

5. New Zealand women directors: many aspire but few succeed

Rosanne Hawarden and Ralph E. Stablein

INTRODUCTION AND BACKGROUND

Kate Sheppard features on the New Zealand ten dollar bill. She symbolizes the leadership role that New Zealand women have had and are playing in the development of a modern, global, deregulated economy. Kate Sheppard was the leader of the women's suffragette movement in New Zealand, which resulted in this country being the first to grant women the vote in 1893. Following the 2005 general election, women now make up 32 per cent of the current Parliament. Women hold or have recently held four of the five most senior constitutional positions in New Zealand: Governor-General, Prime Minister, Chief Justice and Speaker of the House of Representatives (McGregor and Fountaine, 2006). Beginning in 1972, New Zealand led the world in ruthlessly deregulating its economy and exposing almost all sectors to international competition. Despite its small size with only 4.02 million people (Statistics New Zealand, 2006), the pioneering spirit which characterizes New Zealand has led to independent and innovative action both politically and economically. In this chapter we consider how the drive to gender equality has impacted on women on boards of directors. We outline a situation of unusual gender imbalance that is unique in global terms. Analysis of its genesis may illuminate the pressing problem of how to achieve more equitable gender balances on global boards of directors.

New Zealand's small corporate sector is a microcosm of Western business thought and practice. In 2004, there were some 160 000 for-profit corporate enterprises operating in New Zealand, including those owned by central (state-owned enterprises) and local government (local authority trading enterprises). These enterprises had over 1.1 million employees (Goh, 2005). New Zealand is predominantly a nation of small businesses. In February 2006, 96.4 per cent of enterprises employed 19 or fewer people (Ministry of Economic Development, 2007). An even smaller corporate sector consists of 1600 companies with more than 100 employees (Ministry of Economic Development, 2007). Many of these larger firms are foreign-owned.

Approximately 200 of these companies are listed on the New Zealand Stock Exchange (www.nzx.com).

Commencing in the early 1980s, the current legislative framework embodies a number of Acts that define and prohibit discrimination, including gender discrimination, in the workplace. The principal Acts are the Human Rights Act of 1993 and the Employment Relations Act of 2000 (Equal Employment Opportunities Trust, 2007). This legislation is partially implemented through the Human Rights Commission with the appointment of an Equal Employment Opportunity Commissioner, Dr Judy McGregor, and supporting Unit, the Equal Employment Opportunity Unit (EEOU). This unit has conducted two censuses into the role of women in the New Zealand economy. These census reports now underpin targets, policy making and officially monitor changes.

New Zealand mirrors the rest of the Western world with few women directors. In 1985, the Zonta study of all 221 listed companies involving 1057 directorships found 13 women holding 15 directorships or 1.4 per cent (Status of Women Committee, 1986). A small increase in the numbers of women directors occurred in the 1990s when the Pajo et al. (1997) study analysed 166 corporate companies with a total of 1282 directors and found 4.4 per cent or 56 were women directors. The 2004 EEOU census of the top 100 companies by market capitalization reports that 5.04 per cent of directorships were held by women and 72 firms had no women directors. The most recent census, McGregor and Fountaine (2006), found that women held only 7.13 per cent of board directorships, that is, 46 women out of the total 645 directors. In addition, 63 of the top 100 companies have no women, a small improvement on the previous census.

NEW ZEALAND STATE SECTOR BOARDS APPROACH GENDER PARITY

In contrast, Crown companies in the state sector are approaching gender parity, with women constituting 35.43 per cent of their boards. This interesting 'bipolar' situation is the result of an informal policy of government affirmative action that has achieved admirable success in the state sector. Crown companies include 17 state-owned enterprises (SOEs), which are hybrid organization forms. Largely infrastructure industries, they are profit orientated and run on business lines with one shareholder, that is, the State, which exerts indirect political pressure via the board of directors. McGregor and Fountaine (2006) reported that of 109 directors of SOEs, only 39 or 36 per cent were women. As at February 2008, there has been a 10 per cent growth in the SOE boards with the appointment of 12 additional directors,

only one of which is female. This has reduced the percentage of women directors to 33 per cent, a worrying downward trend.

