) state, 'an appropriately configured and supportive organisational environment, may need to be in place before the beneficial aspects of gender diversity can be fully realised'.<sup>25</sup> This observation is consistent with studies from Low, Roberts, and Whiting (2015) and Buse, Berstein and Bilimoria (2016), who concluded that having gender diverse groups represented on the board may not directly enhance organisational performance, if the gender diverse individuals are seen as tokens and do not have the power for their ideas to be adopted.<sup>26</sup>

<sup>24</sup> Bourke J., 2016, Which two heads are better than one? How diverse teams create breakthrough and make smarter decisions, Sydney, New South Wales: Australian Institute of Company Directors, pp.50-51.

<sup>25</sup> Dwyer S., Richard O.C. and Chadwick K., 2003, 'Gender diversity in management and firm performance: the influence of growth orientation and organizational culture', *Journal of Business Research* 56, 1009–1019.,

<sup>26</sup> Low D.C.M., Roberts H., R.H. Whiting, 2015, 'Board gender diversity and firm performance: Empirical evidence from Hong Kong, South Korea, Malaysia and Singapore', *Pacific-Basin Finance Journal*, March: 381–401.,

Rose (2007) offers another plausible reason for why diversity might not enhance performance. There may be a process whereby the minority board members have, consciously or not, adopted the behaviour and norms of the conventional board members and organisation leaders (in order to be qualified in the eyes of top decision makers).<sup>27</sup> The unique expertise of these members, that have been shown to enhance the effectiveness of the board, are thus suppressed. As a consequence, the gains from having female board members never materialise and/ or are not reflected in performance measures.

### **The ‘critical mass’ – enabling a boardroom dynamic that maximises the female diversity dimension**

For the presence of female directors to yield returns, the directors must operate amidst a culture in which diverse voices are heard and considered. The boardroom literature on the female ‘critical mass’ adds weight to this argument, by showing that one or two female board members are often dismissed as a ‘token’, but three may give the board a critical mass – the point of ‘normalisation’ whereby the resources that women bring to the board are valued – and women’s unique perspectives are heard.

While the ‘critical mass’ drives more inclusive behaviours from male board members, it also increases confidence among women directors themselves, as gender is no longer a barrier to communication and female board members are more likely to feel comfortable, supported, and freer to raise issues and be active. Konrad, Kramer, Erkut (2008) interviewed female board members of Fortune 500 boards, and found that a female ‘critical mass’ on boards can enhance board effectiveness by expanding the content of board discussions, raising issues that pertain to multiple stakeholders.<sup>28</sup>

Similar findings were found among boards of non-profit organisations, with Bradshaw, Murray and Wolpin (1996) noting that, as the gender parity equalised, the dynamic of the board changed in line with more inclusive behaviours, which resulted in better governance practices e.g. a more formalised board, and more frequent meetings. Additionally, the board was more likely to be perceived as effective by the CEO.<sup>29</sup>

It is important to note that among the studies that have found no relationship between the gender composition of a board and organisations’ financial performance, a higher representation of females on boards was rarely associated with a detrimental effect on organisation financial performance.

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Buse K., Bernstein R.S. and D. Bilimoria, 2016, ‘The Influence of Board Diversity, Board Diversity Policies and Practices, and Board Inclusion Behaviors on Nonprofit Governance Practices’, *Journal of Business Ethics* 133, 179–191.

<sup>27</sup> Rose C., 2007, ‘Does Female Board Representation Influence Firm Performance? The Danish Evidence’, *Corporate Governance: An International Review* 15, no. 2: 404–13.

<sup>28</sup> Konrad A. M., Kramer V. W. and S. Erkut, 2008, ‘The impact of three or more women on corporate Boards’, *Organizational Dynamics* 37, 145–164.

<sup>29</sup> Bradshaw P., Murray V. and J. Wolpin, 1996, ‘Women on Boards of non-profits: What difference do they make?’, *Nonprofit Management & Leadership* 6, 241–253.

In light of this finding, Pletzer et al. (2015) offer a point of view worth considering in the present study – if increased female representation on corporate boards is not positively or negatively associated with organisation financial performance, it seems reasonable to promote gender parity on boards based on its other, less measureable benefits.<sup>30</sup> This naturally leads to the next line of inquiry: aside from the indirect benefits of improved social performance previously identified, what are the other less quantifiable benefits of women on boards?

### 3.5.1 The impact of board gender diversity on the broader organisation

**Key finding:** Gender parity on boards can facilitate diversity and inclusion across organisations more broadly. Specifically, they can:

- Overcome a perception barrier among females that board positions are unattainable;
- Facilitate change among selection panels to be more inclusive of female appointees; and
- Positively impact on the retention, promotion and pay of female staff.

Our research revealed that gender diversity at the board level offers a range of benefits, reaching beyond the typical financial and social measures of organisational performance – most notably, improved human and social capital at the organisational level.

Studies by various research institutes have demonstrated a relationship between the presence of women on boards and the presence of women in executive ranks, indicating gender-parity on boards may facilitate diversity and inclusion more broadly. McKinsey & Company (2013) provide evidence of a relationship between the proportion of women on boards and the proportion of women on top teams in subsequent years.<sup>31</sup> Interviews with the CEOs of these organisations noted that female directors symbolise career possibilities to prospective recruits. This overcame a perception barrier among younger females that board positions were unattainable, due to cultures that were unwilling to deviate from the status quo. Additionally, they found the presence of female directors can help to facilitate institutional cultural change among board selection panels.

These findings were replicated in the empirical literature, with Matsa and Miller (2011) noting a positive association between the female share of the board of directors in the previous year and the female share among current top executives.<sup>32</sup> The relationship's

<sup>30</sup> Pletzer J.N., Nikolova R., Kedzior K.K. and S.C. Voelpel, 2015, 'Does Gender Matter? Female Representation on Corporate Boards and Firm Financial Performance - A Meta-Analysis', *PLOS-One*, Published June 18 2015.,

<sup>31</sup> McKinsey & Company, 2013, *Lessons from the Leading Edge of Gender Diversity*, Retrieved 20th July 2016 from <http://www.mckinsey.com/business-functions/organization/our-insights/lessons-from-the-leading-edge-of-gender-diversity>

<sup>32</sup> Matsa D. A., and A. R. Miller, 2013, 'A Female Style in Corporate Leadership? Evidence from Quotas', *American Economic Journal: Applied Economics* 5, no. 3: 136–69.

timing suggests that causality runs from boards to managers and not vice versa. Further, Bilimoria (2006) found that female corporate board members had a subsequent impact on the following: the retention of female staff; female staff holding line jobs; and women among the top corporate earners.<sup>33</sup> The gender-diversity spill over affect was also demonstrated by Sealy (2008), who concluded that where women hold executive directorships, organisations are likely to gain legitimacy and thus loyalty from current and prospective female employees, as they are perceived to be ‘female-friendly employers’ with a commitment to advancing the career tracks of women as well as men.<sup>34</sup>

Ultimately then, the case for board gender parity goes beyond typical board performance metrics. When considering the benefits of women on boards, it is important to remember that board gender parity can facilitate diversity and inclusion across the broader organisation.

However, it would be premature to halt the conversation at the suggestion that gender-diversity at the board level can diffuse down the corporate hierarchy. We still have not answered the question of **why** the enhanced diversity dynamic is salient for managers and teams. This chapter is concerned with the *benefits* associated with women on boards, and as such, we must extend the narrative to explore how a positive gender climate at the team level offers tangible value for organisations.

### 3.5.2 The benefits for teams

**Key finding:** A positive gender climate at the team level offers tangible value for organisations, as a mixed sex-ratio generates improved self-confidence and cohesion amongst team members, thereby enhancing team problem solving.

Bourke’s (2016) research, which is underpinned by a number of pivotal experimental studies in the field of gender diverse team dynamics, provides a comprehensive answer to this pertinent question.<sup>35</sup> Bourke highlights one particular study which provided evidence that gender balanced teams promote an environment where innovative capacity is enhanced compared to those which are skewed towards a particular gender. The authors of this study concluded that the ‘key levers and drivers for innovative processes are positively influenced by having 50:50 proportions of men and women in teams.’<sup>36</sup> It is argued that the equal complement of both men and women in teams facilitated feelings of psychological safety and experimentation amongst both genders – a key enabler for more productive and high performing teams. Bourke also points to research by Carnegie Mellon University Professor Woolley who found that groups which included men and women

<sup>33</sup> Bilimoria D., 2006, ‘The Relationship Between Women Corporate Directors and Women Corporate Officers’, *Journal of Managerial Issues* 18, no. 1: pp. 47-61.

<sup>34</sup> Sealy R., 2008, The importance of female role models for senior women in investment banks, Academy of Management Annual Meeting: Anaheim, CA, 8 - 13 August 2008.

<sup>35</sup> Bourke J., 2016, Which two heads are better than one? How diverse teams create breakthrough and make smarter decisions, Sydney, New South Wales: Australian Institute of Company Directors.

<sup>36</sup> *Ibid*, p. 37.

create a climate of more conversational turn taking and ultimately demonstrated greater levels of collective intelligence and task performance.

We thus conclude by noting that the leverage effect of gender parity on boards through to the team level offers additional value, in the sense that that men and women operate at their best when there is gender parity. A mixed sex-ratio generates improved 'self-confidence, 'speaking up' and 'cohesion' amongst team members, which strengthens approaches to complex questions and enhances team problem solving.<sup>37</sup> In summary, board gender diversity has the potential to improve human and social capital across organisations – this should be of significant interest to management given it is a key driver of organisational sustainability and viability.

The literature has clearly identified the importance of gender parity on organisational boards. Achieving parity will lead to organisation benefits that can lead to benefits across society and the Queensland economy. To ensure these benefits, we need to identify the barriers and enablers to achieving gender parity within the Queensland context. By understanding the current state of Queensland Government boards and the attitudes of board members themselves, the actual gains to gender parity in Queensland can be identified.

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<sup>37</sup> Ibid, p. 50.

# 4 Survey analysis of Queensland Government boards

## Overview of this chapter

**Purpose:** The purpose of this chapter is to identify the current attitudes and actions toward achieving gender parity through a survey of Queensland Government board members.

**Method:** A survey in 2016 addressing key topics of inclusion, performance and diversity was developed and administered to Queensland Government boards. The survey spanned across all portfolios, with responses from the majority of portfolios. The survey had a 12% response rate, but when tested for different forms of bias it matched similar characteristics as the targeted board population.

### Key findings:

#### *What is the current state of Queensland Government boards?*

- Whilst **39% of Queensland Government board positions are occupied by females as at June 2016, only 15% of responding boards had achieved gender parity.**
- While the majority of respondents supported gender parity, **only a minority had undertaken actions identifying genuine commitment to achieving gender parity.**

#### *How do the survey results compare to the literature?*

- The survey results correlate with the literature findings.
- Boards with **indicators of high performance** were **more inclusive and more diverse** than low performance boards.
- **High performance boards were more committed to gender parity** than low performance boards.
- **Genuine commitment and accountability is absent** from most government boards, which correlates with barriers identified in chapter 6.

#### *Does the survey re-enforce the case for change?*

- The survey confirms the need for change among government boards, given there is no genuine commitment to gender parity, from the actions undertaken by boards as nominated by the respective survey respondents.
- Inclusive and diverse boards outperform homogenous boards, which presents an opportunity to generate increased organisational and economic benefit.

## 4.1 Indicators of high performing boards

**Key finding:** High performance Boards have higher indicators of diversity and inclusion.

The literature has identified that financial and non-financial performance metrics can be enhanced through gender diversity and an inclusive culture. To test these findings in the context of Queensland, a survey was conducted of Queensland Government boards. The survey was designed to determine if government boards that are inclusive and committed to gender parity achieved better measures of effectiveness indicated through selected output measures. The literature was used to identify metrics and principles for measuring inclusion, diversity and board effectiveness as indicated through output measures.

Board performance is intrinsically linked to organisational performance; however, organisational performance is not standardised across organisations. For example, the Australian Institute of Company Directors (AICD) concluded the concept of performance varied significantly, depending on the sector and organisation's stakeholders (and thus their unique perspectives). In addition, it noted that performance is often context specific. Furthermore, boards report against distinct measures relative to their purpose, which may vary between sectors. Therefore, broad output measures were developed to provide an indication of board performance.

The following characteristics listed below and demonstrated in Figure 4.1 are common to high performing boards, as per the literature:

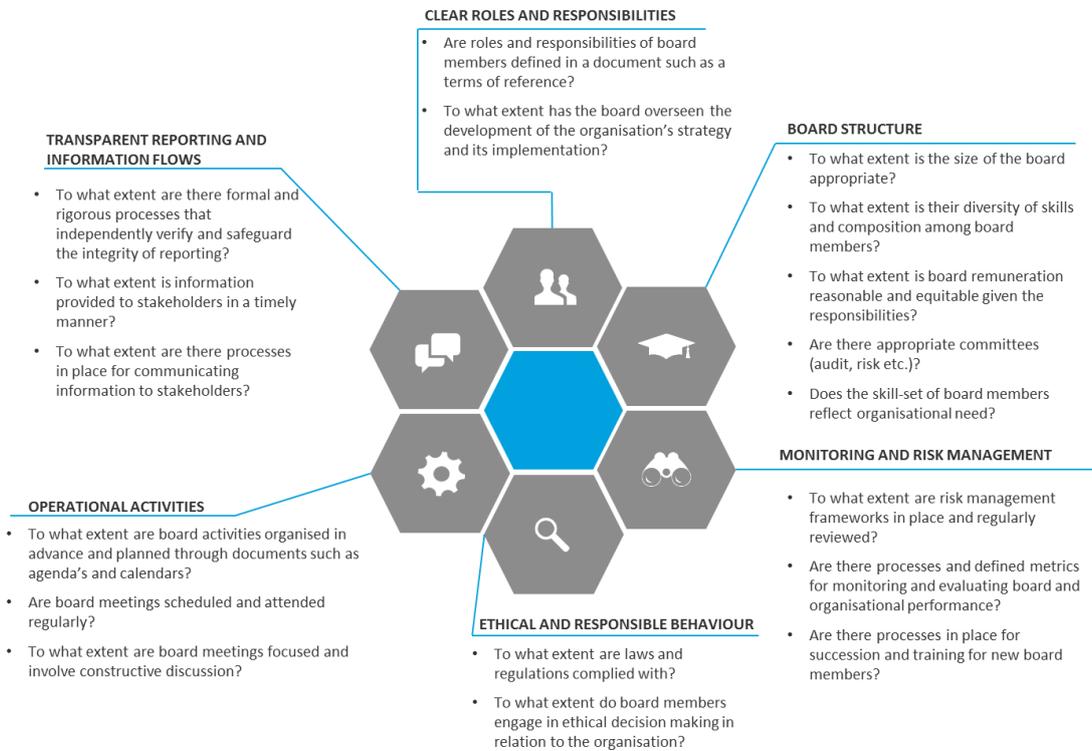
- Clear roles and responsibilities;
- Board structure;
- Monitoring and risk management;
- Ethical and responsible behaviour;
- Operational activities; and
- Transparent reporting and information flows<sup>38</sup>.

As the literature outlines, effectiveness measures will vary between boards; as such, we have developed a number of output based measures to provide comparative statistics between diverse and non-diverse boards. Questions 5, 6 and 6.1 indicate outputs representative of board effectiveness and performance. Figure 4.1 outlines the key indicators used to determine effectiveness. These indicators were sourced from best practise governance principles currently in use among ASX listed companies.

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<sup>38</sup> ASX Corporate Governance Council 2014 and AICD Good Governance Principles and Guidance for not-for-profit organisations 2013

**Figure 4.1: Indicators of effectiveness of high performing boards**



Source: Deloitte Access Economics based on information from ASX Corporate Governance Council 2014 and AICD *Good Governance Principles and Guidance for not-for-profit organisations* 2013.

A survey was administered to Queensland Government Boards to assess their performance, inclusivity and diversity. In addition follow-up interviews were held with boards identified from the survey so as to provide greater understanding to the results generated, and a recruiter workshop was held to gain a greater understanding of the processes involved in board recruitment methods. The activities provided extremely valuable insights into the current state of gender parity on Queensland Government boards and the barriers faced in achieving gender parity. The results of this research will be explored throughout chapter 4 and 6.

## 4.2 Current state of Queensland Government boards

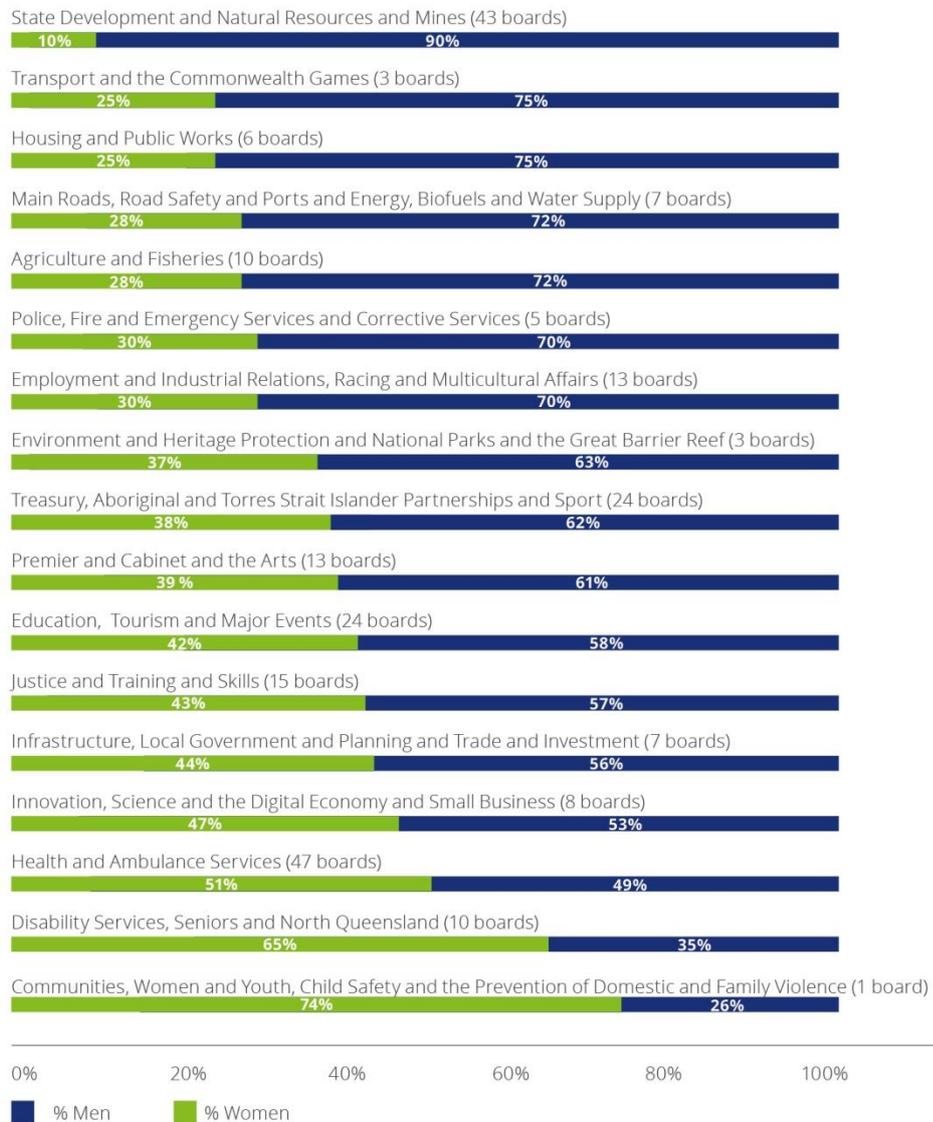
As of 30 June 2016, there were 239 government boards targeted for the WOBI initiative in Queensland<sup>39</sup>. These boards combined consisted of 1,829 board members, of which 39% were females and 61% males, which is just outside the gender diversity boundary of 40/60, and obviously below pure parity of 50/50.

