Women directors boost investor returns

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The percentage of women holding board directorships in Australian listed companies remains unchanged since 2003, which poses a risk to investors' returns, says a key adviser to big superannuation funds.

Australian Council of Superannuation Investors (ACSI) is telling 40 non-profit super funds, which collectively manage $300 billion, to keep investment returns in mind when they vote for directors during the upcoming annual meeting season.

ACSI president Michael O'Sullivan said almost nothing had been done about the small proportion of women on boards since the organisations' survey began in 2001.

"It's just been flat-lining," Mr O'Sullivan said after releasing the ACSI research showing women held 11.1 per cent of all ASX 100 company board seats in 2009.

"This is the last place on Earth where women seem not to have penetrated some sort of equitable position.

"Fundamentally, as investors we want to maximise returns and it's pretty clear in the US, where there's a lot more research done, there is a real difference."

The Reibey Institute's review of women leaders in Australia's ASX 500 companies in August found companies with women directors delivered an average return on equity that was 10.7 per cent higher than those with all-male boards.

Over five years that margin widened to 11.1 per cent.

"There is no empirical evidence in favour of having all male boards. In fact, the empirical evidence is the opposite," Mr O'Sullivan said.

Board and executive experience remained important, but shouldn't be the sole or predominant criterion for appointments because other skills and experience were required on strategy matters, he said.

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Survey: Big gender differences in board room

First ever survey of male and female board members finds women more favorably disposed toward diversity, compensation limits and proxy rules than male counterparts.

In the wake of the financial crisis, male and female corporate board members displayed widely different attitudes toward such hot-button issues, according to the first survey of male and female board members' attitudes.

By a margin of more than 20 points, more women than men believed that increased diversity (65% to 35%); new compensation regulations (45% to 22%) and new proxy access regulations (38% to 17%) would be required to rebuild the public's trust in corporate governance, according to the study of almost 400 board members conducted in spring of 2010.

The survey was conducted by executive search firm Heidrick & Struggles, Women Corporate Directors, a nonprofit for female directors, and Boris Groysberg, a PhD at Harvard Business School, to discover the different approaches embraced by men and women directors to current board issues. The results were released last week by the Women Corporate Directors at a panel discussion of the findings.

An equal portion, 61%, of both female and male board members queried agreed on the need for the boards to maintain independent chairmen. However, the two sides split most dramatically on need for enhanced risk management systems; While 40% of the women directors favored their adoption, only 1% of the men surveyed believed that such would effectively rebuild trust.

Vance LaVelle, a former chief marketing officer for PNC Financial Services Group, was unsurprised by the findings, explaining it “makes perfect sense.”

“In financial services, compared to their male colleagues, women are more risk averse,” Ms. LaVelle explained. “They consider more elements of risk and plan accordingly, whereas men will look at the more finite set of risks that are more likely to occur. And that parallels in the boardroom.”

Neither men nor women supported the ideas of quotas requiring a certain percentage of women to sit on boards. Only 25% of the women surveyed were in favor of quotas; just only 1% of men were in favor. Although board quotas are unpopular in the U.S., they are finding increasing acceptance in other countries.

Alison Winter, a cofounder and co-chair of Women Corporate Directors, speculated that quotas were still “distasteful” in the U.S. because some women board members didn't know whether they received their positions because they were good at what they did or if it was because of their gender.

“Women don't want to feel that they're on a board as a favor,” she said.

The survey's results were released Oct. 6 at panel discussion with 75 attendees, including Women Corporate Directors chapter members from as far away as Hong Kong. Of the 398 respondents, 294 were female members of the nonprofit and 104 were men placed by Heidrick & Struggles.

According to Women Corporate Director Co-chair Susan Stautberg, the organization hopes to make the survey an annual event and extend its impact by translating it into Spanish for its South American chapters and Mandarin for its three Chinese chapters. “It was a good first survey,” she said. “There are always more follow-up questions that you want to ask. We'll do that for the 2011 survey.”