To all intents and purposes SOEs are corporate boards whose directors are drawn from the commercial sector. They must be included in any discussion on corporate board appointments in New Zealand as they are benchmark, commercially-oriented, large organizations.

A strong commitment to meeting its Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) responsibilities has driven this policy implementation. The most recent CEDAW report (Ministry of Women's Affairs, 2006) includes a stocktake of government statutory boards by the EEO Unit. This report found that women currently make up 41 per cent of statutory board members with the goal to reach parity by 2010. The Government's strategic approach to improving diversity at board level is also reflected in the Action Plan for New Zealand Women (Ministry of Women's Affairs, 2004) and in Cabinet papers (Department of the Prime Minister and Cabinet, 2002). These achievements are in stark contrast to the lack of action in the corporate sector. This situation of increasing gender equity on state sector boards with contrasting low levels of female representation on private and listed corporate boards is unique in world terms. This approach can be viewed as an interim and less drastic step for countries considering legislated gender quotas, if New Zealand can demonstrate that it leads to corporate sector board equity. If this cannot be achieved or does not eventuate, the failure to move to balanced boards may itself be illuminating. A caveat, given this skew in women's representation on state sector boards: averaging across the private and public sectors from New Zealand can misrepresent the NZ situation (McGregor and Fountaine, 2006). Such statistics should be treated with caution when cited in tables comparing board representation by country.

THE PRIVATE SECTOR CONTINUES TO PREFER MALE DIRECTORS

Despite the success of women in the public arena, liberal, tolerant and diversity focused political climate, advanced equal opportunity philosophies, first world technology with associated business practices, New Zealand is not a pioneer in promoting women to boards of directors in the corporate sector. In this sector, 'glacial progress' towards gender equity (McGregor and Fountaine, 2006) persists despite increasing participation by women in the workforce at lower levels (Murray, 2006). Women are gradually moving into senior management but negligible numbers are being appointed as Chief Executive Officers (CEOs). Women have moved in

significant numbers into law, accounting and medicine but the effects of this have not yet trickled upwards and there is some doubt as to whether this will happen naturally. The pipeline to the board table appears to some to be correspondingly limited (Rotherham, 2007). The lack of suitably experienced and qualified women has been frequently touted locally and internationally as a major reason for the few women at board level (Singh and Vinnicombe, 2004; Van der Walt and Ingley, 2003). The ease with which women of calibre were found to populate the state sector boards has starkly highlighted the fatuous nature of this argument.

The small and close-knit nature of the New Zealand business community and pool of directors has been well documented over the years (Firth, 1987; Fogelberg and Laurent, 1973; Jesson, 1987; Stablein et al., 2004). A grouping of experienced directors who sit on multiple boards together is noticeable and constitute an easily identifiable 'old boys' network', with a sprinkling of women directors, the so-called 'Queen Bees' (Dalton, 2007). These women tend not to be proactive in recommending other women for board appointments or mentoring aspiring women. The prevailing attitude is that their success was achieved through their own merit and others should be capable of similar success without extra assistance. An element of denial of discrimination pervades this group despite the statistics indicating otherwise (Rotherham, 2007).

THE INSTITUTE OF DIRECTORS' INITIATIVES TO PROMOTE GENDER INEQUITY

New Zealand's 'old boys' network' may be most clearly observed in the composition of the Accreditation Board of the New Zealand Institute of Directors (IOD), which was set up in 2006 as a means to differentiate the directors of large corporates from the many directors in the SME sector. This move to accredit directors was partially a response to the high-profile corporate failures in the USA and UK and a perceived global movement to tighten corporate governance. The IOD also believed that they should follow a perceived worldwide trend in other similar director institutes to rank, rate or set educational requirements for their director members.