Overall seven portfolios have female representation across all boards over 40%. For example, the *Education and Tourism and Major Events* portfolios have a 58%-42% split between men and women. Portfolios with the least diverse board representation include *State Development and Natural Resources and Mines*, with 10% of positions on the board occupied by women. Chart 4.1 provides information on the proportion of females on boards within each portfolio.

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<sup>39</sup> All Queensland Government boards are “in scope” except, the following government bodies/roles on the Queensland Register of Appointees: (i) courts and tribunals (as the target is directed at board or committee appointments); (ii) Government and Non-Government ex-officio positions (as these appointments are by position); full-time or part-time statutory office holders (as the target is directed at board or committee appointments); and bodies established to meet inter-jurisdictional agreements (as appointees are decided with the agreement of another State or the Commonwealth).

**Chart 4.1: Percentage of boards with female representations by Portfolio**



Source: Department of the Premier and Cabinet 2<sup>nd</sup> June 2016

Note: The consultation process highlighted that legislation may be a barrier in achieving gender parity. A review is required to confirm whether this is the case and, if so, examine the contribution it has to impairing gender parity on boards and opportunities for policy and legislative reform.

## 4.1 Overview of survey result

### Overview of the survey results

**Purpose:** This section provides an overview of the results from the survey of Queensland Government boards.

**Method:** This survey spanned across all portfolios, with survey respondents representing boards across the majority of the portfolios. The survey results were checked to identify the level of certainty of the survey sample in comparison to the total board population.

### Key findings:

#### *Who received the survey?*

- The survey was administered to board members across 149 Queensland Government boards.

#### *Who responded to the survey?*

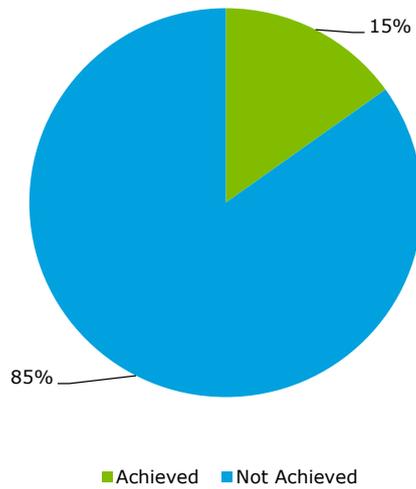
- 149 responses from board members across 48 government boards, amounting to a **12% board member response rate**

#### *How valid and reflective was the survey data of the wider Queensland Government board population?*

- The survey results were checked for any potential bias and it was concluded these are **reasonably reflective** of Queensland Government boards (i.e. has similar characteristics to the targeted boards for the survey). Care must be taken when applying the results to other forms of inquiry as 63% of responses being attributable to 4 out of 20 portfolios. The predominate source of sample bias for this survey would be a difference in the proportion of gender balanced boards; the survey sample and the identified boards, however, had very similar distributions.
- There is a 7.5% margin of error in the results, at the 95% confidence interval. The aim for any survey is to have less than 5% margin of error, but results up to 10% are considered acceptable.

Chart 4.2 represents the percentage of respondent boards that have achieved gender parity.

**Chart 4.2: Boards that have achieved gender parity**



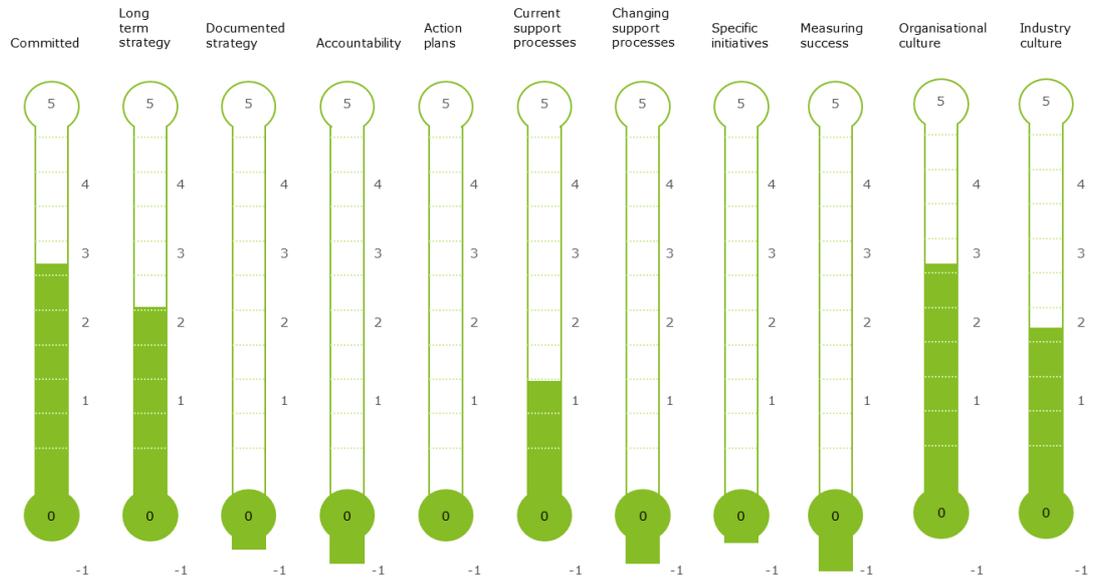
Source: Deloitte Access Economics analysis based on Government board survey 2016

#### 4.1.2 Diversity

Survey respondents demonstrated varying levels of commitment to gender diversity, reflected in Figure 4.2. Figure 4.2 suggests respondents generally do not have the necessary strategy, processes, measures or accountability to support changes to gender mix.

Note: Each thermometer below represents the overall results for each diversity question explored in the survey. Responses were allocated numeric weights between strongly agree (5) to strongly disagree (-5). The weights were prescribed to each response in order to derive an aggregate score for each question, to allow for overall analysis

**Figure 4.2: Perceived degree of diversity in the responding organisations**



Source: Deloitte Access Economics analysis based on Government board survey 2016

Figure 4.2 demonstrates that respondents were moderately committed to diversity and they recognised it was important to the board’s long term strategy. Though when it came to actions related to diversity there was less demonstrated commitment. In particular, there was little accountability to deliver on diversity also little commitment to change support process or have in place measures of success. There was recognition in the results that organisation and industry culture can have a significant impact on the ability to achieve diversity.

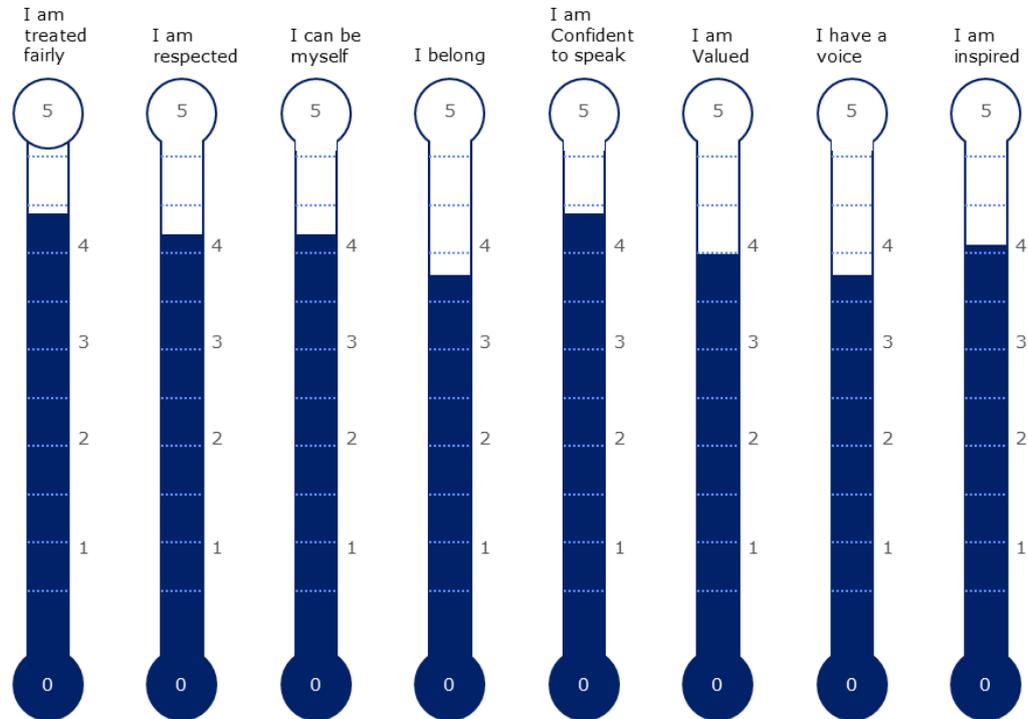
### 4.1.3 Inclusion

In contrast to the attitudes toward gender parity, respondents strongly agreed that their organisation had an inclusive culture reflected in Figure 4.3.

The literature recognised that in order to achieve benefits from gender parity, both diversity and inclusion are required. Figure 4.3 indicates the degree to which respondents expressed that inclusionary behaviour is displayed in the boardroom. This demonstrates a high degree of inclusion across all responding boards. Detailed analysis will examine the differences between those boards with positive diversity results and gender parity.

Note: Each thermometer below represents the overall results for each inclusion question explored in the survey. Responses were allocated numeric weights between strongly agree (5) to strongly disagree (-5). The weights were prescribed to each response in order to derive an aggregate score for each question, to allow for overall analysis

**Figure 4.3: Perceived degree of inclusion in responding organisations**



Source: Deloitte Access Economics analysis based on Government board survey 2016

## 4.2 Detailed analysis of survey results

Based on the qualities identified from research into governance practises and high performing organisations, in section 4.1, Deloitte characterised high performance boards based on the existence of the following processes being enacted by each board:

- Board orientation for new members;
- Allocation of resources for professional development or mentoring activities for board members;
- Documented roles and responsibilities of board members;
- Board meetings scheduled to oversee the development and implementation of the organisations strategy;
- Processes in place for succession planning;
- Metrics for monitoring and evaluating board performance;
- Communication of information to the Minister;
- Code of conduct for board members;
- Risk management framework; and
- Evaluation of board performance.

This data was overlaid with data collected on diversity and inclusion to test the relationship between all three elements.

#### 4.2.1 Gender diversity + inclusion = benefits<sup>40</sup>

Chapter 2 sought to better understand the benefits of women on boards by taking an exploratory approach to the research documenting the benefits of gender-diverse boards. It was concluded that boards who couple gender diversity *with* inclusive operating environments perform more effectively, and thus reap a range of direct and indirect rewards for organisations. Rarely can gender-diversity, alone, achieve benefits – inclusion is a critical success factor. However, as this research spanned the local and international literature covering a broad range of sectors including Government, not-for-profit and corporate organisations, there is a need to confirm this finding at a more local and relevant level. This section seeks to explore the relationship between diversity and inclusion for Queensland Government board members.

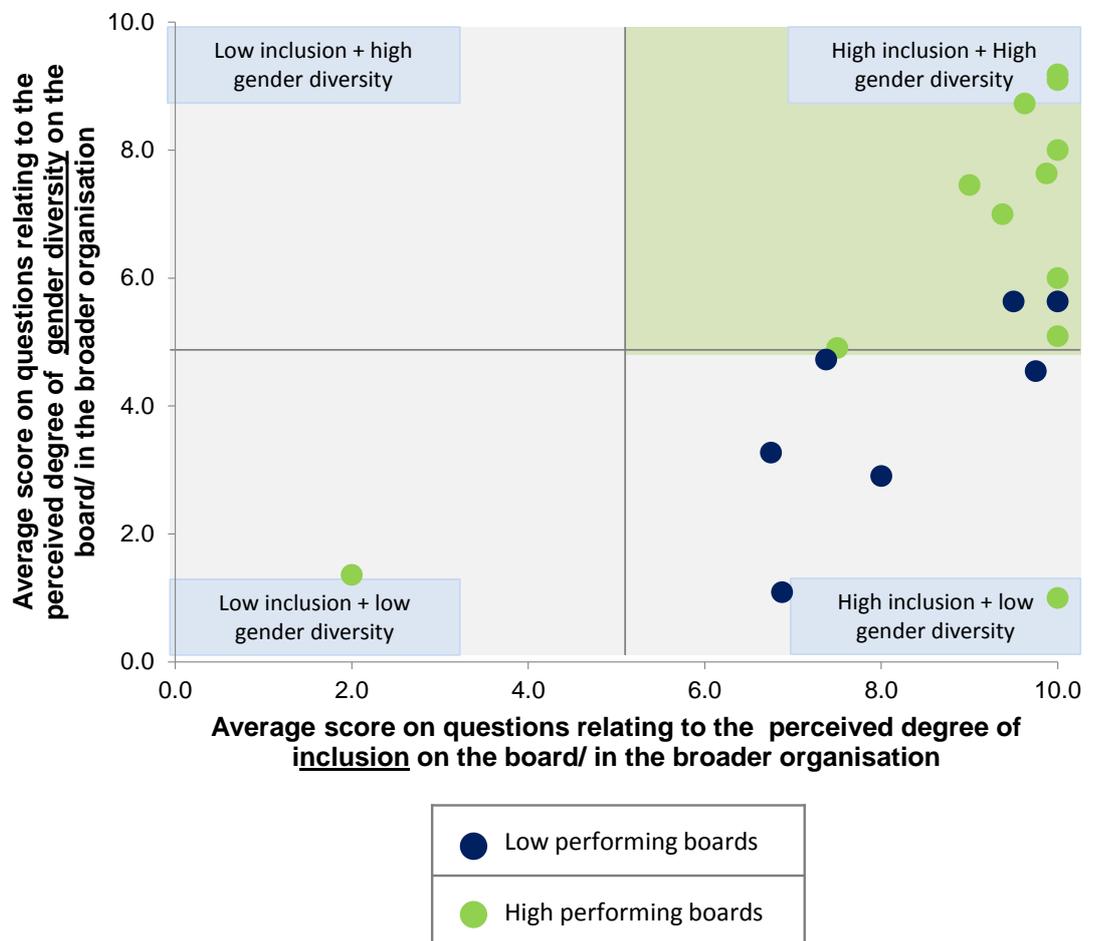
**The majority of 'high performing' boards display a strong commitment to both diversity and inclusion**

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<sup>40</sup> While we were unable to test the full range of benefits as described in the literature, we were able to use board performance as a proxy indicator. Chapter one revealed that the link between diversity and inclusion and benefits operates via diversity and inclusion enhancing the effectiveness of the board. As such, we can extrapolate that if a Board satisfies the definition of a 'high performing' (i.e. effective) board, they are by extension, likely to achieve the benefits described in chapter two.

To test the hypothesis that diversity and inclusion realise benefits, quadrant analysis was conducted on boards<sup>41</sup>, using inclusion and commitment to gender diversity as the two attribute variables.<sup>42</sup> It was anticipated that the majority of boards with indicators of higher board effectiveness – if the hypothesis was to hold true – would fall in the top right quadrant. As reflected in Chart 4.3, the survey results support the theory. That is, among ‘high performing’ boards, the majority displayed a high degree of both diversity *and* inclusion, thus providing evidence of a strong positive association between diversity *and* inclusion and indicators of board effectiveness.

