

Gender diversity in the workplace is good for business

CEDA

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Thank you for the opportunity to be here today, and for asking me to speak from the perspective of a former CEO and corporate director. I must be honest and say that I am rather annoyed that I have to give this speech. One would have hoped that a speech arguing why gender diversity in the workplace is good for business would be totally unnecessary.

For years we have been talking about diversity and why it is important. How often have you heard the following headlines:

- ▲ We need diversity in the workforce because businesses sell to diverse markets and need diverse insights, points of view and ideas
- ▲ Diverse perspectives are key to innovation
- ▲ Diversity is key to addressing the talent shortage

And so on. Yet frankly in many instances all the talk is just that – talk. Talk that has not been followed up with action. Most importantly the message has not been consistently operationalized within the business culture nor has there been the structural commitment in many cases to the development of women of all ages within the organisation. It has not been recognised as something of high value that is reflected in the rewarded behaviors of the organisation.

Diversity is also too often limited to discussion about gender diversity or ethnic diversity – the differences you can see. This is a very narrow view. Rather than focusing on the benefit of diversity of personality, life experiences, and

beliefs, we tend to focus the conversation on the visible aspects of diversity.

Simply focusing on visible diversity is not enough. Laura Liswood in her book *The Loudest Duck* makes the point that too many companies are simply content with the Noah's Ark approach to diversity where you make sure you have a couple of each and then it will all be OK!

But understanding that the goal is to achieve diversity of thought is what creates the environment for the diversity conversation to take place in an atmosphere that is not "black and white."

The key to institutionalised diversity is the creation of a culture of openness and inclusion, which can only be accommodated by a conscious hiring policy that values gender and ethnic diversity.

Recent data suggests that diversity is still a big issue in Australia. The most damning statistic is that less than 10% of key management positions in ASX 200 companies are held by women. I think this is the biggest contributor to the others statistics that get the headlines such as there are only 7 female CEO's of ASX200 companies and women hold 17.6% of positions on ASX 200 boards and only about 10% of ASX500 board roles.

Sadly, we are here today because we still need to make some major changes. Clearly we need to stop talking about this stuff and hire more women in operational leadership roles within businesses.

What do I observe about management and board behaviour when there is a critical mass of women, as distinct from no or a limited number of women representatives in those roles?

The point is not only what special attributes women bring to the table to achieve positive business results; it's what their absence implies. Lack of gender diversity in a company's management team or board sends negative signals of a conservative mind-set, an inability to look beyond a tried circle of leaders and / or directors and a proneness to damaging group-think. When you have a diverse group sitting around the table and a culture of participation and open and honest conversation, decisions tend to be more thoughtful, less rushed and the danger of group think is minimised. It often leads to a less competitive decision making process and a more thoughtful consensus is developed. Women executives and board members have a different perspective of the customer and in the informal dynamics, people such as other directors, executives and associates at all levels often find it easier to talk to and confide in women.

The bottom line benefits of diversity are more difficult to quantify. Not surprisingly, the research on the impact of female leadership on financial performance tends to be sponsored by groups who have a self interest in boosting women's representation in business, such as Catalyst in the US. This does not make the research wrong and the research does not always get the credibility it deserves.

Catalyst research shows Fortune 500 companies with the highest representation of women in top management teams experience significantly better financial performance than companies with the lowest women's representation with a return on equity 35.1% higher and total return to shareholders 34% higher.

Another study at the University of Michigan in 2011 showed that the stock price of Norwegian companies actually

dropped when Norway introduced the mandatory quota of 40% of board members needed to be women.

The Credit Suisse Research Institute while acknowledging that it is hard to make sense of the many confusing and often contradictory findings did find that the share price of companies with at least one woman on the board outperformed those with no women directors. Interestingly, the greatest impact of this was not when the economy was doing well but in the GFC and aftermath where the stock price of companies with at least one female on the board was higher by 26% than companies with no female board members. They concluded more diversity on boards brings and I quote “less volatility and more balance through the cycle.”

So what can companies do to move from talk to action to attain greater diversity? Let me touch on 5 things – plus one!

1. Create simple recruitment and learning and development strategies and measure the results

The greatest cop out I hear in regard to hiring protocols is the question “Well do you want me to hire the best person for the job or do you want me to hire the best woman.” The answer of that question is of course “Yes.” I want the best person for the job and I want diversity in the organisation. People need to do a better job at sourcing the talent pool from which they are hiring and make hiring decisions based not only on finding the best person for the particular job but also creating the best team, which necessitates placing a high priority on diversity in the form of both gender balance and ethnic diversity.

Positive change does not happen by accident and improved diversity is no exception. Companies need programs like

Citigroups “Just one More” program which they had years ago that mandated senior managers and department heads to hire at least one more woman in each department, at each level, each year and implement serious training processes. And this was measured in peoples KPI’s

2. Make conscious the unconscious biases

If you walked into the boardroom of an ASX100 company and you see 9 white males sitting around the board table what is your reaction? If you walked into the boardroom of an ASX100 company and you see 9 females sitting around the board table what is your reaction? Now I would argue that neither is a healthy mix but we accept a room of 9 male directors as perfectly acceptable and assume they are fully skilled for the job at hand. We would be shocked at an ASX 100 boardroom with all directors being female and we would probably quickly jump to all kinds of negative conclusions about the performance of that company. We need to expose our biases, especially those that are unconscious.

