

Mandatory Gender Quota Legislation is not the Way to go!

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Transcript of paper delivered at the “Mandatory Gender Quota Legislation: Will Australia follow Europe”, Board Diversity Forum, 20 October 2014, Melbourne, sponsored by the Deakin Law School and the German Alexander von Humboldt Foundation

I have been on the Telstra board, and you heard earlier that they have about thirty percent women on that board. I'm the chair of Australia Post which currently has about twenty five percent of the board, it was about forty percent but we've just recently had a woman resign. I'm on the AGL board, it has about thirty three percent, and Deakin, I'm on the Deakin Council you heard before, and you know those numbers. I'm on the Bionic Institute board of Medical Research Institute, that's about a third. I chair the Melbourne International Jazz Fest, that's a fairly small board, I think it's about a quarter women on the board and the rest are Italians. That's interesting, I'm not sure how that happened. Lastly, I have had over the years, I have had experience on 5 Chinese boards and each of those Chinese boards there were no women at all.

It's interesting when I was invited on to those Chinese boards it was fundamentally because they wanted to learn about governance. They wanted to learn about governance for fairly obvious reasons, when I got there they wanted to make more money and float their companies. Not only did they want your capital, they wanted your experience at setting up governors so they could govern less and make more money, which was obviously their objective. Nevertheless it was a lot of fun trying to get them to understand governance structures and why they should have good governance and why they should have some diversity on the board. You think it's a challenge in Australia, China is a real challenge I must stay.

Let me state categorically up front that I am a supporter of gender diversity even though you've got the topic there. I am a supporter full stop, particularly for gender diversity on boards. At Australia Post when I went on as chair, I stated to the (you know it's a government business enterprise, the shareholder is the Australia Government) shareholder ministers who were Penny Wong and Stephen Conroy at the time that my objective as a chairman of Australia Post was to have fifty percent women on the board. As you might understand I got a lot of encouragement from Penny, and I got encouragement from Stephen as well which was great. Now the government has changed and although I haven't changed my objective and I have two other, different ministers – Malcolm Turnbull and Matthias Cormann and not quite the same encouragement but they're not discouraging me so that is my objective. And there's no question in my mind, and by the way I haven't gone to the academic rigour, Peter, that you have, and I am talking about my observations and experiences, and probably a smaller sample size as well. My research by experience does support the fact that gender diversity does deliver better business outcomes, and I'm not just talking at the board level, I'm speaking at the executive level and throughout the organisation. We've tended to talk board and the big executive, but right throughout the organisation, gender diversity does deliver better business outcomes. But also, of course I know we are recognising better business outcomes also come from good experience, good education and training and so on, so we can't set that aside either.

But here's where I come from. You might say 'well you're chairman of Australia Post, so why fifty percent?' So I listen to the business case, scepticism and so on there, but here's where I start, and

here's why I'm motivated to fifty percent in Australia Post – and for that matter in other companies for the same reasons. I always start with the customer. I start with the customer in my thinking because at the end of the day whose paying revenue line? It's the customer of your business. And guess what the customers probably these days, are probably slightly over fifty percent women. So I really do honour and understand at the board level and throughout the company how the customers think. If you get the same mix of gender on your board, your board composition, that there is in your customer base, that's a pretty good start. I actually think it is that, that makes very good business sense. It should be very similar, or if not the same.

Now you can argue, of course, with respect to other elements of diversity, like age and so on, but it's been said today and I agree that you have to start somewhere. Fifty percent or thereabouts of the population being women I think it makes obvious business sense. Age diversity, we talk a little bit about on our boards, or the boards I've been on. How do we capture – I've got a twenty two year old – how do we capture how what they think or how she thinks? I'm not too sure I want to impose on my twenty two year old daughter the experience of being on a board but I do want to capture her thinking to take the company forward. So let's get focused and let's be focused on gender diversity and you know you can capture the bright eyed years of sixteen year olds, twenty year olds in other ways. Why not having a young advisory group who tell you that your digital mailbox is – I'm not going to use it because of this and this and this, you capture those things another way.

So the question is, there's where I go, fifty percent, customer base driven and I think that makes business sense – the question is how do we do this? How do we get to this? And I contend – now has everybody eaten their fruit? Good. I contend it is not by quotas. I believe it must be led by, and promoted by, the chairman of the board. I say that because I think it really must start at the top. I do really think the Chairman, and then the board, hopefully the board is right the chairman, does create the culture and the behaviours that are important to achieve what we're trying to achieve here - being gender diversity. And like I said, I don't care thirty, forty, I'm going for fifty percent because that's the customer level of representation.

But I'll tell you something that hasn't been spoken about a lot today, and I'm sure you mean it and it's sort of been at the subconscious level, but diversity must be linked with inclusion. I believe that's very important. I have seen circumstances where boards have brought women on to the board because they think they have to, not because of all the other reasons and the business sense reasons that I'm talking about, and they don't get included. And I think that's even worse. You get some women on your board, or one, who sits there and there is no inclusion. I think diversity with inclusion, or and inclusion, is very, very important.

There's no question, the targets, the guidance, that have come about diversity have made a small difference and we've seen it in the numbers. My experience is it certainly does make boards think about it. It is attention grabbing for a board when ASX guidelines come out and they talk about the need for diversity and reporting and so on. There's no question that that does make a difference, has made a difference. But it really gets down to behavioural action. It gets down to behavioural action by the leader or the leadership, and I am talking about leadership of the chair. Be the chair a man or a woman, I'm not being gender specific here. The chair, in my view, must lead in driving forward, what I call here 'business sense gender diversity and inclusion'.