**Chart 4.3: High performing Queensland Government boards– perceived degree of gender diversity and inclusion on the board and in the broader organisation**



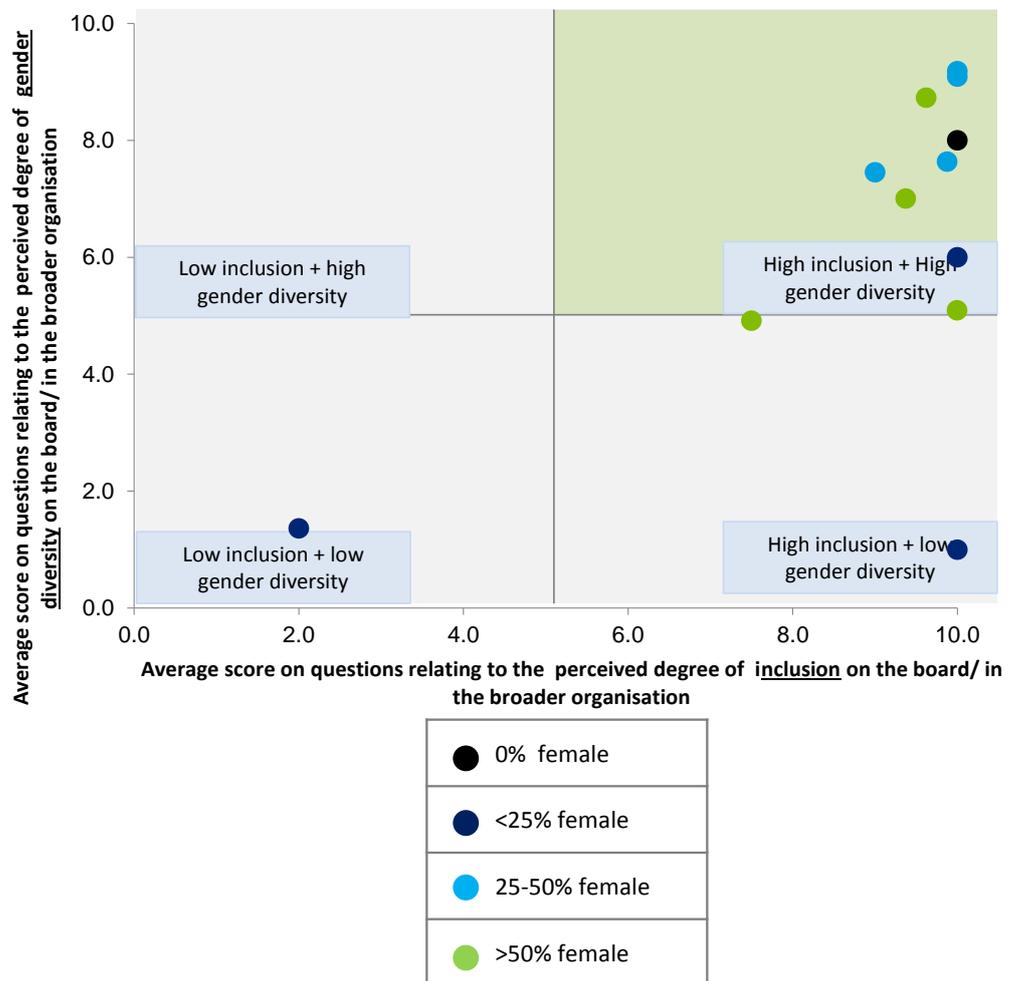
Source: Deloitte Access Economics analysis based on Government board survey 2016

<sup>41</sup> This was identified by grouping survey respondents by their respective board.

<sup>42</sup> Based on the average of the subset of answers to Q9, each respondent was allocated an overall inclusion score, and based on the average of the subset of answers to Q10, each respondent was allocated an overall commitment to gender diversity score. These scores were then plotted on a scatter chart.

Strengthening the above findings, Chart 4.4 illustrates that all but one of the 12 high performing boards included women. One third (4 boards) had more than 50% women, one third (four boards) had between 25%-50% women and one quarter (3 boards) had less than 25% women. This further adds to the research that high performance boards have greater measures of inclusion and diversity than low performing boards.

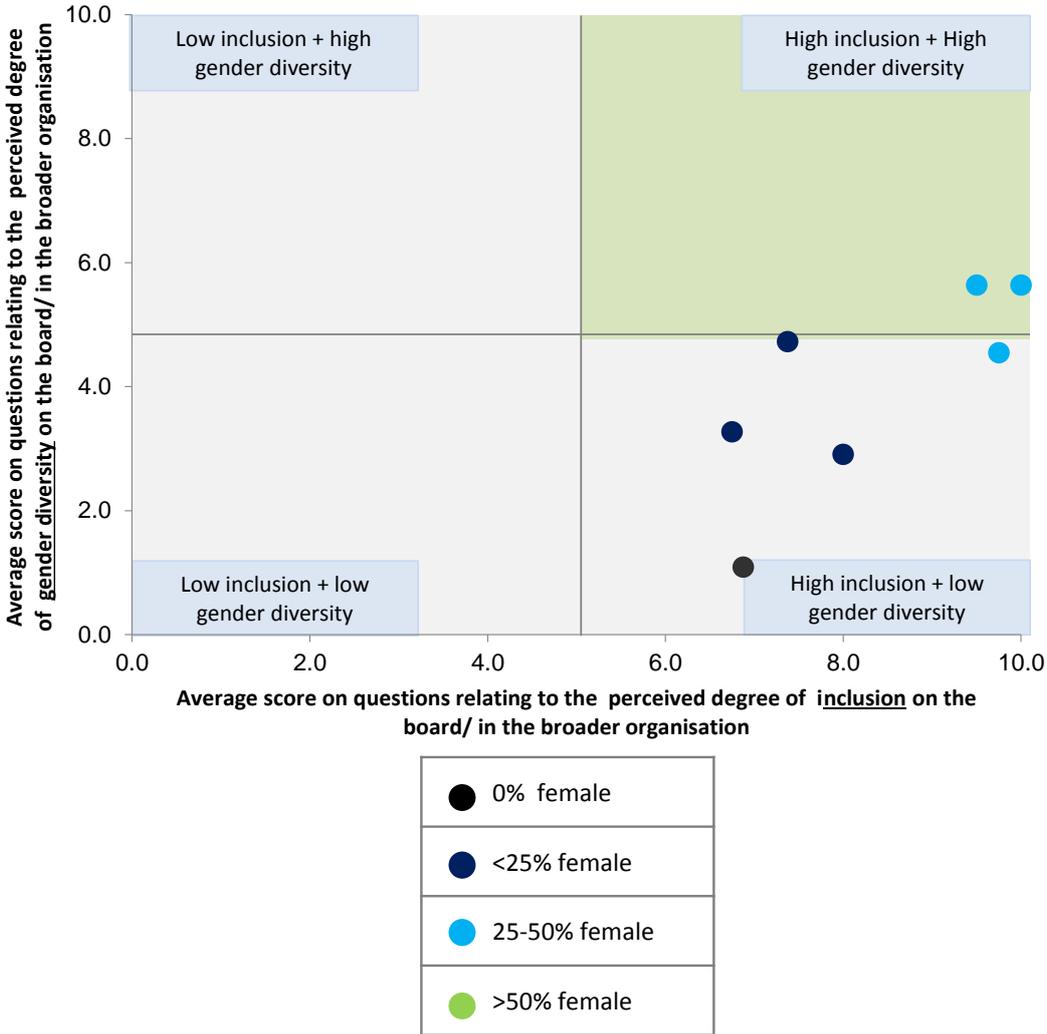
**Chart 4.4: High performing Queensland Government boards – percentage of men/women and perceived degree of commitment to diversity and inclusion**



Source: Deloitte Access Economics analysis based on Government board survey 2016

Chart 4.5 maps low performing boards within the matrix. This analysis shows that this boards scored low on indicators of diversity, yet relatively high on inclusion. This could be explained by the homogenous nature of the boards and therefore by default the inclusive environment created

**Chart 4.5: Low performing Queensland Government boards – percentage of men/women and perceived degree of commitment to diversity and inclusion**



Source: Deloitte Access Economics analysis based on Government board survey 2016

**63% of 'high performing' boards display both high diversity and inclusion indicators, compared to only 27% of 'low performing' boards**

To demonstrate a more convincing relationship between diversity and inclusion and board performance, a comparison was drawn between the proportion of 'high performing' versus 'low performing' respondent boards that displayed diversity and inclusion. As reflected in Chart 4.6, the sample was initially stratified by 'high performing' (11%) versus 'low performing' (89%) boards. Boards which did not satisfy the high performance requirements identified in section 4.4 were considered 'low performing'. Following this, both types of boards were segmented by diversity and inclusion category – classifying respondents who scored 7 or more on both the diversity and inclusion metrics, as 'diversity AND inclusion', those who scored 7 or more on only one metric, as 'Diversity OR Inclusion', and those who scores less than 7 on both, as 'Neither'.

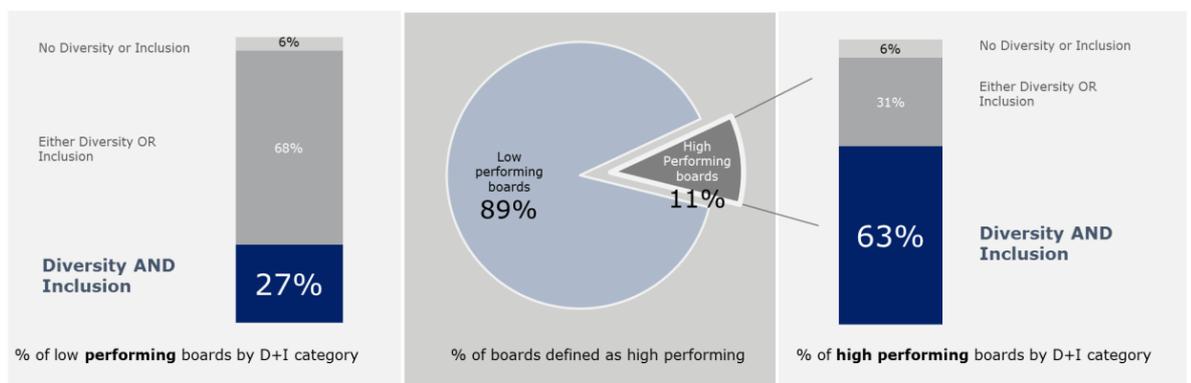
Chart 4.6 illustrates that 63% of 'high performing' boards in the sample displayed both diversity and inclusion, compared to only 27% of 'low performing' boards. The variation in these figures thus strengthens to the case for change, by showing that boards with diversity and inclusion tend to excel, relative to those without diversity and inclusion. While these statistics are somewhat limiting in that they do not infer causality, in referring back to chapter three – a number of empirical studies noted that it was diversity and inclusion that drives improved board outcomes, and not the reverse.

**Both diversity and inclusion must be present for a performance effect**

Additionally, Chart 4.6 is consistent with the insight from chapter three that diversity is only one half of the performance story – the translation to benefits is contingent on the presence of *both* diversity and inclusion. Of the survey respondents, 68% of 'low performing' boards, had either diversity OR inclusion, and yet they were still unable to satisfy the definition of 'high performance'.

Note: The questions asked to inform this chart were an aggregation of all diversity, inclusion and performance questions identified in Appendix A.

**Chart 4.6 Proportion of survey respondents 'High performing' boards vs. 'low performing' boards with diversity and inclusion**



Source: Deloitte Access Economics analysis based on Government board survey 2016

High performing boards can improve the productivity of organisations, and by extension, Queensland. As such, this research indicates an opportunity for Queensland, and supports the need to invest, and prioritise, initiatives that seek to improve the known drivers of board performance including diversity and inclusion.

#### 4.2.2 How can we effect material change?

With the case for change now convincingly established, the focus of this chapter reorients from the question of *why* to the question of *how*. Women currently make up 39% of Queensland Government board appointees – the Queensland Government has set a clear target of 50% of women to be on government boards by 2020. Clearly there is work to be done over the next five years. We thus pose the question: what are the most effective strategies for achieving this goal?

**Inclusion, objectivity, and chair commitment are the key perceived drivers of change**

Figure 4.4 provides a snapshot of the key themes that emerged in response to this poignant question among survey respondents. As noted in the word cloud, the main perceived drivers of board gender parity are: an objective focus on skillsets during the recruitment process, an inclusive board environment, and a Chair who is genuinely committed to the diversity and inclusion cause.

**Figure 4.4: What factors do you believe are most impactful in achieving gender parity on boards?**



***'Systems/ processes' is the second strongest predictor of women on boards, yet only 41% of board members who responded - 'strongly agree' that this exists in their organisation, thus supporting the case for intervention***

In a separate line of investigation, tests for correlation were conducted on some of the documented approaches for achieving gender equality on boards (Q10) with the percentage of women on boards. The approaches with the top five effect sizes are displayed in Chart 4.6 alongside the proportion of respondents who 'strongly agree'

(selected 8-10) that these strategies are embedded within their board/ organisation. The degree to which boards have diversity initiatives was correlated with the percentage of women on boards, excluding board performance indicators, which is reflected in Figure 4.5.

The misalignment between the key enablers of women on boards and the proportion of boards/ organisations committed to implementing these strategies suggests that organisations are not effectively positioning resources to achieve a 50:50 gender parity on boards. For example, analysis indicates that ‘systems and processes’ is the second strongest predictor of women in board appointments, yet only 41% of respondents ‘strongly agree’ that their board/ organisation has appropriate ‘systems and processes’ to support the achievement of gender parity. Consequently, there is a strong case for intervention with initiatives such as WOBI, which seek to systematically address these pressure points and facilitate sustained change.

Note: The questions used to inform this chart are outlined in Q10 in Appendix A.

**Figure 4.5: Top five drivers of women on boards vs. proportion of boards members who ‘strongly agree’ with these statements**



Source: Deloitte Access Economics analysis based on Government board survey 2016

The survey results are consistent with the literature analysed in chapter three reinforcing that in Queensland, like the wider evidence base, boards which are inclusive and diverse, outperform non-diverse and non-inclusive boards. Survey respondents believe gender parity is important to their organisation, however, they also identified that they do not have the necessary leaders or action plans to implement this change. Noting that the research and evidence have outlined a strong case for change in Queensland it is important to identify if the change will provide tangible benefits. The next section outlines a

methodology and results of estimating the benefits accruing to the Queensland economy from achieving gender parity on Queensland boards.

# 5 Economic benefits to Queensland from achieving gender parity on boards

## Overview of this chapter

**Purpose:** The purpose of this chapter is to establish and understand the potential economic benefits that arise from achieving gender parity on boards in Queensland. This chapter provides an overview of the methodology used to estimate and quantify the economic benefit and then details how Gross State Product will increase as a result of gender parity.

**Method:** The academic literature pertaining to the quantifiable benefits of gender parity has been analysed, and the key element which can be affected by gender parity is productivity. Productivity is a key component of our future economic fundamentals and in turn affects Gross State Product; therefore changes to this variable will influence future economic growth in Queensland.

## Key findings:

### *What are the benefits of gender parity on boards?*

- **Queensland can achieve an absolute increase in GSP of \$87 million<sup>43</sup>**, which is a 5% improvement in Gross Value Added (GVA) and a 0.03% uplift in Gross State Product.

### *How was the improvement in Gross State Product quantified?*

To estimate the improvement we followed the following process:

- We identified the performance gains that would occur in organisations with boards if they reached gender parity;
- We identified a relationship between increased organisation performance attributable to boards and broader economic productivity;
- We identified the proportion of each industry that had boards (by GVA), and the gender representation of the boards by industry; and
- We then estimated what would have happened in 2015/16 if each board in each industry reached gender parity.

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<sup>43</sup> In 2015/16 dollars

## 5.1 Queensland economic climate

The latest Queensland Treasury State Budget figures highlighted that Queensland is expected to record the strongest Gross State Product (GSP) growth of all states, on average, over the forward estimates. We see Queensland GSP increase its share of Australia's GDP from an average 18.7% in the last decade, to an average of 19.6% in the next decade. Queensland growth has been supported by strong economic fundamentals, but these fundamentals need to continue to ensure that growth remains strong for future years.

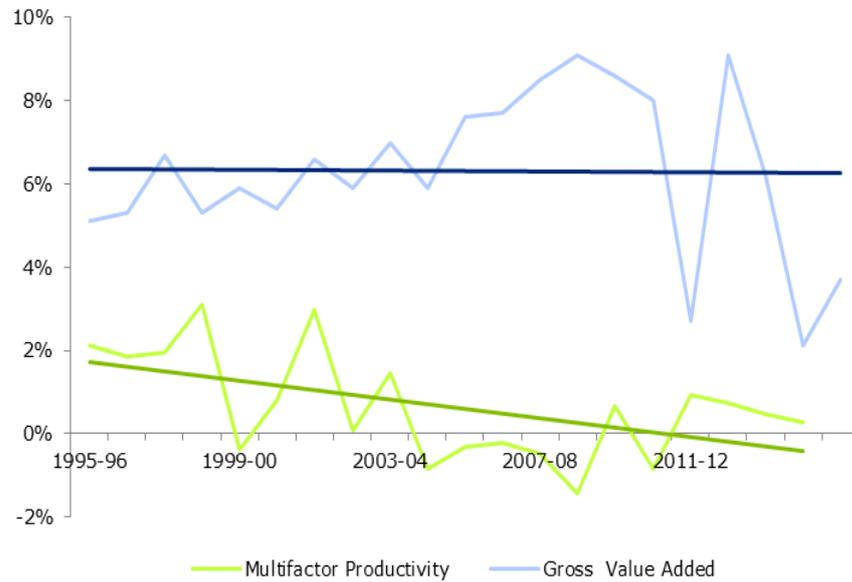
Economic activity can be broken down into three key components; population, participation and productivity. Population measures the contribution of population growth to increases in state output. Changes in participation are determined by the share of population of working age, their labour market participation, employment share and the average hours worked per person employed. Finally, productivity measures how efficiently inputs, such as capital and labour, are used to produce outputs in the economy. Multifactor productivity (MFP) is a more suitable measurement for the analysis, as it combines both capital and labour in the measurement of input. MFP increases if the growth of output is greater than the growth of combined labour and capital. **Productivity growth is the key factor in achieving sustainable long term growth.**<sup>44</sup> However, caution needs to be applied when interpreting movements in productivity, as it varies considerably year to year. Variation may reflect the degree to which firms are utilising their capital stock or the fact employment growth tends to lag output growth, which is not an accurate representation of economic productivity. Therefore, to allow for greater comparability and stronger analysis to be conducted on productivity, yearly changes are averaged over a 6-7 year 'growth cycle'.

Historically, **Australia has recorded negative multifactor productivity growth**, reflected in the downward trend in Chart 5.1. For Queensland this downward trend is attributable to two factors. Firstly, economic growth has been below average due to natural disasters and the impacts of the global financial crisis. Secondly, large investment has been recorded in mining and natural gas. These industries have significant output lags which means input in this year, will not create output, which will decrease the growth in multifactor productivity. The contribution of productivity, population and participation to Queensland GSP can be seen in Chart 5.2.

