

New Zealand Census of Women on Boards 2017 – Report 2

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NZX Diversity directors network report card – Golden Skirts gain, Golden Suits decline.

Acknowledgements

This research is independent research. The conclusions drawn are those of the researcher and do not necessarily represent those of the supporting organisations. The support of [Governance New Zealand Inc \(GNZ\)](#) in facilitating this research is acknowledged, in particular the contribution of Linda Noble, CEO and Joy Tracey, Chair of the Women on Boards Division GNZ. Research funding by AUT supported the research led by Professor Judy McGregor. 44 volunteers came forward and data contributions came from Alison Wood, Annis O’Brien, Carron Blom, Fi Dalgety, Ginnie Denny, Irene Durham, Ithu Ageel, Jennifer George, Josie Fitzgerald, Joy Tracey, Karen Remetis, Megan Sargent, Phillipa Smith, Rebekah Swan, Sandy Jackson, Sophie Davies, and Sue Neale.

Introduction

The 2017 New Zealand Census of Women on Boards (WOB), released through www.countingforchange.nz, is the initiative of two researchers, Professor Judy McGregor, now of Head of School of Social Sciences & Public Policy at AUT, and formerly Equal Employment Opportunity Commissioner, [Human Rights Commission](#) and Dr Rosanne Hawarden, director, businesswoman, and currently Chair of [Governance New Zealand Inc](#). They were assisted by Stevie Davis-Tana by volunteers who also contributed data. In her role as EEO Commissioner McGregor and her staff produced five censuses of women’s participation from 2004 to 2012. Each one built on the previous one in breadth and depth, winning international acclaim. During this period Hawarden completed a doctorate in Business and Administration at Massey University on women directors’ networks, the first network study to locate women in the networks of publically listed companies. Her scholarship was inspired by McGregor’s research achievements in board gender equity. Meeting at the [2016 Women in Governance Awards](#) where McGregor won the Supreme Award in Governance, a conversation took place concerning the likelihood that the WOB census would not continue. To ensure that the gender gap on New Zealand’s boards continued to receive the attention of directors of both sexes, officials and other regulatory bodies concerned with gender equity in the boardroom, it was important that this research be maintained. Both researchers resolved to continue this important tradition by jointly undertaking the research presented here and launched at the Women on Boards Conference in Auckland on 18th May, 2017. Both know that what is measured is valued and gets changed. Or as Marilyn Waring so eloquently expressed it, women’s contribution will Count for Nothing.

In this 2017 WOB Census the focus is again on the New Zealand Stock Exchange which introduced a diversity reporting regime in 2013. This research is the first research that attempts to assess the

effectiveness of this regime in the four years it has been in place. It is regarded as a 'soft' initiative as there are limited sanctions for non-compliance. The raw data was supplied on request by the NZX as at the end of January, 2017. The research outputs are two reports that analysed the same data, motivated by the new methodology of crowd science. The first report examines the Top 100 companies by market capitalisation and is the gold standard for international comparisons. The first 2017 report follows the methodology of the earlier five censuses and as a longitudinal comparison, compares like with like.

This second report uses the same data supplied by the NZX but took a different view, using the data of the 122 companies required to report to the NZX on their gender diversity in 2016. Many of the companies are included in both datasets, but the differences give a richer insight into board diversity and how it is changing. This second study presented an opportunity to trial a research methodology, 'crowd research' which has not previously been used in WOB research. Using this methodology volunteer researchers were asked to give three hours of their time to check the NZX raw data and to investigate the diversity policies of companies listed on the main board of the NZX. Their learnings during this process are of particular interest as few of these women had investigated NZX companies at this detailed level. Their personal experiences give a qualitative context to what is a quantitative research project. This second report is a director network analysis and uses a new network visualisation tool, Polinode which is a major advance in the display of director networks. This second report is based on techniques developed in the course of Hawarden's (2010) doctoral research and provides a ten year comparison with her 2007 dataset of all NZX listed companies.

The research null hypothesis was that the NZX diversity regime had resulted in no or minimal change to the gender gap (Figure 1). It was anticipated that the network structure would be unchanged even though the director turnover was expected to be high. The results show that there has been an incremental improvement of 1% per year in the numbers of women directors over the ten year period. Pressure towards board equity in the New Zealand business community has also led to a rapid rise in the numbers of women who hold multiple board seats, called connector directors in network terminology or 'Golden Skirts' by Huse, (2010). There has been a corresponding decline in the number of men with more than one directorship. This is an unintended consequence in the drive to increase New Zealand board gender diversity but is not wholly surprising as this effect was first noted in Norway when a 40% board gender quota was formally introduced in 2008. This was a 'hard' diversity regime with an initial grace period of two years, after which failure to achieve the quota would result in delisting. Now that this effect has been observed in New Zealand with its soft reporting requirement, the increase in female connector directors must lie in causes other than quotas, as previously thought. Glass Network Theory provides an explanation and suggests that this is a predictable effect in the class of networks known as scale free, to which director networks belong. Does this increase in Golden Skirts

have implications for ongoing board equity efforts? Should its effects be mitigated, and if yes, how would this be achieved?

The NZX Gender Gap – How wide is it?