The founding Accreditation Board consisted of 18 members, 15 men and three women, who sit on high-profile New Zealand boards (see Table 5.1). Gender parity was not seen as an important criterion in the selection of this board. The board members were selected by 'shoulder tapping', that is, there was no open process of application and selection. McGregor and Fountaine (2006) noted that the Institute of Directors was not proactive in

Table 5.1 Accreditation Board, accredited directors, provisionally accredited directors with NZX 2005 top 100 companies, NZX 2005 all companies, Crown companies

	Total Directors	Male	Female	%Male	%Female	No. of Companies
Accreditation Board (31 May 2007)	18	15	3	83.3	16.7	Unknown
Accredited directors (30 October 2007)*	100	86	14	86.0	14.0	Unknown
Provisionally accredited directors (30 October 2007)	38	27	11	71.0	29.0	Unknown
NZSX 2005 directors as at January 2005 (Stablein et al., 2005)	968	896	66	92.6	6.8	197
NZSX 2005 directors (Census Top 100 by market capitalization) (McGregor and Fountaine, 2006)	645	599	46	92.9	7.1	100
Crown companies (McGregor and Fountaine, 2006)	223	144	79	64.6	35.4	36

Note: * Accredited directors include the 18 Accreditation Board members.

encouraging women directors. Despite the appointment of a woman CEO in 2005, this stance has not changed.

As at 30 October 2007, 100 directors had been accredited, of which 14 per cent were women. Only 38 had been provisionally accredited, 29 per cent of them women. This low uptake at the provisional accreditation level reflects the lower status of the title. The name is of considerable concern as it implies a transitional or partially qualified state. This is incorrect as accreditation is based on organization size or 'substance'. Many provisionally accredited directors will never become accredited because they are directors of smaller firms that are central to the New Zealand economy. The higher ratio of women to men in the provisional accreditation statistics reflects the male preference for high 'status' appellations and so the provisional label is avoided (Maier and Mueller, 2006) while aspiring women directors espouse it in an attempt to improve their visibility.

The Institute of Directors' plan is to limit its Board Appointment Service (BAS) to accredited and provisionally accredited directors, thus reinforcing the access of an elite few to board vacancies. The IOD believes that the BAS is a minor service and is not a priority for them although the CEO acknowledges that most members join the IOD in the hope of getting a board appointment. The IOD struggles to collect the modest fees charged and generally believes that it is more trouble than it's worth. Around 1000 members are registered on the BAS database, which at any one time may have approximately twenty appointments under way which could each take approximately six to nine months to complete.

NEW ZEALAND AWASH WITH DATABASES OF ASPIRING DIRECTORS

New Zealand is again unusual in that many aspiring directors are listed on a plethora of databases maintained by a variety of organizations in the state and private sectors. This reflects the prevailing situation with a few experienced directors, often with multiple board appointments along with a huge pool of talented, tertiary qualified aspiring directors competing for a few board vacancies. It is a situation where supply exceeds demand. Consequently, recruitment and selection processes for directors are often casual to non-existent, with 'shoulder-tapping', or peer referral, being the norm. This is in contrast to the rigorous processes in place for the appointment of CEOs (Harris, 2003).

Director vacancies in New Zealand are also filled by approximately seven executive search companies as part of other executive appointment assignments. These companies maintain their own databases of aspiring directors.

Board appointments are not lucrative as the commission chargeable is based on the annual fees, which in the NZ context are modest. These low fees reflect the situation of oversupply of potential directors and low salary baselines for directors (when compared to overseas levels). Economic imperatives favour professional search companies promoting the 'safe' option and being risk-averse when faced with 'diversity' candidates who may have potential but little board experience.

The state sector maintains a plethora of overlapping databases. The Ministry of Women's Affairs, www.mwa.govt.nz, maintains a nominations service and keeps a database of potential women directors. As at mid-December 2005, the Nominations Service held information on over 2439 women available for appointment to decision-making bodies (Ministry of Women's Affairs, 2006).

Te Puni Kokiri, the Department of Maori Affairs, has a database and board nomination service (www.tpk.govt.nz). The Ministry of Pacific Island Affairs (www.minpac.govt.nz) and the Office of Ethnic Affairs, Department of Internal Affairs (www.ethnicaffairs.govt.nz) do likewise. The Disabilities Directorate, Ministry of Social Development (www.odi.govt.nz), is investigating setting up a board nominations service and database. These government organizations can only recommend individuals when consulted and all acknowledge that there is an over-abundance of candidates for the few vacancies. Many candidates do not have direct board experience and the Catch-22 situation of needing board experience to get a board appointment is openly acknowledged.