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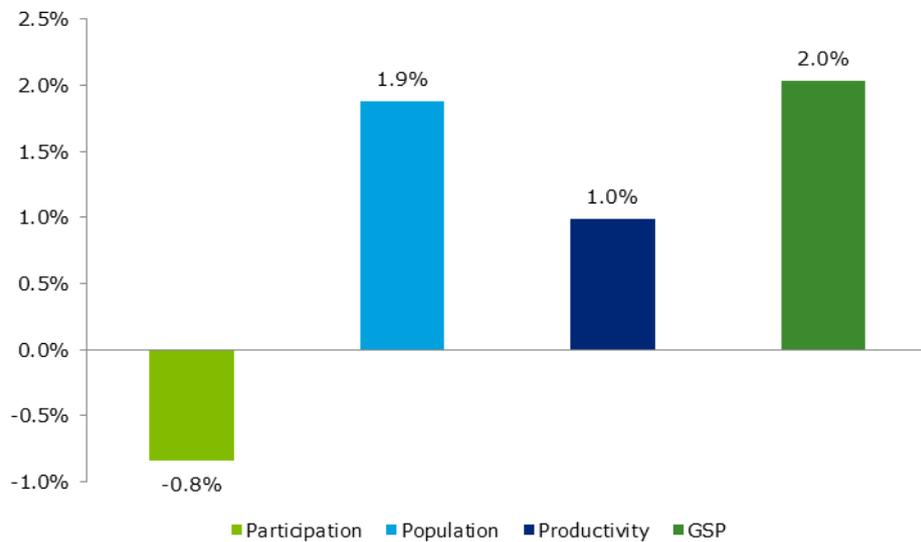
<sup>44</sup> <http://www.pc.gov.au/research/supporting/productivity-growth/productivity-growth.pdf>

**Chart 5.1: Percentage change in multifactor productivity and GVA by hours worked**



Source: Deloitte Access Economics analysis based on Australian Bureau of Statistics data

**Chart 5.2: Contribution to Queensland's GDP from 2007/08-2014/15<sup>45</sup>**



Source: Deloitte Access Economics analysis based on Australian Bureau of Statistics data

The results from Chart 5.2 correlate with expectations of Queensland's economic growth because **participation** is reducing due to the aging population, **population** is increasing in line with state and international migration, while **productivity** is improving given the investment in previous years, in particular in mining, is now producing output with no additional investment, as well as the improvement of labour productivity over the period.

<sup>45</sup> 2007/08 to 2014/15 was chosen as this is consistent with the ABS productivity cycle.

However, the impact of mining and gas on multifactor productivity may fall in the future as a result of reduced commodity prices and potential weakening of the export market.

It has been established that productivity is critical for long term growth thus; any change that will improve productivity should be considered. Gender parity on boards will generate positive productivity growth, therefore, the government should continue to pursue the goal of 50/50 board representation by 2020.

## 5.2 How financial benefits can arise from diversity and inclusion

Vafaei (2015)<sup>46</sup> found a statistically significant positive association with financial performance and board diversity among the top 500-ASX listed companies from 2005 to 2011. The Vafaei (2015) study was used as the basis for the following estimates as it provides Australian-based evidence of supported by the meta-analysis observations and is the most similar to the Queensland context.

Vafaei (2015) found an increase in return on assets (ROA) among other financial metrics. In terms of financial measures identified, ROA is the most suitable to report on as it is the most holistic of the broadly available financial measures that assess organisational performance (Deloitte, 2013)<sup>47</sup>. It achieves this by looking at both income and assets performance or how we might look at revenue, labour and capital in the broader economy.

### 5.2.1 How economic benefits can arise from diversity and inclusion

Conceptually, in this case, an increase in return on assets due to diversity can be transformed into a change in productivity – as a change of board membership only changes the direction and decisions made by an organisation – that is, it influences decision making capabilities rather than being an increase in participation and population. In order to understand the economic impact from organisations financial performance, Deloitte sought to identify the productivity impact that the ROA improvement represented. Bosch-Badia (2010)<sup>48</sup> identified an approach to connect total factor productivity to ROA in financial statements. The approach used aimed to identify the relationship between ROA and productivity across the economy.

We then estimated what the 2015/16 year would look like if all boards in Queensland had achieved gender parity. There are a number of additional requirements and assumptions in

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<sup>46</sup> Vafaei A., Ahmed K. and P. Mather, 2015, 'Board Diversity and Financial Performance in the Top 500 Australian Firms', *Australian Accounting Review* 75, no. 25: 413–427.

<sup>47</sup> <http://dupress.com/articles/success-or-struggle-roa-as-a-true-measure-of-business-performance/?id=us:el:dc:dup505:awa:tmt>

<sup>48</sup> Maria Teresa Bosch-Badia, (2010), "Connecting productivity to return on assets through financial statements", *International Journal of Accounting & Information Management*, Vol. 18 Iss 2 pp. 92 - 104

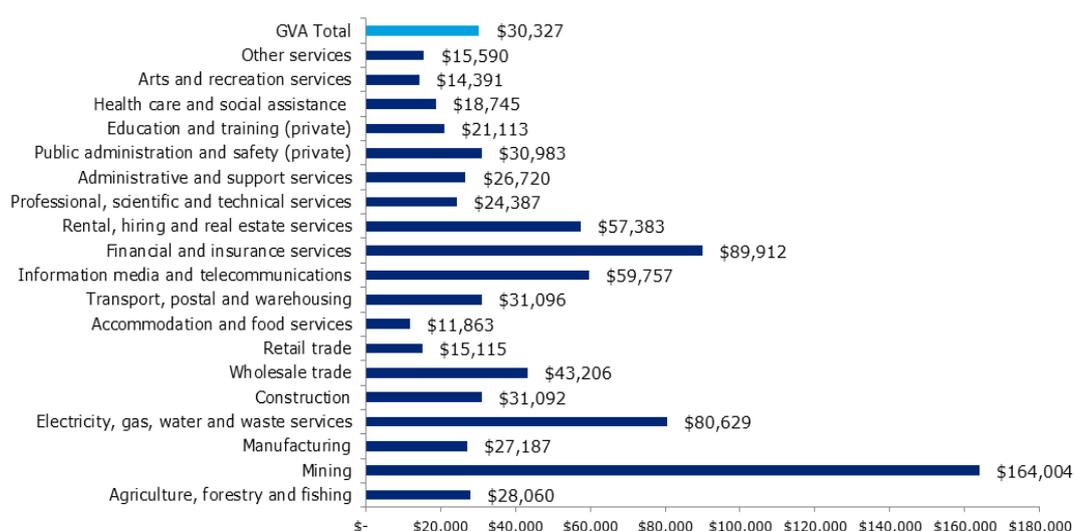
estimating the increase in the economy from an increase in ROA that were considered. The main points are outlined below:

- An attribution from a change in ROA to the wider economy can only happen if the assets of the organisations continue to grow;
- To estimate the impact on Queensland the change for Australia is first identified and the Queensland attribute is then estimated. This is done as it is not possible to identify how much production in Queensland is controlled by Queensland based boards. This approach is likely to be conservative for Queensland as Queensland organisation’s productivity seems higher than the Australian average; and
- The relationship between ROA and the economy can be similarly applied to government organisations as well as private companies. While government controlled entities’ primary goal may not be seeking to maximise profit, that are still seeking to provide performance with a set amount of inputs and therefore productivity improvements are still applicable.

### 5.2.2 Gross value added; a measure of productivity

Productivity can be represented through the concept of Gross Value Add (GVA). GVA represents the difference between the outputs produced for a set of intermediary inputs required. Each industry has differing values of GVA attributable to their workforce as outlined in Chart 5.3. This framework identifies that mining has a significantly larger GVA per employee than other industries. This is reflective of the prices for and more importantly, quantity, of goods that are produced by the industry per worker. In Queensland business investment, particularly construction in the mining sector may be down, but the production of these recent projects have commenced and their ‘pay off’ is reflected in the GVA per worker.

**Chart 5.3: GVA attributable to each worker**

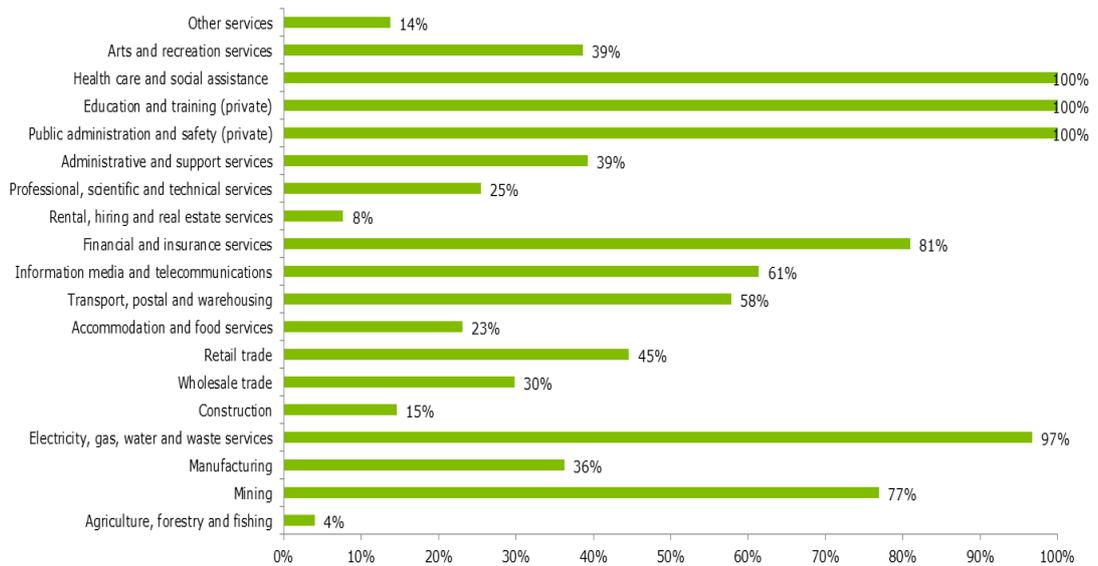


Source: Deloitte Access Economics analysis based on Australian Bureau of Statistics data

In understanding the uplift attributable to boards, Deloitte identified the percentage of the industry that is influenced by boards. As outlined in Chart 5.4, industries with strong public

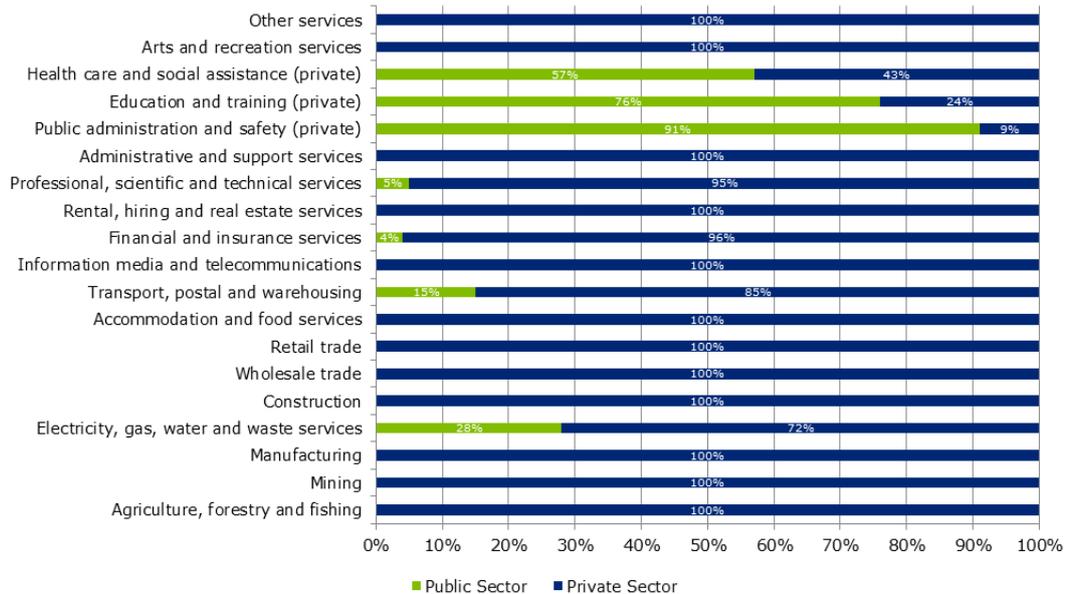
sector splits, as demonstrated in Chart 5.5, had high levels of board control, whereas other industries (such as agriculture, forestry and fishing, and rental, hiring and real estate services) had low levels of board control.<sup>49</sup>

**Chart 5.4: Percentage of GVA estimated attributable to boards by industry**



Source: Deloitte Access Economics analysis based on Australian Bureau of Statistics data

**Chart 5.5: GVA by private/public sector split**



Source: Deloitte Access Economics analysis based on Australian Bureau of Statistics data

<sup>49</sup> These estimates are based on two calculations, for the private sector; the proportion of the workforce that were under control of large organisations, for the public sector; the proportion of Boards in the respective portfolio.

Industries are not equivalent in the amount of GVA produced. This is important to consider as, similarly, not all board membership rates between the currently achieved and the target (50/50 ratio) are the same across industry and sectors as outlined in Table 5.1.

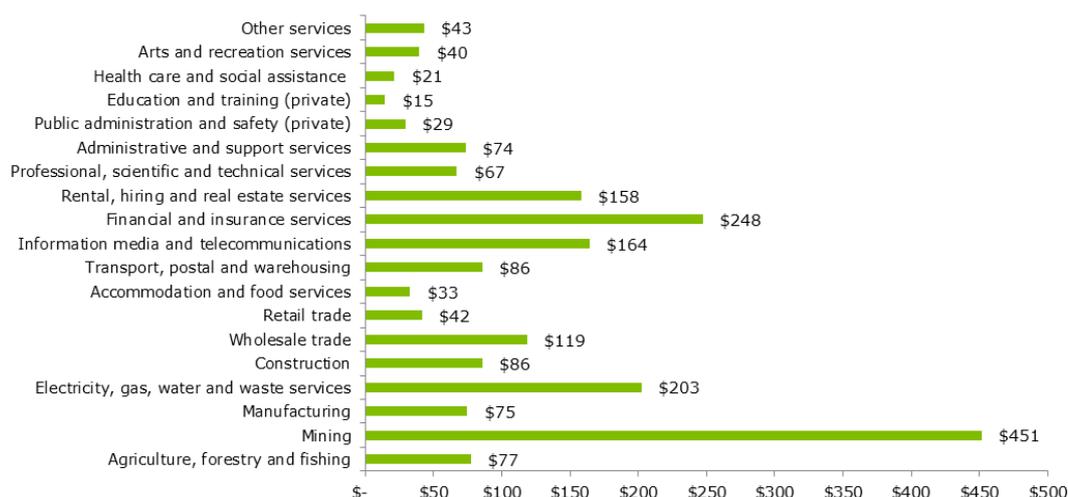
**Table 5.1: Proportion of board roles held by females**

Industry	Proportion of board roles held by females
Financials	21.0%
Consumer Staples	20.0%
Information Technology	20.0%
Consumer Discretionary	14.1%
Telecommunication Services	12.5%
Utilities	12.1%
Healthcare	11.3%
Industrials	9.6%
Energy	8.5%
Materials	8.2%

Source: *Company of Directors ASX 200 snapshot - 2012*<sup>50</sup>

Therefore in achieving the desired diversity target, different industries will have different amounts of uplift applied to differing levels of productivity. The results of this productivity uplift, once taking into account of the different board diversity ratios, is identified in Chart 5.6. These results are similar to the GVA per worker by industry and are reflective of the public/private sector split – as the public sector tends to have more diverse boards. Since some sectors are closer to gender diversity (notably those with public sector boards), the total uplift that is expected in those industries is lower.

**Chart 5.6: Uplift in GVA per worker in 2014/15 by industry, dollars**

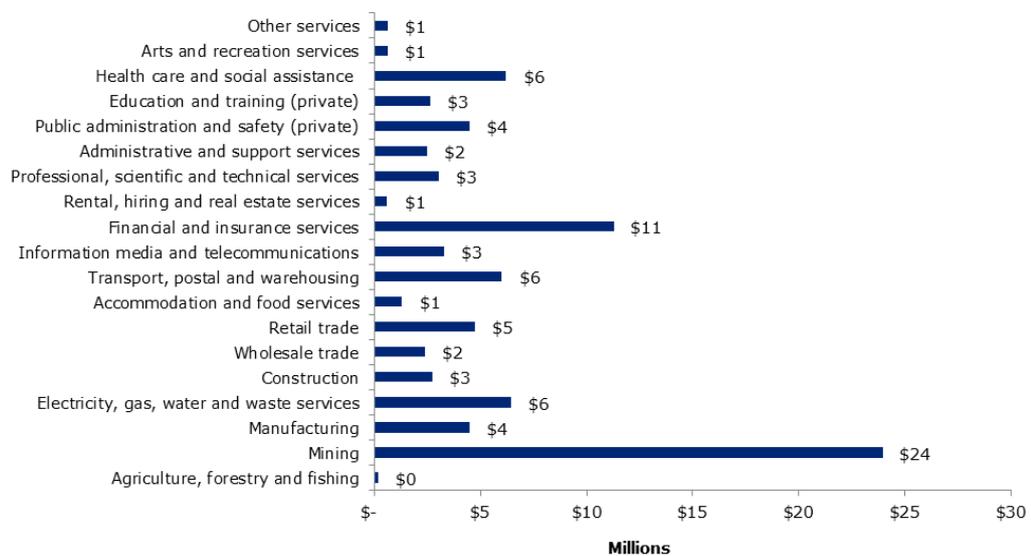


Source: *Deloitte Access Economics analysis based on Australian Bureau of Statistics data*

<sup>50</sup> Note we did not rely on this table to estimate the proportion of board roles held by females in different industries, as noted in recent ASX data the proportion of females in 2016 compared to 2012 has changed by over 4 percentage points. We have applied the 2016 estimate average for all industries for the private sector, while for the public sector we based it on the current government board splits by industry.

Applying this uplift to the total number of workers that have boards outlines the total expected GVA for Queensland. As identified in Chart 5.7, mining, financial and insurance services and health care and social assistance are the three largest areas for productivity gains. This does not imply, however, that industries with low gains should neglect board diversity. This analysis does not consider the broader benefits of board diversity outlined in the report that may also impact upon organisational performance and the broader economy (such as ‘second round’ or flow on effects across the economy from the change in productivity).

**Chart 5.7: GVA improvement in Queensland by industry, \$millions**



Source: Deloitte Access Economics analysis based on Australian Bureau of Statistics data

The total gain in GVA of \$408 million to Australia, or \$87 million to Queensland, is equivalent to a 0.1% increase in GVA and a 0.03% increase in GSP.