I gave a speech the other day and was talking about the critical need to improve the participation rate of women in the work force and how we fall into unconscious patterns regarding the things we ask women to do in our business that we do not ask men to do. A gentleman put up his hand and interrupted me and said “you know I just realised that when we have our leadership meeting there are four of us, 3 men and one woman, and it’s the woman leader who always gets the coffee for the group. No more. From now on we are all gong to rotate that.” It’s often the little things we do that reinforce that reveal the deeper biases we have. Men need to be more aware and women need to resist doing the support roles that their male peers assume they will do.

3. Create a culture of inclusiveness

The improvement in diversity will never change without a change in corporate culture, which must always be driven from the top.

The corporate culture is the total milieu within which we bring success to our clients, our associates and our partners. Culture is a living reality.

I use the metaphor of a tree to describe the organization's culture.

The roots of the tree represent the Values and beliefs. Like the roots of a tree, they are hidden and not visible. The branches, leaves, flowers, fruits represent behavior or actions, which are visible. As both what is above the ground and what is below are very important for the health of a tree, so are the aligned values and actions for the cultural strength of an organization.

By putting the focus of your governance on building a living corporate culture rather than focusing simply on rules and regulations you are shifting the burden of responsibility to every associate and emphasizing what all the people can do to proactively protect the well being of the organization. This is critical for creating an environment of inclusiveness and diversity.

It is one thing saying you value inclusiveness and diversity but that must then be translated into desirable behaviors and actions which I call **success habits**. Success habits in regard to this value are seen in three areas:

- ▲ *Key organization practices - these are what any associates in the organization can expect from the organization in regard to diversity. An example may be to change meeting practices so you go around room to*

get input rather than ask the group who has an idea about this because men jump in but women may not. Or in recruiting it is established in the scientific literature that if you have a job posting men who only meet 60% of criteria will apply but woman usually will not apply unless meet 100% therefore they will not put self forward. Thus recruiters need to be make sure they find other ways get women to put their name in the hat

- ▲ *Individual success habits - practices and disciplines which can make an individual successful in the organization. For example a senior male executive socializing or mentoring both men and women in their team by having one to one lunches with colleagues of both sexes and not doing dinners with either because of the potential for misunderstanding of intention if a male boss asks a junior woman out for dinner*

- ▲ *Common taboos - actions and behaviors that are considered poisonous to culture and will not be tolerated such as any form of gender discrimination will not be tolerated such as allowing men to interrupt or talk over women in meetings.*

Companies, organizations, and clubs must examine their rules, culture and organizational practices to ensure that women have not only the right to full participation but are also openly encouraged to seek operational leadership roles.

4. Ensure a flexible work environment

We face some real challenges in growing female participation rates, especially at the leadership level. The reality that child bearing years also tend to be the career defining years must be acknowledged and addressed by businesses who value diversity. The tension between career growth and ensuring that our families and children are well cared for and thrive is a difficult one. International

research tells us that policy changes like paid parental leave, flexible working conditions, good first line supervision that understands the needs of a changing and increasingly diverse workforce, strong childcare and aged care social provisions are all important.

The way maternity leave is structured is important. Give women on maternity leave the opportunity to stay connected and remain part of the organisation. Give them the chance to participate in meetings via phone; send reports; allow access into the organisation and put in place processes to make it easier to return into their role – don't just assume they can pick up where they left off.

Leadership is critical: leaders of both sexes who clearly understand that workers' needs change over their working life-cycle, that retaining experienced productive workers depends on policy adaption in our workplaces – and managers and leaders who 'walk the talk', making sure that workers including managers can access flexibility without penalty to their careers and prospects at work.

Fortunately Australia is making legislative steps in the right direction on many of these fronts and many employers are well ahead of this policy curve – having set in place parental leave for their employees. Others are moving ahead now with policies that help new mothers return to work.

There is increasing recognition that both male and female workers need flexibility to 'put together' their jobs as well as their family and community responsibilities. This flexibility is essential not only to parents, but also to those who care for their own parents, or anyone with a disability. This is a family issue, not a female issue and men must own the change that is needed equally.

5. Pay equity

There is no place for discrimination of any kind in the twenty first century and it is counter productive to maximizing the potential of the organisation. Equal pay for equal work is not a cutting edge standard but a moral given. We men must take the lead ensuring pay equality and in modeling behaviour that demonstrates equality within all aspects of our organizations.

And the plus one - **6. Quotas and Targets**

There, I said it. "Quotas." I hate to say it because philosophically I don't believe in quotas but in some areas like board representation I see no way to avoid the blunt instrument of quotas for some period of time. I know this is not a popular position.

In the 1970's I worked in the villages of India for six years and I saw the value of quotas in dramatically increasing the number of women on the village panchayats (leadership councils). When a quota was put into place that 33% of the council had to be women there was of course a great deal of resistance and many men tried to game the system by putting their wife on. But over time this changed and today women are elected because of the leadership they bring. There was criticism that they only people who benefited are the specific women who make it into the roles because of these mandatory policies, but the Indian village example demonstrated this is wrong with a great deal of good coming out of this for the total village. Women put greater importance on the need for clean water, children's education and so on all of which were seen by everyone in the village to have positively improved the health and wellbeing of the village. Today a family's aspiration for the daughter has moved from making sure she marries well to making sure she is well educated, has a job she enjoys and has a level of independence. There is much business can learn from this.

Within business, self-imposed targets or measures around diversity can drive new hiring and promotion practices. However, you have to be careful what you measure, therefore quota's have to be realistic and targeted to the issues they are trying to address and specifically set at all levels of the organisation. A one target fits all approach does not work. Smart quotas change behaviour.

The debate on whether or not diversity is good for business is getting old and irrelevant. Clearly we need to stop talking about this stuff and act. Act to create a culture that results in hiring more women in operational leadership roles within businesses so that businesses reflect the diversity of the great State in which we live.