Ultimately the appointment of board members in the state sector is the responsibility of the Crown Companies Monitoring Advisory Unit (CCMAU). This agency maintains one of the largest databases of directors and aspiring directors. The CCMAU have stated that parity on boards could be easily achieved. The realities of political patronage mean that this is unlikely as long as appointments are not entirely merit-based and in the final analysis require political endorsement (CCMAU, 2006). One interesting but unintended consequence is that the State Sector has become an informal training ground for women and/or Maori corporate directors, despite some backlash demanding that only experienced directors be appointed.

ATTEMPTED INTERVENTIONS

In New Zealand there is sufficient data and tracking to understand the dynamics of board composition. The focus is no longer on measuring progress but has turned to stimuli for change. Historical analysis suggests

that previous attempts to force the appointment of women to New Zealand corporate boards in the private sector through shareholder intervention or the activism of interested women, has not been successful or enduring (Shilton et al., 1996). The establishment of databases and nomination procedures has increased women's appointments in the public sector substantially. However, there is no visible impact in the private sector.

Apart from suggestions for more databases, the other current initiative is a web-based matching service called www.finddirectors.com. This Internet initiative is designed to fill the missing marketplace for directors and although not specifically focused around women, is attractive to aspiring women directors. Preference for shoulder tapping as a recruitment tactic and a plethora of databases has meant that aspiring directors have no means for contacting recruiting companies. Launched in May 2007, this website aims to do just that and cuts out the executive recruiter as the middle man. As at 30 October 2007, 300 directors had registered with eight board vacancies listed in the geographic locale where the developers, Maier and Mueller, reside. A search of the website at the same date and restricted to gender, produced 115 women and 118 men. This supports the trend of aspiring women directors embracing opportunities, however limited, to improve their visibility. We predict that this initiative, although praiseworthy, will fail, as it is relying on viral marketing with no identifiable individual or organization promoting the concept.

CONCLUSION

In New Zealand, getting that first substantive board appointment is critical for men and women directors alike. The low level of women on private sector boards means that the odds are heavily stacked against women achieving this crucial first appointment without some other compelling advantage. Aspiring directors, particularly women with ambition, are in the invidious position of having to accept high-risk appointments and set themselves up for failure. Once entry to the elite group of experienced corporate directors is achieved, such directors have the luxury of refusing board appointments and can cherry pick the more high-profile and less risky appointments.

For many New Zealand directors this is a sunset career with more emphasis being placed on the prestige of the board and a desire to 'do some good' (Maier and Mueller, 2006). Concerns over increasing personal liability for directors and the need for indemnity insurance reflect the view that directing in New Zealand is high risk and not for the faint hearted. Succession and training of the next generation of directors are not

prominent national concerns. There seems to be no will in New Zealand at present to initiate mentoring schemes or to find some means of providing that crucial first appointment.

A pessimist would predict that the exigencies of power, privilege and wealth in private hands will entrench existing male elites, and gender parity will need the stronger medicine of legislated quotas as is happening in other countries. An optimist would hope that the increasing pool of experienced state sector female board directors would trickle through to the boards of the private sector. Movement towards gender parity could be expected if some of the 'structural' problems are solved. This encompasses the limited marketplace to showcase new talent, improved selection processes that bypass the limiting effects of shoulder tapping and an acceptable form of professional training that incorporates an experiential aspect similar to the legal and accounting professions. To achieve this, an active and vocal group, both in academia and in the commercial and state sectors, is needed to drive the process forward (Adams and Flynn, 2005). The lesson from New Zealand is that gender equity at all levels is hard won, has to be cherished and promoted vigilantly and needs the underpinning political will with its supporting social philosophies.

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Edited by

Susan Vinnicombe

*Professor of Organisational Behaviour and Diversity
Management and Director, International Centre for Women
Leaders, Cranfield School of Management, Cranfield
University, UK*

Val Singh

*Visiting Fellow and Deputy Director, International Centre for
Women Leaders, Cranfield School of Management, Cranfield
University, UK*

Ronald J. Burke

*Professor of Organizational Behavior, Schulich School of
Business, York University, Canada*

Diana Bilimoria

*Professor of Organizational Behavior, Weatherhead School of
Management, Case Western Reserve University, USA*

Morten Huse

*Professor of Organisation and Management, BI Norwegian
School of Management, Norway*

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