Approximately 26% of the value is attributable to the mining industry. This is due to the confluence of low female representation on boards, and a significant portion of the industry controlled by boards, the remainder of the value is spread out across other industries. This is an important factor as most of Queensland’s current growth is export driven and so lacks a ‘feel good factor’ for most in the State. This change can therefore affect industries that improve the daily livelihoods of those in the State.

This uplift can provide a significant contribution to improving productivity. As noted in the latest Queensland business outlook<sup>51</sup>, Queensland’s final state demand and gross state product are increasing, the economy is resilient and it has the diversity and economic strengths to drive it towards a broader based economy that gender parity on boards initiative can assist in. Considering the current climate both in Australia, and globally, there has never been a better time to make this investment into Australia’s future.

<sup>51</sup> Deloitte Access Economic, 2016, Business Outlook

Achieving gender parity on boards has a positive impact on an organisation's return on assets, reflecting the increased performance of organisations, and the economic productivity that can result. The aggregate effect of this cycle results in an \$87million gain in GSP for Queensland. This result identifies that Queensland should seek to achieve gender parity in the future. However, in order to achieve gender parity, a number of key barriers must be overcome. The following section will identify and analyse these barriers, and provide potential solutions to address them.

## 6 Barriers and enablers to achieving gender parity

### Overview of this chapter

**Purpose:** With the case for change now convincingly established, the purpose of this chapter is to assist boards in achieving gender parity. This chapter initially identifies the obstacles that commonly prevent gender parity on boards, and concludes by briefly outlining how the application of the seven facets framework can be used to overcome these challenges.

**Method:** This research is predominantly comprised of secondary research, supplemented by primary research in the form of a workshop that was conducted with approximately 20 Queensland Government board recruiters, as well as survey responses.

### Key Findings:

#### *What are the barriers to achieving gender parity on boards?*

- While many organisations have implemented diversity and inclusion strategies and policies, often they are ineffective in realising change because they are:
  - **Driven by external reasons** (e.g. legislative and institutional pressure); and
  - **Not appropriately oriented to address the systemic cultural issues** constraining the promotion of women (e.g. leaders are not aware of the real problems).
- Due to a **lack of data and metrics**, decision makers are not held accountable for ineffective gender diversity and inclusion policies.
- **Conscious and unconscious gender biases** limit women's career progression and undermine women's personal aspirations e.g. by equating leadership skills with qualities typically more common in men.
- Recruiters assume there is a very limited supply of experienced women due to:
  - **Narrow recruitment searches**; and
  - **Women being comparatively less likely than men to report the full breadth of their skillsets.**
- **Similarity attraction and in-group bias** influence board recruitment processes in a way that disadvantages women – by not being part of the group already; **women are locked out of the types of informal networks** (e.g. mentoring, role models, recommendations) that are critical for board sponsorship.
- There is a **perception among women** that they lack suitability for boards due to time commitments, and the belief that boards are male-oriented.

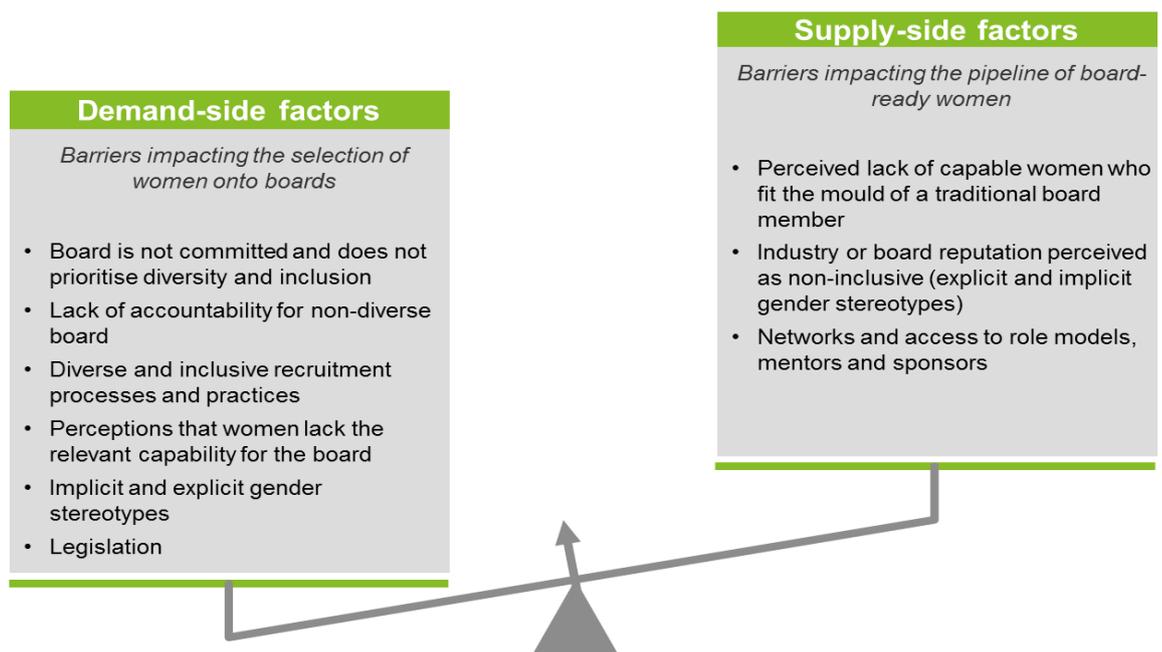
The previous chapter demonstrated that the economic case for board gender parity is as compelling as the ethical one. The full utilisation of diverse talent at the senior leadership level is essential for competitive advantage and economic growth of organisations and, ultimately, Queensland. However, despite the convincing case for gender parity, homogeneity prevails at senior levels within many organisations.

This chapter is two-fold. First, it provides an overview of the key factors that typically hinder equal representation of women on boards. Second, it maps these barriers to a framework of seven overarching facets that can be used as vehicle to facilitate positive change. This approach enables us to ensure that the initiatives implemented in subsequent phases of the project are targeted at overcoming each of the underlying issues, and are thus appropriately oriented to affect material and sustained change.

## 6.1 Barriers to achieving gender parity on boards

The barriers identified in the literature have been broadly categorised according to whether they occur from the talent supply-side or demand-side, as summarised in Figure 6.1.<sup>52</sup>

**Figure 6.1: Barriers to gender parity**



<sup>52</sup> While the analyses of the preceding chapters are largely confined to research specific to gender diversity on Boards, this chapter includes research on gender diversity on Boards and in leadership positions more generally. The broader scope of the research in this chapter was considered appropriate given that Board appointees must advance through organisational hierarchies before achieving a Board position. As such, many of the barriers women face in accessing Board positions occur along the organisational leadership pathway.

## 6.1.2 Board members and senior leadership are not genuinely committed to achieving gender diversity

**Key finding:** Many organisations stop short at implementing diversity and inclusion policies, without ensuring senior leaders orient them as a top strategic priority. In one study, 50% of respondents described the stage of their diversity and inclusion strategy as ‘compliance at best’ or ‘just at foundation stage’

A variety of reports and researchers have identified that genuine commitment from senior leadership is key to realising gender parity. For example, since 2007, McKinsey & Company’s *Women Matter* series has analysed the state of gender diversity in the top management of corporations.<sup>53</sup> McKinsey & Company’s suite of reports offer important insight into the key enablers for effecting organisational change. The main theme emerging from these reports is that senior-level commitment is the single most important factor for driving positive gender diversity and inclusion outcomes. Similarly, the Korn/Ferry Institute (2013) recently commissioned a survey of managers and human resources professionals to better understand the diversity function within Australian and New Zealand businesses. Among respondents, 81% stated that senior level management are the most important people contributing to an effective diversity and inclusion strategy.<sup>54</sup> As articulated in a recent *Male Champions of Change* report, the ‘the journey begins once the CEO gets interested’.<sup>55</sup> By serving as visible champions of gender diversity, these key decision-makers have the authority to challenge the status quo, and to set the tone for broader cultural change.

The research suggests there is high level acceptance of the business case. For example, in a 2015 survey of 1,322 global CEOs by PricewaterhouseCoopers 77% of respondents reported that their organisation has, or intends to develop, a diversity and inclusion strategy.<sup>56</sup> Similarly, a recent Australian report by KPMG noted that 99% of the top 200 ASX listed companies have established a diversity policy.<sup>57</sup> Despite positive intentions, the progress to gender parity has been slow for many organisations. This naturally begs the question: If strategies already exist, why does a gender gap remain?

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<sup>53</sup> McKinsey & Company, 2007, *Women Matter: gender diversity, a corporate performance driver*, Retrieved 20<sup>th</sup> July 2016 from <http://www.mckinsey.com/global-themes/women-matter>

McKinsey & Company, 2012, *Women Matter: Making the Breakthrough*, Retrieved 20<sup>th</sup> July 2016 from <http://www.mckinsey.com/business-functions/organization/our-insights/women-matter>

<sup>54</sup> Korn/Ferry Institute, 2013, *The Diversity & Inclusion Study*, *Diversity Council Australia*, Retrieved 30<sup>th</sup> August 2016 from <https://www.dca.org.au/dca-research/the-diversity-and-inclusion-study.html>

<sup>55</sup> Australian Human Rights Commission, 2011, *Our experiences in elevating the representation of women in leadership*, p.3, retrieved 30<sup>th</sup> August 2016 from <https://www.humanrights.gov.au/our-work/sex-discrimination/publications/our-experiences-elevating-representation-women-leadership>,

<sup>56</sup> PwC, 2015, *PwC’s Annual Global CEO Survey*, Retrieved 30<sup>th</sup> August 2016 from <http://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2015.html>

<sup>57</sup> KPMG, 2016, *Diversity: ASX Corporate Governance Council Principles and Recommendations*, Retrieved 30<sup>th</sup> August 2016 from <https://home.kpmg.com/au/en/home/insights/2016/05/asx-corporate-governance-council-principles-recommendations-diversity.html>

The problem does not lie in enacting diversity and inclusion policies, but rather in orienting them as a top strategic priority.

The evidence suggests that while many organisations have a diversity strategy; many senior leaders are not personally committed. For example, 81% of businesses surveyed by the Korn/Ferry Institute (2013) believe that senior level management are the most important people contributing to an effective gender strategy, yet more than half conceded that these leaders in their respective organisations are only ‘somewhat involved’ or ‘not very involved’.<sup>58</sup> The report also notes that more than 50% of respondents described the stage of their diversity and inclusion strategy as ‘compliance at best’ or ‘just at foundation stage’.

**Key finding:** Due to lack of support from senior leaders, females find it difficult to get in the right networks of powerful executives and to facilitate sponsorships for senior assignments

These findings are not unique to the Australian setting. Of the global CEOs that McKinsey & Company (2013) interviewed, 80% said they made gender diversity a priority, yet only 50% of employees agreed that the CEO is committed to the issue.<sup>59</sup> Interviewees with senior females in organisations indicated that due to the lack of support from senior leaders, they found it hard to get in the right networks of powerful executives and to facilitate sponsorships for senior assignments. The study concluded that there needs to be an integrated approach to addressing barriers that hold women back. That is, among top-management, a greater hands-on visible approach from senior leaders is required.

### 6.1.3 What obstructs management from becoming genuine champions of change?

As Metz and Kulik (2016) argue, true champions of gender diversity are leaders who consciously aim for gender diversity across their workforce, and within their own leadership team, and are typically driven by personal reasons.<sup>60</sup> A recent report by Deloitte (2016) similarly observed that highly inclusive leaders are committed to diversity and inclusion because these objectives align with their personal values (e.g. belief in a strong sense of fair play) and because they truly believe in the benefits of diversity and inclusion.<sup>61</sup> Moreover, these leaders are aware ‘that creating an inclusive culture starts with them, and they possess a strong sense of personal responsibility for change.’

<sup>58</sup> Korn/Ferry Institute, 2013, The Diversity & Inclusion Study, *Diversity Council Australia*, Retrieved 30<sup>th</sup> August 2016 from <https://www.dca.org.au/dca-research/the-diversity-and-inclusion-study.html>

<sup>59</sup> McKinsey & Company, 2013, Lessons from the Leading Edge of Gender Diversity, Retrieved 20<sup>th</sup> July 2016 from <http://www.mckinsey.com/business-functions/organization/our-insights/lessons-from-the-leading-edge-of-gender-diversity>

<sup>60</sup> Metz, I. and C. Kulik, 2016, Male Champions of Gender Equity Change, *Melbourne University, School of Business*, Retrieved 30<sup>th</sup> August 2016 from <https://mbs.edu/getmedia/48007aa7-4bae-454d-91a9-e1fb4df7b8dc/Male-Champions-of-Gender-Equity-Change-Report-double-page.pdf>

<sup>61</sup> Deloitte, 2016, The six signature traits of inclusive leadership: thriving in a diverse new world, Retrieved 30<sup>th</sup> August 2016 from <http://www2.deloitte.com/content/dam/Deloitte/au/Documents/human-capital/deloitte-au-hc-six-signature-traits-inclusive-leadership-020516.pdf>

**Key finding:** Many senior leaders lack commitment to overcoming gender parity, because they do not buy-in to the business case. As such, achieving gender parity remains a moral imperative, or one with ulterior motives

Conversely, the broader literature notes that leaders, who lack these beliefs, are unlikely to be interested in, and advocate for, gender equality. There is a meaningful segment of the business community that is not yet convinced of the full range of benefits discussed in chapter three.

A recent report by Bain & Company notes that 76% of the professional women they surveyed believe that gender parity can result in financial benefits for their organisations, yet only 55% of the men agree.<sup>62</sup> In a similar vein, Hillman, Shropshire and Cannella (2007) found a positive association between industries that are highly dependent on female employees, and the number of female directors on a board.<sup>63</sup> Among the gender diverse boards in this study, the value of female appointees did not arise from genuine buy-in over the case for women on boards, but rather from a perception that women would be able to fill positions across the organisation. That suggests the business case for diversity is still not well understood or accepted. Until that happens, achieving gender parity remains a moral imperative, or one with ulterior motives.

**Key finding:** Among senior leaders, there is lack of awareness surrounding the root causes of gender inequality. Consequently, these leaders are not addressing institutional barriers to female advancement that require major cultural transformation from the top

Additionally, implementing change requires shifting mindsets. Yet, challenging perceptions can be difficult when there is low awareness surrounding the root causes of gender inequality. The research notes that there is often a lack of visibility and awareness from senior executives (who are often male) over the true barriers impeding the career trajectory of prospective female leaders.

To cite some examples, Catalyst (2000) examined the perceived barriers to women's progression in the workplace from both senior management and CEOs.<sup>64</sup> Female CEOs were significantly more likely (77%) to identify stereotyping as a barrier than their male counterparts (57%). Other pronounced differences related to manifestations of the organisational culture e.g. organisational politics and informal networks of communication. These insights are consistent with a study by McKinsey & Company (2013), which found

<sup>62</sup> Bain & Company, 2011, What stops women from reaching the top? Confronting the tough issues, Retrieved 30<sup>th</sup> August 2016 from [http://www.bain.com/offices/australia/en\\_us/publications/what-stops-women-from-reaching-the-top.aspx](http://www.bain.com/offices/australia/en_us/publications/what-stops-women-from-reaching-the-top.aspx)

<sup>63</sup> Hillman A. J., Shropshire C. and A. A. Cannella, (2007), Organisational Predictors of women on Corporate Boards', *Academy of Management Journal* 50, no. 4: 941–952.

<sup>64</sup> Catalyst, 2000, Breaking the barriers: women in senior leadership in the UK, Retrieved 30<sup>th</sup> August 2016 from <http://www.catalyst.org/knowledge/breaking-barriers-women-senior-management-uk>

that men were much more likely than women to reject the idea that women find it more difficult than men to rise through organisations. Additionally, it was noted that men are less likely than women to see value in diversity initiatives, and more likely to believe that too many measures supporting women are unfair to men.<sup>65</sup> The takeaway message here is that many key decision-makers can fail to recognise the problem of an unsupportive culture and how it manifests in their organisation to impede women's progress. Consequently, these leaders are not addressing institutional barriers to female advancement that require major cultural transformation from the top.

In summary, while many organisations have implemented diversity and inclusion strategies and policies, often they are ineffective in realising change because they are driven by external reasons (e.g. legislative and institutional pressure), by narrow motives (e.g. desire to be seen as a good employee, attract female employees), or they are not appropriately oriented to address the systemic cultural issues constraining the promotion of women.

#### 6.1.4 Non-diverse boards are not held accountable for their inefficient actions toward diversity

**Key finding:** Due to lack of reporting and metrics, key decision-makers are not held accountable for the outcomes of any diversity and inclusion policies

Compounding the issue of ineffective diversity policies is the lack of accountability relating to clear and measurable diversity metrics. A recent KPMG report notes that while there has been an increase in the number of ASX entities setting measurable objectives over the past few years (e.g. implementing an action plan), there are still very few Australian companies who set transparent quantitative diversity objectives (e.g. ensuring 30% of director seats are held by women by 2018).<sup>66</sup>

A report from McKinsey & Company's (2012) *Women Matter* series shows that companies with a robust, fact-based understanding of their female metrics are 2.4 times more likely to transform their companies than those less prepared.<sup>67</sup> The most effective measure to enhance gender diversity is for the board and CEO to commit to know and understand such metrics and to set, monitor visibly and reach specific and time-bounded targets (and milestone targets along the way) for women. This helps them to 'detect obstacles they need to tackle, to set realistic but challenging goals, and to track progress'.<sup>68</sup> The report

<sup>65</sup> McKinsey & Company, 2013, Lessons from the Leading Edge of Gender Diversity, Retrieved 20th July 2016 from <http://www.mckinsey.com/business-functions/organization/our-insights/lessons-from-the-leading-edge-of-gender-diversity>

<sup>66</sup> KPMG, 2016, Diversity: ASX Corporate Governance Council Principles and Recommendations, Retrieved 30th August 2016 from <https://home.kpmg.com/au/en/home/insights/2016/05/asx-corporate-governance-council-principles-recommendations-diversity.html>

<sup>67</sup> McKinsey & Company, 2012, Women Matter: Making the Breakthrough, Retrieved 20<sup>th</sup> July 2016 from <http://www.mckinsey.com/business-functions/organization/our-insights/women-matter>

<sup>68</sup> Ibid, p. 16.

recommends that at a minimum, organisations should be tracking the proportion of women in an organisation’s business units at each level of employment, the pay levels and attrition rates of men and women in comparable positions, and the ratio of women promoted to women eligible for promotion. It is argued that that this approach would see more individuals engaging in, and taking responsibility for, realising change.