I've had the experience, this is a story I don't tell much because I made a mistake, I've had the experience with mandating a gender based mentoring program with some disastrous results. When I was the CEO of Telstra a number of years ago now, I decided what I would do – I was concerned that women were not progressing up the executive level through the glass ceiling and so on – in my own 800 strong finance group. So I decided I'd set up a mentoring program for women. Mentoring program for women by women, so I set those up and so on, and I probably haven't been – and I may wait until after this talk – but I haven't been more abused by women before in my life. Here's what they were saying to me, 'you don't understand. We want to be mentored by the best. That might be a man or that might be a woman.' So here I was thinking naively that I was helping women through this women's mentoring program to be mentored by women – by the way women who had been successful, but they didn't want that so, I put my tail between my legs and cancelled the program. But it taught me something about – you really need to understand women.

As a result of that I spoke to a lot of women and I've spoken to a lot of women on boards as well, about 'how do you feel about targets and quotas' and so on. Many, but not all, many have said to me that I feel a little bit embarrassed by them that they need to be there. I feel like it's a tokenism about them, I know we've talked a little bit about that today. And they want to be there, women want to be there because they are good enough to be there, they can add, it does make business sense. All those things is why they want to be there, not because they have to be because there is a number to be met, whether you call it a target or you call it a quota. I understand that a fine thing to say and look at the numbers, it's still hard to get there, but I've just giving you some feedback from a number of women, not just one or two, but a number of women I have contact with in a board setting.

There are an abundance of men on boards, and those that are chairs need to be role models. You might recall and you quoted a period where Elizabeth Broderick made some comments, she also made some comments about the need for male role models in terms of promoting gender diversity and I think that's right. That's why I get back to the point of being a chairman. Chairs of companies need to be role models in encouraging the diversity on boards. You might say 'gee John, you've really set a quota anyway. You've got fifty percent for Australia Post.' I don't think of it as a quota, I think of it, I go back to my logic of I want the same number as the customer base, so it must really start there I believe.

You know, I'll talk a little bit about my experience with the board appointment process and how it typically works. The chair of boards needs to help this change as well. Typically a vacancy comes up at a board. We sit around the table, we may have a succession plan, we give it a glance, then we say 'who do we know?' So automatically you're almost into a club mentality, 'So who do we know? We know him, and her, and him, him, him and one more her and him.' Then we say I wonder if any of those are available? We do a bit of checking and we find out none of those are available so we go to a search firm. A search firm trots out there old database and list, you've probably seen the names a number of times, there are very few new ones on the list, unfortunately. So I'm telling you all this because I've experienced this process and it needs to change. The long list becomes the shortlist. There is never enough women on the list. Then the board goes through the process, well none of them have been CEOs – are they really experienced? I think it's all rubbish – I've been CEO and I'm on five boards. It doesn't matter, it really doesn't matter. You need the diversity on the board. I'm talking gender and skills and so on. It doesn't matter if they haven't been a CEO and it's probably,

maybe a good thing actually. So you're in this room with an abundance of excuses as to who you might choose, and guess what, you start to get at this recycling, you start to perpetuate the the club mentality. I am worried about what I heard before – the women's club is starting to occur. There is a men's club. We don't want that, we want the best person and we want the diversity that represents the customer base.

I think quota, whilst they can get attention I think they can be insulting to women. But let me be clear, I am not by any means suggesting that the advances in reporting that have been made should not be there. They should continue. What's been done should continue. By the way, I think that has as Judith was talking about, has had some impact as well on board directors taking notice of the need for diversity. I mean I'm a supporter of integrated reporting and integrated thinking, and I think rather than just thinking about the economics of a business and creating shareholder wealth, I do believe in the greater societal benefits, and the environment and good corporate governance and so on.

The ASX corporate governance guidelines, and Judith didn't mention this, but not so subtly it says that the directors now should be totally responsible for corporate reporting. It used to say, in the previous version, financial reporting. I don't think directors yet have quite come to grips with what that means. So your diversity reporting, there are a lot of reports other than your financial statements and your financial reports, and directors need to take as has been suggested by ASX Corporate Governance Guidelines responsibility for all corporate reporting. I think that's an important change, so boards need to understand what that means.

The other thing that I thought of listening this morning – boards listen to shareholders. I asked Judith when she came back to the table. Did Blackrock, when they did that little survey, and they found some companies that didn't have diversity or weren't improving their diversity, or their performance or their disclosures were poor, did they actually sell their shares? Probably the answer is not, but Judith suggests to me the answer is not yet. That's probably right. We had a conversation in the panel about consequences. I think gaol's a bit harsh, but consequences for directors is that your shareholders are unhappy and they sell your stock. I mean, they take notice, believe me. Directors take notice.

Let me just wrap up by saying, I think behaviours. Behaviour change by the decision makers is very, very important. I guess it needs to be driven by education, that there is only twenty five percent men here today is disappointing because if they are not listening or not wanting to come and listen then it makes it even harder. But behaviour change will come from them listening and being education about the advantages of diversity, with inclusion, and I do really think that is the answer. Now, let me finish by saying I have to confess that if this doesn't work soon, mandated quotas may be the only way. Thanks.