**Key finding:** Organisations which set up or disclose transparent quantitative objectives, have a higher degree of gender diversity

Findings demonstrating the importance of setting targets and tracking progress have been replicated among Australian organisations. KPMG’s (2015) study found while few ASX listed entities set or disclosed transparent quantitative objectives, those who did had a higher degree of gender diversity.<sup>69</sup> Similarly, a recent *Male Champions of Change* report profiled a number of Australian organisations who have successfully implemented gender diversity initiatives.<sup>70</sup> A review of these best-practice case studies reveals a success-factor that is common to many of these organisations – they hold business units directly accountable for diversity outcomes. This level of accountability includes regular reporting pertaining to teams’ diversity objectives, performance against them, and gaps that might exist. This is important as leaders can only direct so much change, as noted in chapter one, inclusive group environments are critical for diversity to have an impact.

**Key finding:** Incentives tied to diversity and inclusion metrics have been shown to improve the pace of change

Incentives have been shown to help in realising material change.<sup>71</sup> The *Male Champions of Change* approach to setting ‘Targets with Teeth’ involves tying executive incentive payments to achieving quantitative diversity targets. Yet, as McKinsey & Company (2012) notes, ‘if targets are rejected, then something else with teeth is likely to be required’.<sup>72</sup> For example, this might include a time-series report on progress, or an answer to the question: ‘If not, why not?’

<sup>69</sup> KPMG, 2016, Diversity: ASX Corporate Governance Council Principles and Recommendations, Retrieved 30<sup>th</sup> August 2016 from <https://home.kpmg.com/au/en/home/insights/2016/05/asx-corporate-governance-council-principles-recommendations-diversity.html>

<sup>70</sup> Australian Human Rights Commission, 2011, Our experiences in elevating the representation of women in leadership, retrieved 30<sup>th</sup> August 2016 from <https://www.humanrights.gov.au/our-work/sex-discrimination/publications/our-experiences-elevating-representation-women-leadership>

<sup>71</sup> KPMG, 2016, Diversity: ASX Corporate Governance Council Principles and Recommendations, Retrieved 30<sup>th</sup> August 2016 from <https://home.kpmg.com/au/en/home/insights/2016/05/asx-corporate-governance-council-principles-recommendations-diversity.html>

<sup>72</sup> McKinsey & Company, 2012, Women Matter: Making the Breakthrough, p. 16, Retrieved 20<sup>th</sup> July 2016 from <http://www.mckinsey.com/business-functions/organization/our-insights/women-matter>

### 6.1.5 Due to unconscious biases, male and female candidates are not considered on an equal basis

A major obstacle to board gender parity is conscious and unconscious biases. These biases constrain the pipeline of women perceived to be leaders, and pull leaders towards homogeneity and the status quo. Mitigating these biases requires intervention at both an individual and system level.

**Key finding:** Implicit gender stereotypes and assumptions undermine aspirations of gender equality by facilitating perceived deficiencies in the pipeline of suitably qualified women

There is a vast body of research demonstrating that gender bias in the workplace negatively affects the development of professional women, which contributes to gender gaps at executive levels.<sup>73</sup> To cite some examples, Ely, Ibarra and Kolb (2011) found that subtle forms of gender bias (e.g. that women are not assertive or committed to the organisation's success) impede women's progress by obstructing the identity work that is necessary to be assigned leadership roles.<sup>74</sup> The authors attribute a women's inability to see herself and be perceived by others as a leader, as a result of the gender biases which narrowly equate leadership with behaviours typically more common in men. This type of bias leads recruiters, both male and female, to believe that women lack sufficient human capital for board and senior leadership positions. Similarly, a number of Catalyst (2005 and 2006) studies have illustrated the existence of gender stereotypes in obstructing professional opportunities for women.<sup>75</sup> In one specific study, women and men were shown to perceive 'taking care' behaviours as the defining qualities of female leaders and 'taking charge' behaviours as the defining qualities of male leaders.<sup>76</sup>

Similar findings emerge in the literature specifically concerned with boards. For example, Oakley (2000) found that barriers to women achieving board directorships are partially rooted in explanations that revolve around gender differences in linguistic and socialisation styles that are devalued by men (less aggressive and assertive), and gender-based stereotypes (less self-confident, less analytical, possessing poorer leadership qualities).<sup>77</sup>

<sup>73</sup> Gender bias refers to generalisations and preconceived notions about how women and men differ based on the perceptions of how women and men "should" or "ought to" behave in various situations.

<sup>74</sup> Ely R., Ibarra H. and D. M. Kolb, 2011, 'Taking Gender Into Account: Theory and Design for Women's Leadership Development Programs', *Academy of Management Learning & Education* 10, no. 3: 474–493.

<sup>75</sup> Catalyst, 2005, Women "Take Care," Men "Take Charge:" Stereotyping of U.S. Business Leaders Exposed, Retrieved 31<sup>st</sup> August 2016 from <http://www.catalyst.org/knowledge/women-take-care-men-take-charge-stereotyping-us-business-leaders-exposed>

Catalyst, 2006, Different Cultures, Similar Perceptions: Stereotyping of Western European Business Leaders, Retrieved 31<sup>st</sup> August from <http://www.catalyst.org/knowledge/different-cultures-similar-perceptions-stereotyping-western-european-business-leaders>

<sup>76</sup> Catalyst, 2005, Women "Take Care," Men "Take Charge:" Stereotyping of U.S. Business Leaders Exposed, Retrieved 31<sup>st</sup> August 2016 from <http://www.catalyst.org/knowledge/women-take-care-men-take-charge-stereotyping-us-business-leaders-exposed>

<sup>77</sup> Oakley, J.G., 2000, 'Gender-Based Barriers to Senior Management Positions: Understanding the Scarcity of Female CEOs', *Journal of Business Ethics* 27, no. 4: 321–334.

These findings were confirmed in Shaiko's (1997) study of not-for-profit boards, which concluded that the main organisational barrier to gender-parity on boards were the stereotypical biases and traditional identity preferences that occurred during the internal decision making of – what were typically all-male – recruitment panels.<sup>78</sup> These biases were found to drive behaviours unsupportive of inclusion, such as tokenism (i.e. not valuing women for their talents), and the belief that introducing females to break up old all-boy networks would have a detrimental impact to the effective functioning of the board.

**Key finding:** Perceptions that there is a limited supply of experienced, capable women are unfounded

It is important to highlight and stress that perception of deficiency in the female talent pipeline, is merely that – a perception. The view that women lack adequate human capital for boardroom positions has been disputed by Singh, Terjesen and Vinnicombe (2008). In their study of UK boards, women were found to be more likely to possess postgraduate business qualifications, international experience and experience as directors on boards of smaller organisations than their male counterparts.<sup>79</sup> Similarly, the *Women On Boards: Davies Annual Review 2015* noted that of the data they collected on FTSE boards and associated nomination registries, there was no evidence of a shortage of talented women eligible for board selection.<sup>80</sup>

**Key finding:** Recruiters are often confined to a narrow search, one focused on the corporate mainstream. As such, they fail to identify (and thus recruit) board-ready females

The *Davies Annual Review* also noted that the breadth of female talent has expanded since executive search organisations and their clients have strengthened the focus on non-traditional recruitment pools, such as those with government, education, charity or not-for-profit backgrounds. This point provides insight about why perceptions surrounding the lack of capable women prevail. The finding highlights that if recruiters are confined to a narrow search, one that is only focused on the corporate mainstream or on sectors dominated by men, they will fail to identify (and thus recruit) board-ready females.

**Key finding:** The impact of stereotypes on women extends beyond being appointed to leadership roles; it also limits advancement to the types of positions typically considered a prerequisite for leadership roles

<sup>78</sup> Shaiko R.G., 1997, 'Female Participation in Association Governance and Political Representation: Women as Executive Directors, Board Members, Lobbyists, and Political Action Committee Directors', *Nonprofit Management & Leadership* 8, no. 2: 121–139.

<sup>79</sup> Singh V., Terjesen S., and S. Vinnicombe, 2008, 'Newly appointed directors in the Boardroom: How do women and men differ?', *European Journal of Management*, no. 26: 48-58.

<sup>80</sup> Davies Review, 2015, *Women on Boards: Davies Review Annual Report 2015*, Retrieved from 31<sup>st</sup> August 2016 from <https://www.gov.uk/Government/publications/women-on-Boards-5-year-summary-davies-review>

It is important to remember that the impact of stereotypes on women extends beyond being appointed to leadership roles. It also favours the career tracking of men over women, which ultimately deprives high-potential female employees of critical experience. Oakley (2000) and Catalyst (2009) note that line experience (e.g. marketing and operations) – a de facto requirement for top leadership appointments – is often not offered to young female managers, due to biased perceptions that compared to men, women lack the necessary capability.<sup>81</sup> These obstructive promotion policies are not addressed in middle management, and thus as women rise through the corporate hierarchy they are unable to transition to more senior roles, such as board appointments.

### *Neutralising perceptions*

In exploring how the barrier of perceived capability might be overcome at the organisational level, Ely, Ibarra, Kolb (2011) build on leadership construction theories to argue that female confidence might be strengthened through initiatives and programs that affirm female employee's perception of themselves as a leader.<sup>82</sup> This process, in turn, increases one's motivation to practice leadership. It is argued that such a process is highly effective in organisations, because it is mutually reinforcing – as a female begins to feel empowered, seek out new opportunities and demonstrate leadership skill, they are simultaneously influencing and normalising the attitudes often entrenched within organisations that females are not leadership-ready. This visibility subsequently facilitates endorsement from the organisation, resulting in easier progression to senior leadership roles.

**Key finding:** Similarity attraction and in-group bias pervade homogenous search panels in a way that disadvantages women

Some studies have found that female representation on a board selection panel is a positive predictor for female representation on boards. This result is perhaps unsurprising given the wealth of literature demonstrating that homogenous selection panels lead to in-group or similarity biases. In-group bias is the process in which decision-makers favour individuals similar to themselves. Given that most executive recruitment panels are comprised of a homogenous group of males, this type of bias naturally constrains the advancement of women into senior positions, as they do not fit with the values, norms and behaviours of the incumbent members and/ or recruiters.

**Key finding:** By not being part of the in-group, women are often locked out of informal networks that are important in receiving nomination for board appointments

<sup>81</sup> Oakley, J.G., 2000, 'Gender-Based Barriers to Senior Management Positions: Understanding the Scarcity of Female CEOs', *Journal of Business Ethics* 27, no. 4: 321–334.

Catalyst, 2009, Cascading Gender biases, compounding effects: An Assessment of Talent Management Systems, Retrieved 31<sup>st</sup> August from <http://www.catalyst.org/knowledge/cascading-gender-biases-compounding-effects-assessment-talent-management-systems>

<sup>82</sup> Ely R., Ibarra H. and D. M. Kolb, 2011, 'Taking Gender Into Account: Theory and Design for Women's Leadership Development Programs', *Academy of Management Learning & Education, Academy of Management Learning & Education* 10, no. 3: 474–493.

Homogenous selection panels also hamper diversity by facilitating the types of informal networks that limit the breadth of opportunities for women relative to men. Informal networks are typically unstructured and comprised of those who are similar, in terms of background, experience and most importantly, gender. The research notes that the types of mentoring and development relationships that arise through informal networks are important for facilitating sponsorships into senior assignments, particularly among boards.

For example, Pye's (2005 and 2011) studies of corporate directors of large UK organisations, find that there is an enduring tendency to recruit known individuals from interlocking networks of corporate board directors.<sup>83</sup> Further, Sheridan (2001) was able to demonstrate that Australian women who successfully obtain board positions have long-standing, close relationships with other female directors.<sup>84</sup> However, as Sealy and Sing (2010) articulate, compared to men who have a broad network of male leaders to learn from, there is a limited supply of female role models and mentors in the top ranks of organisations for younger professional women to emulate and engage as sponsors.<sup>85</sup> As such, females are locked out of informal professional networks that are important when in the pipeline for senior positions.

This finding is pertinent as it demonstrates the importance of the WOBI to Queensland. It brings us full-circle to chapter one, where we noted that one of the main benefits of women on boards is its self-perpetuating mechanism: female board members provide ladders for female junior employees to climb, and ultimately accelerate the impact of diversity across the broader organisation. This suggests that initiatives such as WOBI are highly valuable as the increased representation of women on boards can, inadvertently, help to overcome one of the main barriers future female leaders are likely to encounter.

#### **Case Study: Queensland Government boards – barriers in the recruitment process<sup>86</sup>**

A workshop was conducted with Queensland Government board recruiters to better understand the specific barriers they face in identifying potential female candidates.

A key theme that emerged from the consultation is related to legislation. For some government boards there are statutory requirements governing the specific composition of the board e.g. members must have certain qualifications or skillsets related to the sector of the governed institution. Recruiters argued that this practice consequently limits the equitable representation of women on boards in industries that are typically male

<sup>83</sup> Pye A., 2005, 'The Importance of Context and Time for Understanding Board Behaviour', *International Studies of Management and Organization* 34, no. 2: 63-89.

Pye A., 2000, 'Changing Scenes In, From and Outside the Board Room: U.K. Corporate Governance in Practice from 1989 to 1999', *Corporate Governance: An International Review* 8, no. 4: 335-46.

<sup>84</sup> Sheridan, A, 2001, 'A View from the Top: Women on the Boards of Public Companies,' *Corporate Governance* 1, no. 1: 8-14.

<sup>85</sup> Sealy R.H. and Singh V., 2010, The Importance of Role Models and Demographic Context for Senior Women's Work Identity Development, *International Journal of Management Reviews*.

<sup>86</sup> It is important to note that the consultation with Queensland board recruiters was specifically concerned with the barriers occurring during the recruitment process. As such, some of broader organisational barriers were not identified.

dominated e.g. mining and engineering.

However, recruiters also highlighted barriers in the recruitment process that are less rigid and could be overcome through appropriate initiatives. Interestingly, these barriers are consistent with many of the challenges identified in the literature. These include:

- **Informal networks.** Informal networks were not specifically cited as a barrier impeding the selection of women into board appointments, yet recruiters noted that (aside from QRoN), candidates are typically sourced through recommendations from existing board members or other leaders in the organisation.

Considering this observation in the context of our research which found that board nominations commonly arise through informal networks such as mentoring relationships that invariably favour the sponsorship of men over women, it emerges that the practice of seeking recommendations is likely to, inadvertently, contribute to the inequitable representation of women on Queensland Government boards.

- **Narrow search.** Some recruiters observed that the search process is rooted in 'traditional ways and rarely refreshed'. This insight corroborates the barrier in the literature that recruitment practices are often confined to searches that avoid deviating from the status quo. This ultimately contributes to the gender gap, as women are more likely than men to come from 'non-traditional' pools;
- **Unconscious bias.** Additionally, recruiters noted that aside from the 'formal' legislation that determines who is suitable for board appointment; there are also 'informal' criteria, typically related to skillsets, that recruiters use to shortlist potential candidates. 'Informal' criteria was cited as an issue obstructing gender-parity, which suggests that it is likely to be influenced by unconscious biases e.g. gender bias that women are not suitable for the boards of certain sectors;
- **Boards lack appeal to women.** Recruiters observed that there is a relatively limited female talent for nomination selection, because compared to men, boards lack appeal to women. Reasons for lack of appeal included: the expected time commitment, and the perception among women that boardroom cultures are male-oriented; and
- **Perceptions on suitability.** QRoN is a register typically used to identify and nominate board candidates. To be registered candidates must self-apply by reporting on their skillsets. Recruiters observed that while there are slightly more women relative to men registered on QRoN, women are more likely to modestly report on the breadth of their experience. As such, when recruiters search for candidates using a skillset based criteria, the search is comparatively less likely to capture all the suitably qualified females – thus driving perceptions that there are inadequacies in the female talent pool.

In conclusion, our research indicates that women play an influential role on boards, but there are still significant barriers to their access to such elite positions. In considering how boards and organisations can overcome these challenges, the following section maps each barrier to a best-practice strategy. These strategies fall across a framework of seven overarching facets.

## 6.2 Overcoming the barriers to gender parity

For change to be realised, all Queensland Government boards should be making a sustained, state-wide effort to raise productivity and to remove the barriers to the selection of females on board appointments. Organisations need to strengthen their own female talent pipeline, by embarking on programs to retain, promote and harness the skills of female employees. Ely, Ibarra and Kolb (2011) argue, by ignoring the barriers to gender equality the result is self-sealing: the lack of females in leadership positions validates entrenched systems and perceptions among decision-makers that trigger and support the appointment of men over women, which in turn, maintains the status quo.<sup>87</sup>

As noted in the previous section, our research on the barriers to achieving gender parity demonstrates they often relate to deep systemic issues associated with organisational and board culture, strategy, processes and leadership. Initiatives must therefore focus on addressing each of these more fundamental underlying issues. The research embodied through Bourke's (2016) publication "Which two heads are better than one?" offers a best-practice model for advancing the representation of females on boards. The publication identifies that organisations must reflect on the following areas in order to improve the current state. These areas of reflection are perspective, approach, style, biases and behaviours, cognitive depletion, inclusion and inclusive leadership. A seven facet framework for addressing the identified barriers was constructed via the findings in Bourke's publication as well as consultation with the author. The seven facets have the potential to prevent the typical corporate and cultural barriers constraining the representation of females on boards.

To test this theory, the challenges identified in the previous section were mapped against Bourke's seven facets. As noted in Table 6.1, each of the identified challenges neatly aligns to one or more of the strategies proposed through the seven facets framework. This suggests that the seven facets framework can be used as a vehicle to overcome the issues impeding women's progress and ultimately, assist organisations to achieve greater female board representation.

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<sup>87</sup> Ely R., Ibarra H. and D. M. Kolb, 2011, 'Taking Gender Into Account: Theory and Design for Women's Leadership Development Programs', *Academy of Management Learning & Education* 10, no. 3: 474–493.

**Table 6.1: Overcoming the barriers to gender parity using the seven facets framework**

Facet	Key questions	Barriers this will overcome
 Vision/strategy	How does gender parity link to the organisation's vision and business strategy? How is the link to value articulated?	Demand-side: Vision and strategy do not prioritise gender diversity
 Governance	Who is taking accountability for leading and monitoring the strategy at a senior level to ensure the 50/50 requirements are met?	Demand-side: Lack of accountability for progress relating to diversity in senior positions
 Leadership	How do we build the commitment and capability of leaders within the organisation and on the board to develop practical action plans? How do we engage with both men and women to think and act more inclusively?	Demand side: Leadership is unaware of barriers and does not establish inclusive culture or appropriate diversity initiatives Demand side: lack of hands-on visible commitment from senior leaders
 Systems and processes	How do we change processes and systems that explicitly or implicitly (e.g. unconscious bias) exclude the participation of women in leadership, and help to reinforce the right behaviours?	Demand-side: Homogenous selection panels lacking inclusion Supply and demand side: Perceptions that women lack the relevant capability
 Specific initiatives	What are the specific initiatives that will help to enable women to not only get on boards, but also be active, hold leadership roles and lead to board success?	Supply-side: Networks and access to role models, mentors and sponsors Supply and demand side: Perceptions that women lack the relevant capability
 Measurement	What metrics can be used to measure success of the implementation of action plans? How can these be used to give confidence to investors and the community as well as board members?	Demand-side: Lack of accountability for progress relating to diversity in senior positions
 Branding and communication	Are there any branding issues that may impact women's likelihood to apply to a board position?	Demand-side: Leadership is unaware of barriers and does not establish inclusive culture Supply and demand side: Perceptions that women lack the relevant capability

## 6.2.2 Alignment of survey responses to the seven facets framework

As previously mentioned, initiatives structured across a framework of seven facets can help to overcome the barriers hindering gender parity on boards. Survey respondents were asked if initiatives that fall across the seven facets framework currently exist on their board/ in the broader organisation. The following table outlines these responses.

While promising change has been seen in the one year since the launch of WOBI, the survey responses reveal opportunities for some boards to adopt a more strategic approach to gender parity and inclusion and to better position themselves to meet the target of 50% of women on government boards and bodies by 2020.

**Table 6.2: Survey responses connection to the seven facets**

Facet	Current performance of Queensland Government boards surveyed
 Vision and strategy	38% of survey respondents agreed that their board has a documented strategy for progressing gender parity on their board
 Governance	34% of survey respondents agreed that there is an individual(s) on the board responsible for achieving gender parity on their board
 Leadership	While 81% of survey respondents agreed that their board is committed to gender parity, only 43% have action plans aimed at building the commitment and inclusive capability of decision-makers to achieve gender parity
 Systems and processes	59% of survey respondents agreed that their board has processes and systems in place to support the achievement of gender parity on the board
 Specific initiatives	39% of survey respondents agreed that their board has specific initiatives to drive the achievement of gender parity on the board
 Measurement	28% of survey respondents agreed that their board has metrics for measuring progress on gender parity on their board and report these publicly
 Branding and communication	80% of survey respondents agreed that their organisation is perceived to be inclusive of women, and 70% of survey respondents agreed that their industry is perceived to be inclusive of women

# 7 Conclusion

The DCCSDS and the Office for Women created the Women On Boards Initiative to achieve 50/50 gender parity on all Queensland Government boards by 2020. WOBI embodies the Queensland Government priority of “Participation and leadership” which aims to ensure women participate fully and equally in society and as leaders in the community, in politics and business. This single initiative is symbolic of the added benefits diversity can generate in society, politics and business.

**Significant progress has been made toward the 50/50 target** since the inception of the program over a year ago. In the year from 1 July 2015 to 30 June 2016, female representation on Queensland Government boards increased from 31% to 39%. Despite this initial success, **further change is still required to ensure the momentum shift continues**, and this report has constructed a comprehensive business case for gender parity, that includes a number of key strategies that should be implemented, that will further advance the representation of women on boards.

On behalf of the Department of Communities, Child Safety and Disability Services, Office for Women and Domestic Violence Reform, Deloitte constructed this report to act as a catalyst for change by providing robust, justified and understandable evidence, regarding the benefits that materialise from achieving gender parity on government boards.

Firstly, **a literature scan provided robust evidence regarding the economic and social benefits attributable to organisations with heterogeneous boards**. Deloitte identified that gender parity improved firm financial and social performance. These benefits were a result of improved monitoring, innovation and decision making. Further, it was concluded that inclusion was important to achieve a “critical mass” which stimulates diversity at the board level. These benefits will only be realised when inclusivity and diversity are implemented simultaneously.

Secondly, a survey was administered to Queensland Government boards and the results from the survey were used to analyse current attitudes toward gender parity. **The survey results correlated with the literature scan, as high performing organisations demonstrating high levels of inclusivity and diversity**. In addition, **the case for change was emphasised because most Queensland Government boards did not exhibit action plans, leadership or accountability, which are crucial to achieving gender parity**.

Thirdly, an economic model was constructed to estimate the economic benefits to Queensland from achieving gender parity. **The \$87million increase in GSP was driven by improvements in productivity, a key driver of long term growth**. The modelled improvement to GSP provides further justification as to why gender parity on Government boards is important.

Finally, to ensure completeness, current barriers to achieving gender parity were identified through research, consultations and a recruitment workshop. **The barriers are extensive and entrenched in the current business environment, however, the application of the**

**seven facets, provides an avenue to break through these barriers and achieve the gender parity target.**

This process resulted in a number of key insights:



**Insight #1: Gender parity delivers real dollar value to Queensland**

Achieving Board gender parity will increase productivity by \$87 million<sup>88</sup>

Economic modelling by Deloitte Access Economics shows that gender parity on boards could increase gross value added growth by 0.12%, representing a 5% increase to the 2.2% growth observed in 2014-15.

This will translate into an increase of \$87 million, conservatively estimated, in productivity gains for Queensland. Moreover, these gains can be realised without requiring additional workers or



**Insight #2: High performance = men *and* women + commitment to diversity + inclusion**

High performing Queensland Government boards have men *and* women, are committed to diversity and are highly inclusive

A survey of 48 Queensland Government boards (and 149 board members) shows that high performing boards share three characteristics: male and female representation, a commitment to diversity and an inclusive operating environment. Conversely, low performing boards have more men, low levels of commitment to diversity and high levels of inclusion.

This finding highlights two points. Firstly, board value is derived from a dual focus



**Insight #3: The target is in sight, but barriers remain**

Board commitment needs to translate into concrete action

Positively, the proportion of women on Queensland Government boards increased by 8% from 31% to 39% following the introduction of gender diversity targets, demonstrating the value of dedicated effort and clear focus.

81% of Queensland Government board members who responded to the survey agreed (to varying degrees) that their board is “committed” to achieving gender parity. Yet just 38% said they have a documented strategy for doing so,



**Insight #4: More game changers need to stand up and be counted**

Courageous decision-makers who step up and actively challenge the status quo will be the drivers of change in Queensland

There is a clear opportunity for more key decision-makers to step up and change the game by challenging the status quo. In strengthening their commitment, key-decision makers should focus on:

1. Alignment: Ensuring everyone involved in decision making believes in the business case and the need to change the status quo.
2. Articulation: Personally advocating the value of gender parity and inclusion in

<sup>88</sup> In 2015/16 dollars

additional hours to be worked.

on gender parity *and* inclusion. Secondly, homogenous boards that are inclusive can *feel* effective; however they are missing the diversity that helps drive improved performance.

This insight supports the findings in the literature which shows that boardroom diversity improves monitoring, innovation and decision-making effectiveness, and the organisation's performance more broadly.

suggesting that few see parity as a priority.

If boards are committed, the community can expect to see tangible actions to redress the parity.

an authentic and engaging way.

3. Action: Personally prioritising diversity and inclusion, through a focus on inclusive capability (e.g. unconscious bias) and processes (e.g. recruitment)
4. Accountability: Holding themselves and others personally accountable for achievement of gender parity and inclusion goals.

## 8 Looking forward

This report has outlined evidence to support the contention that when there is gender parity on boards coupled with an inclusive environment, there is a resulting impact on board effectiveness. Improved board performance provides economic and social benefits for Queensland. This report shows that increasing the parity on boards will help grow the Queensland economy by \$87 million in productivity gains, without any additional workers or hours worked.

This report shows that gender parity improves board performance. In Queensland, high performing Government boards share two core characteristics – they have a balance of male/female representation; and they have a commitment to diversity as well as an inclusive working environment. Clearly, boards perform better when they include the best people with a diverse range of perspectives and approaches, and where individuals feel included. The benefits are there for the taking.

The Queensland Government is showing the way by setting a gender equity target of 50 per cent representation of women on Queensland Government bodies by 2020. Not just setting a target – but also by showing they have what it takes. Uplift from 31% to 39% is an impressive improvement. However, there is still work to be done given that 12 out of 17 Government portfolios have boards that do not have gender parity. And of course there is room for improvement amongst private and not-for-profit boards as well, noting that women comprise only 23% of ASX boards.<sup>89</sup>

### 8.1 Realising change

This report is the call to action to take steps to address gender parity and realise the benefits. There are a number of actions that can be taken to address this including:

1. **Communicating the business case for change** - including the performance benefits and real dollar value that will be delivered to organisations and the broader Queensland economy through gender parity on boards in all sectors
2. **Attention to gender parity as well as inclusion** – recognising and communicating that diversity and inclusion drive performance on boards
3. **Addressing barriers that exist through a holistic approach to change**, underpinned by strategic alignment (i.e. linking gender parity and inclusion to business strategy), inclusive systems and behaviours, and accountability, and
4. **Personal leadership** – leaders stepping up and taking personal responsibility for improving gender parity in their sphere of control.

To achieve this organisations need game changers, those who will take up the call to action and drive change. Game changers are those that will lead their organisation toward parity and overcome barriers by having **Alignment** and belief in the value of gender parity, are able to **Articulate** the vision and importance of parity, take **Action** to address barriers and

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<sup>89</sup> Australian Institute of Company Directors (2016) Appointments to ASX 200 Boards as at 30 June 2016, <http://www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics> downloaded 25 September 2016

bias and have **Accountability** to achieving parity. These decision makers should ask themselves the following questions outlined in Figure 8.1.

**Figure 8.1: Game changer’s iterative action plans**

	<b>Alignment</b> I have a personal belief in the business case and the need to change the status quo	<b>Articulation</b> I advocate for gender balance and inclusion in an authentic and engaging way	<b>Action</b> I personally prioritise diversity and inclusion, and focus on ensuring inclusive behaviours and systems within the board environment	<b>Accountability</b> I hold myself and others personally accountable for achieving diversity and inclusion goals
<b>Some powerful questions to ask</b>	Are you, and other members of your board, genuinely committed to gender parity and inclusion?	Do you have an engaging story for gender parity and inclusion, which links to organisational strategy and which addresses resistance?	Are you, and other board members, inclusive of diversity, including women?	As a board, do we hold one other accountable for behaving inclusively?
	Does the board have a clearly defined strategy for achieving gender parity and inclusion?	Do you and your board have a reputation for championing gender parity and inclusion?	Does the board employ strategies to mitigate bias in the selection process?	Is diversity and inclusion integrated into our board effectiveness assessments?
	Has the board set goals relating to gender parity and inclusion?	Do you make the most of every opportunity to champion gender diversity and inclusion?	Is commitment to gender diversity and inclusive capability a requirement for board membership?	

## 8.2 Action Planning

Based on the outcomes of this research, action planning for boards is an important step in addressing gender parity on boards. The development and implementation of action plans will assist in bridging the gap between organisational commitment and change. Embracing change throughout the organisations is pivotal to succeeding in the push for gender parity. Specifically, change will occur by targeting board leadership and functions. The seven facets framework has been provided as a way to address a number of key barriers that currently inhibit gender parity. This framework can be used by key decision makers and tailored to suit their context. This is an important factor in addressing barriers and creating action and focus to realise the benefits of gender parity on boards.

### 8.2.1 Supportive environment

Action planning is vital. But alongside this the development of a supportive environment to address barriers in board recruitment that currently impedes gender parity is needed. Specifically, women generally have less access to informal networks that are a common source for board recruitment. Developing mentoring programs will facilitate improvement of networks. In addition, the creation of mechanisms to allow for education and training relevant to certain interest fields will assist candidates in attaining board positions.

Individually, gender parity on boards is good for business. At a collective level, the improved performance organisations across industries will have valuable flow-on benefits to the Queensland economy. The pursuit of gender parity on boards within the Queensland landscape will involve changing culture, attitudes, and beliefs. To stay informed visit the Queensland government website [www.qld.gov.au/womenonboards](http://www.qld.gov.au/womenonboards) .

**Will you realise the benefits of Gender Parity in your organisation?**

# Appendix A: Methodology

## A.1 Purpose and objectives

### A.1.1 Purpose

Deloitte Access Economics developed a search strategy to guide the literature scan and primary research, which was undertaken to inform the gender parity - Women On Boards.

The research was undertaken to inform the later components of the project, including the education material, mentoring program, action plans and promotional material. The scope of the literature scan was limited to the objectives set out below. It was designed to educate the broader community as to the merits of achieving gender parity on boards and to inform the design of programs to achieve this goal. It was thus intended to be a practical, rather than academic exercise.

### A.1.2 Objectives

The objectives of the research are four-fold, to:

1. Identify the business case for achieving gender parity on boards at a State and organisational level
2. Outline the current state of board composition in Queensland
3. Identify the barriers to achieving gender parity on boards with particular reference to Queensland
4. Understand best practice strategies to overcome these barriers

### A.1.3 High-level approach

The research component comprised two elements:

1. **Secondary research** – a literature scan for high-level and thematic findings
2. **Primary research** – including up to 10 consultations for Queensland-specific examples, a survey to inform the current state in Queensland, and economic modelling.

## A.2 Literature scan strategy

To ensure a comprehensive literature scan, yet one focused on the key objectives, the following search strategy was developed:

- Data was gathered from a diverse range of sources, including databases of peer reviewed journals, as well as grey literature from Government departments and relevant peak bodies;
- A comprehensive combination of relevant search terms was developed (Section A.2.2); and
- Inclusion and exclusion criteria were made explicit (Section A.2.3).

## A.2.1 Data sources

Documents provided by the Office for Women and Deloitte publications (including Juliet Bourke’s book, *Which two heads are better than one?*) were reviewed in the first instance. Following this, the following electronic data sources will be searched:

**Table A.1: Data sources**

Category	
<b>Academic Databases</b>	Business Source Complete
	EconLit
	Factiva
	Informit
	LexisNexis Academic
	MedLine
	PubMed
	PsycINFO
	Palgrave Connect
<b>Government Departments</b>	Australian Bureau of Statistics
	Australian Charities and not-for-profit Commission
	Australian Human Rights Commission
	Fair Work Ombudsman
	Parliament of Australia
	Queensland Department of Communities, Child Safety and Disability Services
	The Workplace Gender Equality Agency
<b>Peak Bodies</b>	Australian Institute of Company Directors
	Australian Securities Exchange
	Committee for Economic Development of Australia
	Our Community / Institute of Community Directors Australia
	Male Champions of Change
	ProBono Australia
Women On boards / National Foundation for Australian Women	

In addition, grey literature was searched including policies and evaluations of programs that implement strategies to achieving gender parity on boards.

## A.2.2 Search terms

The databases identified in Table A.1 were searched for a combination of terms clustered around the concepts of gender, board performance, barriers and strategies. Synonyms within each cluster are outlined in Table A.2. These terms were limited to searching Titles, Abstracts, Subject Headings, Table of Contents, and Key Phrase Identifier fields.

**Table A.2: Search terms**

AND				
	Search Term 1	Search Term 2	Search Term 3	Search Term 4
OR	'gender diversity'	'board diversity'	'financial performance'	'barrier'
	'gender'	'board of director*'	'organi*ation* performance'	'strategy'
	'female'	'board'	'firm performance'	'challenge*'
	'wom*n'		'company performance'	'obstacle'
	'gender parity'		'impact'	'best practice'
			'benefit*'	'mentor*'
			'competitive advantage'	'education'
				'pipeline'
				'action plan'
				'plan'
				'effective'
				'evaluat*'

### A.2.3 Inclusion and exclusion criteria

The articles identified through the above search strategy were then screened for relevance based on the following inclusion and exclusion criteria:

#### Inclusion criteria

- Date of Publication: 2005 – 2016
- Population of Interest:
  - Middle and high income countries as defined by the World Bank. E.g. USA, UK, Canada, Europe
- Publication language: English
- Article type:
  - Articles containing primary quantitative or qualitative data or meta-analysis
  - Articles including a detailed discussion of measurement, with reference to evaluation, outcomes, results, assessment or impact.

#### Exclusion criteria

- Article type:
  - Articles including only opinion or commentary
  - Articles focused on targets and quotas

## A.3 Primary research strategy

Primary research was conducted to complement the literature scan. The following methods were used:

- **Stakeholder consultations** – we conducted consultations that developed case studies of best-practice examples of achieving gender parity on boards. The emphasis was on Queensland boards.
- **Survey** – we conducted an online survey to understand the current state of board composition in Queensland where the information was not publicly available (or available through the Office for Women), and to inform the economic modelling.

The rationale for the consultations and survey instruments was to fill any gaps in the literature and incorporate additional insights garnered.

### Approach to stakeholder consultations

We worked with the Office for Women to identify suitable organisations and individuals with whom to conduct the stakeholder consultations. Consultations were conducted over the phone by two Deloitte staff members. A discussion guide was developed prior to conducting the consultations.

### Approach to survey

Deloitte used the online survey tool Qualtrics. The focus of the survey was to understand the current state of boards in Queensland where this information is not available elsewhere, and to provide inputs into the economic modelling. The rationale for using a survey was so that a broader pool of people can respond and results can be analysed by a number of fields. Specific survey questions were developed and reviewed by the Office for Women and the Department of the Premier and Cabinet for comment and feedback.

The survey was fielded for approximately two weeks through September. The results are reported at an aggregate level and no individual identifying details were requested.

The survey was administered to government boards based on a list compiled by the Department. We are cognizant that the list may not be current and sought follow up with any contacts where email invitations were returned. The findings from the survey provided indicative results in regard to gender parity, but it should not be taken as conclusive.

Furthermore, Deloitte understands that board composition is often determined by a Governor in Council, on the recommendation of the respective Minister. In addition, board composition for many boards is currently considered optimal, despite not achieving gender parity. As a result, the survey was only one of the supporting components of the research report. We were mindful of this viewpoint when conducting the survey analysis.

### A.3.2 Survey instrument

The following survey instrument was used.

#### About the project

Deloitte has been engaged by the Queensland Department of Communities, Child Safety and Disability Services to assist them in their Gender parity: Women On Boards Initiative.

This exciting project will provide research, action planning resources, mentoring and shadowing and education activities to achieve the Queensland Government's target of:

- 50% of all new board appointees to Queensland Government bodies to be women.
- 50% representation of women on Queensland Government boards by 2020.

### **About the survey**

This survey relates to the research component of the project. The purpose of the research is to define the economic impact of achieving gender parity on boards for Queensland, and the strategies for achieving this. The research will be publicly released in October and you will be provided with a copy. The purpose of the survey is two-fold, to:

- Understand more about Queensland Government boards and report on this in aggregate in the research report.
- Identify up to four boards that, based on their responses, would be invited to participate in further consultation.

### **Your involvement**

We would like to invite you to participate in an online survey to provide your perspective on the board on which you sit. The survey comprises of 15 questions and will take approximately 20 minutes to complete.

### **Your privacy**

Deloitte Access Economics will not be collecting any personal information about you. The data will be reported at an aggregate level only with the most detailed break-down at an industry or Departmental level. We will invite up to four boards to participate in an optional follow-up consultation. Those boards who agree to participate in the consultation will be the only boards that are identified in the report. The board level data will not be provided to the Department or any other third party; however we may provide the Office for Women with data aggregated at an industry or Departmental level. We may use free text comments in the report, however we will not name you or the board on which you sit.

### **Deloitte Access Economics Contact**

We look forward to speaking with you soon. Should you have any additional questions or comments, please contact us.

## General information

Q1. What is the name of the organisation for which you are on the board?

Q2. What Minister does your board report to?

- Attorney-General and Minister for Justice and Minister for Training and Skills
- Deputy Premier, Minister for Infrastructure, Local Government and Planning and Minister for Trade and Investment
- Minister for Agriculture and Fisheries
- Minister for Communities, Women and Youth, Minister for Child Safety and Minister for the Prevention of Domestic and Family Violence
- Minister for Disability Services, Minister for Seniors and Minister Assisting the Premier on North Queensland
- Minister for Education and Minister for Tourism and Major Events
- Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs
- Minister for Environment and Heritage Protection and Minister for National Parks and the Great Barrier Reef
- Minister for Health and Minister for Ambulance Services
- Minister for Housing and Public Works
- Minister for Innovation, Science and the Digital Economy and Minister for Small Business
- Minister for State Development and Minister for Natural Resources and Mines
- Minister for Transport and the Commonwealth Games
- Premier and Minister for the Arts
- Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport
- Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply
- Minister for Police, Fire and Emergency Services and Minister for Corrective Services
- Assistant Minister for Local Government
- Assistant Minister of State Assisting the Premier
- Unsure

Q3. What is your position?

- Chairperson
- Chief Executive Officer
- Other Non-Executive Director
- Other

## About your board

Q4. Does your board have the following committees (select all that apply)?

- Nomination, governance or human resources committee
- Remuneration committee
- Audit committee
- Risk committee
- Investment committee
- Fundraising committee
- Research and evaluation committee
- New projects committee
- Communications, marketing and digital committee
- None of the above
- Other (please specify) \_\_\_\_\_

Q4.1 Do the committees have their own clear terms of reference?

- Yes
- No
- Unsure
- Not applicable

Q5. Please select the option that applies:

	Yes	No	To some extent	Unsure	Not applicable
Is there a board orientation for new members?	<input type="radio"/>				
Is there an allocation of resources for professional development or mentoring activities for board members?	<input type="radio"/>				
Is there a document that outlines roles and responsibilities of board members?	<input type="radio"/>				
Are there board meetings scheduled to oversee the development and implementation of the organisation's strategy?	<input type="radio"/>				
Are there processes in place for succession planning?	<input type="radio"/>				
Are there defined metrics for monitoring and evaluating the board's performance?	<input type="radio"/>				
Is there a clear process for communication of information to the Minister?	<input type="radio"/>				
Does the board have a code of conduct for board members?	<input type="radio"/>				
Does the board have a risk management framework?	<input type="radio"/>				

Q6. Does the board evaluate its performance?

- Yes
- No
- Unsure

Q6.1 If yes, how often does it evaluate its performance?

- Yearly
- Every 2-3 years
- Every 5 years
- On an ad hoc basis
- Other \_\_\_\_\_

Q7. Please select the skill set(s) you bring to the board

- Financial/accounting
- Human resources
- Risk management
- Legal
- Marketing and communications
- Industry expertise
- Strategy
- Fundraising
- Digital
- Other (please specify) \_\_\_\_\_

Q8. Please select the degree to which you agree with the following statements

	Strongly disagree 1	2	3	4	5	6	7	8	9	Strongly agree 10
Our board has an appropriate skill mix, knowledge and experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
As a board, we regularly debate issues impacting the organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
board meetings are focused and involve constructive discussion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The chair regularly invites comments from board members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
board meetings are organised in advanced and contain planning material including agendas, calendars, and pre-reading material	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The risk management framework is updated regularly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We regularly discuss the future of the organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our organisation delivered on its non-financial performance metrics in FY 2015-16	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Inclusion within your board**

Q9. Please select the degree to which you agree with the following statements

	Strongly disagree 1	2	3	4	5	6	7	8	9	Strongly agree 10
I am treated fairly on the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am respected by other board members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I can be myself when attending board meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel a strong sense of belonging to the board and organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am confident to speak up if I have a view which differs from the majority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel valued for the unique skills and experiences I bring to the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have a voice in decisions that affect the organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am inspired to do my best work on the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q10. Please select the degree to which you agree with the following statements

	Strongly disagree 1	2	3	4	5	6	7	8	9	Strongly agree 10
Our board is committed to achieving gender parity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gender diversity and inclusion are central to the organisation's business strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have a documented strategy for progressing gender parity on our board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is an individual or individuals on the board who are responsible for achieving gender parity on the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There are action plans to build commitment and capability, within the firm leadership and board, for gender parity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The processes and systems we have in place currently support achievement of gender parity on the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are currently changing the processes and systems to support achievement of gender parity on the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have specific initiatives to drive achievement of gender parity on the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have metrics for measuring progress on gender parity of our board and report on these publically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The culture of the organisation is perceived to be inclusive of gender equality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The culture of the industry is perceived to be inclusive of gender equality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q11. We would appreciate any comments you have on any of the above responses

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**Comments**

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Our board is committed to achieving gender parity

Gender diversity and inclusion are central to the organisation's business strategy

We have a documented strategy for progressing gender parity on our board

There is an individual or individuals on the board who are responsible for achieving gender parity on the board

There are action plans to build commitment and capability, within the firm leadership and board, for gender parity

The processes and systems we have in place currently support achievement of gender parity on the board

We are currently changing the processes and systems to support achievement of gender parity on the board

We have specific initiatives to drive achievement of gender parity on the board

We have metrics for measuring progress on gender parity of our board and report on these publically

The culture of the organisation is perceived to be inclusive of gender equality

The culture of the industry is perceived to be inclusive of gender equality

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Q12. What factors have you seen to be the most impactful in achieving gender parity on boards?

Q13. Please comment on what you consider to be the benefits of achieving gender parity on boards.

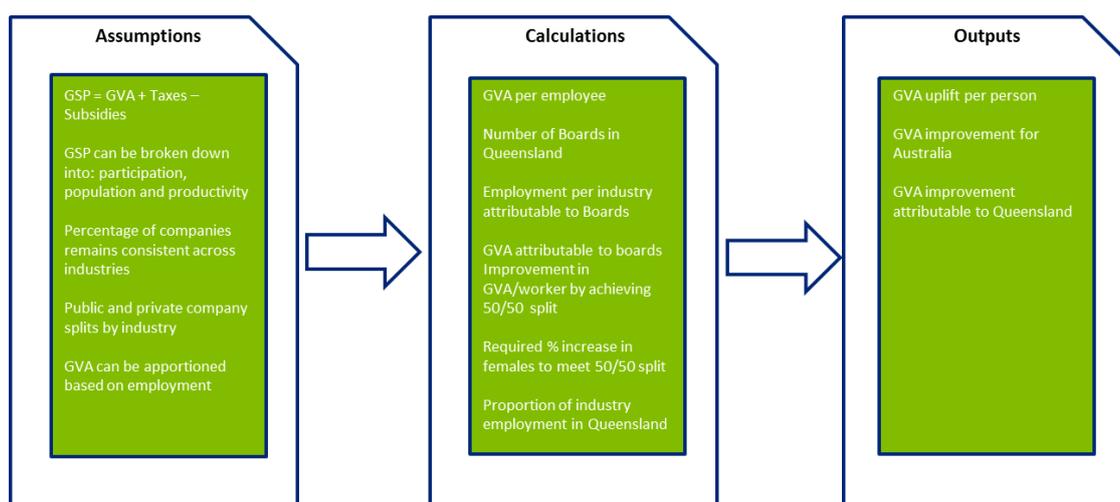
Q14. What do you see as the major barriers for achieving gender parity on boards.

Q15. Do you have any other comments on the initiative, gender parity targets or gender parity on boards?

## A.4 Economic modelling process

Figure A.1 provides a brief overview of the approach used to understand and quantify the benefits of gender parity.

**Figure A.1: Overarching methodology**



Source: Deloitte Access Economics methodology for Government board survey 2016

### Key points for estimating the change in productivity.

- For the purpose of this report, changes in economic contributions from industry were estimated by changes in the gross value added (GVA) per worker;
- GVA per employee was calculated via industry GVA (ABS 5206) divided by employment in that industry (ABS 6291);
- Employment per industry attributable to boards was calculated based on the following calculations:
  - Companies in each industry were segmented into small, medium and large companies;
  - The percentage of large companies relative to the sum of all companies in each industry, was multiplied by the total number of employees per industry, to determine the percentage of employees attributable to large companies;

- Large companies were assumed to have boards – this assumption captured a smaller percentage of companies than using estimations of the total number of companies with the legal structure for boards; leading to this assumption be valid;
  - Government entities are not collected in this ABS dataset and so we supplemented the number of employees with boards by estimates of the number of employees employed by government; and
  - The final amount of industry controlled by boards was then multiplied by the total employment per industry, to determine the amount of employees controlled by each board per industry.
- It was assumed GVA attributable to boards for each industry is the association between the GVA per employee and the number of employees controlled by boards;
  - The uplift in GVA per worker was 0.0086 unit uplift for a 0.001 unit increase in the ratio of female directors. As based on estimates from Vafaei, Ahmed and Mather (2015)<sup>90</sup> and a methodology to association ROA with total factor productivity in Bosch-Badia (2010)<sup>91</sup>;
  - This GVA uplift per worker was multiplied by the GVA per employee across each industry;
  - For the private industry component a 18.1% of female to male board directors was used, as it is the current ratio achieved according to the ASX all ordinaries<sup>92</sup>;
  - The total uplift per person was then calculated by multiplying the uplift in GVA per worker by GVA per worker and the percentage of females required to meet 50/50 split;
  - Total industry GVA increase was calculated by multiplying the total uplift per person by employment attributable to boards;
  - Queensland's share of GVA was based on determining the percentage of industry employment that occurs in Queensland, compared to Australia's GVA; and
  - Using Queensland's share of employment, rather estimating for Queensland directly, was necessitated by the nature of boards and production (being that production and boards can occur in different jurisdictions). Therefore rather than estimating from Queensland's GVA directly, Australia's GVA was estimated first. This ensures we are consistently estimating the increase accounting for capital and labour across Australia, rather than potentially overestimating by estimating Queensland alone.

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<sup>90</sup> Vafaei A., Ahmed K. and P. Mather, 2015, 'Board Diversity and Financial Performance in the Top 500 Australian Firms', *Australian Accounting Review* 75, no. 25: 413–427.

<sup>91</sup> Maria Teresa Bosch-Badia, (2010), "Connecting productivity to return on assets through financial statements", *International Journal of Accounting & Information Management*, Vol. 18 Iss 2 pp. 92 - 104  
<http://dx.doi.org/10.1108/18347641011048093>

<sup>92</sup> <http://www.companydirectors.com.au/director-resource-centre/governance-and-director-issues/Board-diversity/statistics>

### **Key points for estimating Queensland's Gross State Product (GSP).**

Once the calculation of Queensland's increase in GVA was complete, this amount was re-introduced into the calculation of GSP.

- GSP is assumed to be a summation of participation, population and productivity;
- Productivity is defined as GSP/hours worked;
- GSP for Queensland was determined by adding each GVA per industry + taxes – subsidies and a corrective statistical error;
- GSP for Queensland was divided by total hours worked, to produce a productivity factor;
- The average annual change in population, participation and productivity was calculated, to determine GSP; and
- Therefore, the uplift in GVA filters through the productivity variable, which provides an improvement for QLD GSP, as a result of gender parity.

Gross State Product (GSP) refers to the total market value of goods and services product in a state or territory within a given period, after deducting the cost of goods and services used up in the process of production. GSP is measured at market prices and is equivalent to gross state expenditure plus exports of goods and services less imports of goods and services. GSP is thus used as a measure for market activity, with increases in GSP correlated to an improved economic environment.

Similarly, Gross Value Added (GVA) measures the value of output at basic prices minus the value of intermediate consumption at purchasers' prices. The term describes gross product by industry and sector. The basic price mechanism removes distortion causes by variations in taxes and subsidies, across the output of individual industries. GVA is measured across 19 different industries. They are:

1. Agriculture, forestry and fishing;
2. Mining;
3. Manufacturing;
4. Electricity, gas, water and waste services;
5. Construction;
6. Wholesale trade;
7. Retail trade;
8. Accommodation and food services;
9. Transport, postal and warehousing;
10. Information media and telecommunications;
11. Financial and insurance services;
12. Rental, hiring and real estate services;
13. Professional, scientific and technical services;
14. Administrative and support services;
15. Public administration and safety;

16. Education and training;
17. Health care and social assistance;
18. Arts and recreation services; and
19. Other services.

For the purpose of this report, changes in economic contributions from industry were estimated by changes in GVA. In order to define the number of boards in Australia, we firstly, sourced data relating to businesses by type of legal organisation form the ABS. We identified that percentage of organisations in Australia were companies. The *Corporations Act 2001* requires companies to have a board; this was then weighted by the size of the companies to employees by industry for each specific industry. This resulted in a differentiated number of boards per industry, which reflected the differing levels of economic activity in each sector.

Secondly, employment and GVA statistics were collected for each industry for Australia and Queensland. These figures enabled us to calculate the GVA per employee in each industry, for Australia. Thirdly, given we had board and employment statistics by industry, we could determine how many employees were controlled by each board, by dividing the total number of employees by number of boards, per industry. This value was then multiplied by the GVA per employee, to determine the GVA per board, per industry. Forth, we multiplied the GVA per board, by the number of boards in each industry, which provided the total GVA attributable to boards. Finally, we could then apply the improvement in GVA/worker, to the number employees per board, the number of boards per industry. This gave the total improvement in GVA attributable to boards, as a result of achieving gender parity. This uplift in value was most significant in industries with the greatest amount of boards, weighted by those that had not yet achieved gender parity.

## Current gender parity statistics

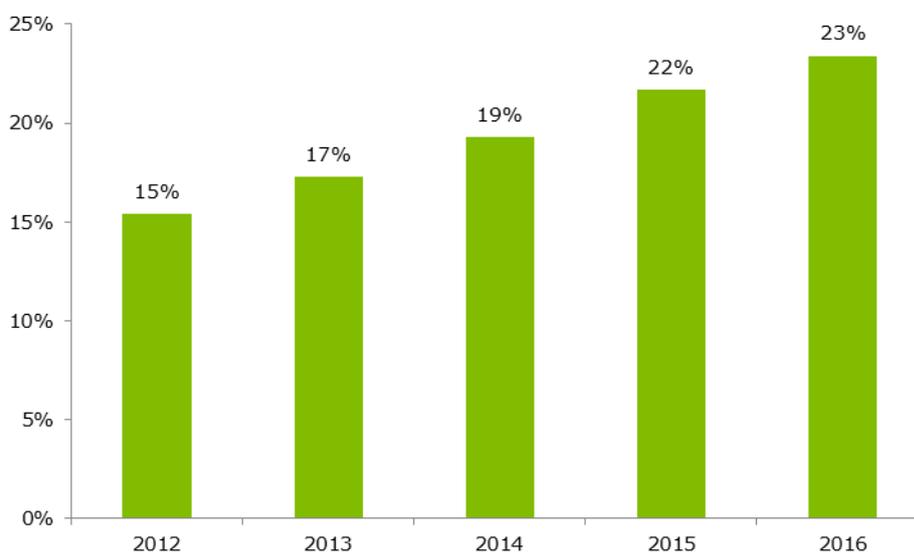
On average, companies in the ASX 200 have yet to reach gender parity on the board level. However, there has been improvement over the past decade. Table A.3 reflects the breakdown of female directors by industry, as of 2012, in the ASX 200. Similarly, Chart A.1 details the improvement in gender diversity on ASX 200 boards from 2012-2016.

**Table A.3: Proportion of board roles held by females in 2012**

Industry	Proportion of board roles held by females
Financials	21.03%
Consumer Staples	20.31%
Information Technology	20%
Consumer Discretionary	14.02%
Telecommunication Services	12.50%
Utilities	12.12%
Healthcare	11.32%
Industrials	9.64%
Energy	8.46%
Materials	8.15%

Source: Company of Directors ASX 200 snapshot - 2012

**Chart A.1: Percentage of female directors on ASX 200 boards**



Source: Company of Directors ASX 200 statistics

# Limitation of our work

## General use restriction

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