From 2013 the New Zealand Stock Exchange required companies listed on the main board to include a tally of directors and senior officers' gender diversity in their annual reports and to report these numbers to the New Zealand Stock Exchange under their diversity regulations, which may be found at https://www.nzx.com/regulation/diversity_statistics. Under Listing Rule 10.4.5(j), issuers listed on the NZX Main Board (excluding overseas companies) must include in their Annual Report quantitative data on the gender breakdown of the directors and officers at the financial year end, including comparative figures for the prior financial year end. The listing rule implies that this requirement extends to all companies, but in practice a significant number including some of the largest companies are excluded. 74 or 38% of the 196 listed companies are excluded and are not required to report on their board gender (NZX supplied data at 24 January, 2017). With over a third of companies excluded, this dilutes considerably any beneficial impact for this reporting regime.

Figure 1, a graphical representation of the NZX Gender Gap is derived from official NZX summary statistics for the year ending December, 2016 as retrieved from <https://nzx.com/files/static/cms-documents//000000010-251223.pdf>. Firstly, this NZX data refers to directorships and not the numbers of individual men and women. Secondly, it is not a snapshot at a point in time, but reflects quarterly figures as companies submitted diversity statistics at their yearend. Thirdly, the detailed statistics provided by the NZX for this research included 3 companies that were doubled up. These companies appear to have submitted their data twice (possibly reflecting changes to their boards) and the NZX data is therefore inflated. The analyses later in this report are based on the 122 companies in the data, not 125. The NZX's diversity reporting regime reflects a small improvement in the numbers of women directors from 12.4% in 2014 to 16.8% in 2015, where it is now static. The gender gap in NZX companies at top executive and governance levels remains heavily biased against women and favours men in these roles.

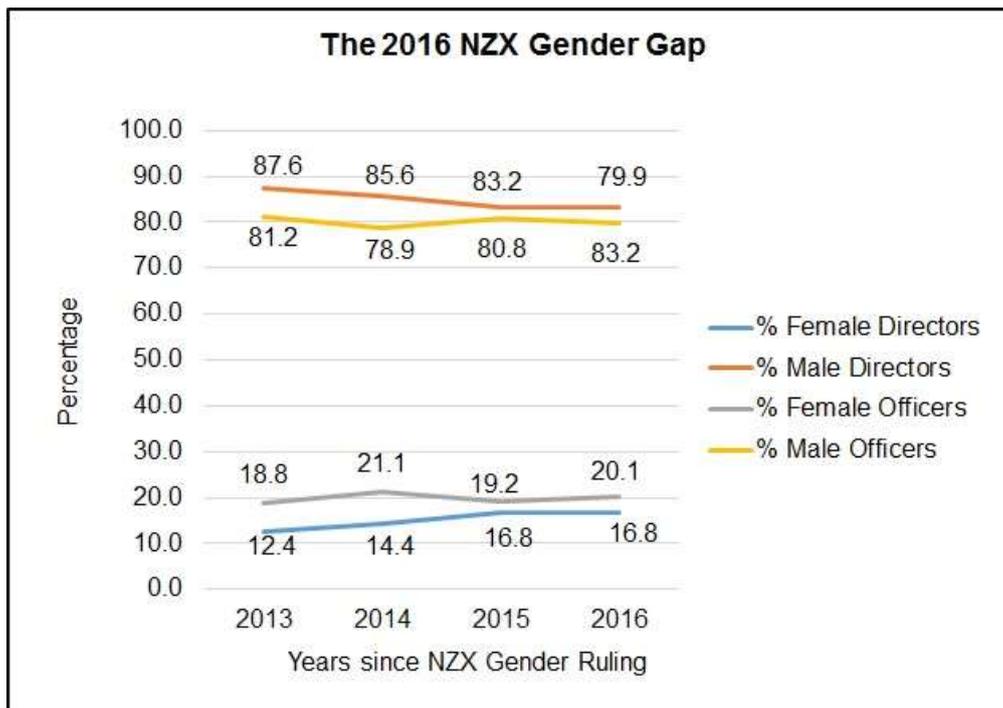


Figure 1. NZX Gender Gap from 2013 to 2016

Director Networks – where are women in gendered networks?

Women directors are not side lined in director networks but are present throughout the network components and are most likely to be found in the largest component (Hawarden and Marsland, 2011). Unlike the Glass Ceiling concept which is viewed as a solid barrier to aspiring women directors, Glass Networks, i.e. gendered director networks may be thought of as transparent and semi-permeable. This allows a small, but constant proportion of women into boardrooms. All director networks where there is no affirmative action, have a few women directors, roughly 5-10%. Single seat women directors are linked into director networks through male colleagues, while the few women who have multiple directorships actively participate in the creation of the network components. Directors who sit on multiple boards create the links or edges between the nodes (directors or companies) in a network. When a network graph is visualised it can be seen that it is not completely connected but consists of a number of components. Starting with a random director and following links, there will be several subsets of directors whom cannot be reached. For statistical reasons, network analysis usually considers the largest component of the graph where it is possible to reach every node by following a connecting path. The technical analysis of the largest component is not included in this paper. Only statistics that apply to the whole network are included. The network visualisation tool, Polinode used here shows all the components and includes directors and companies. This inclusive graph is interesting in its own right and can reveal details that a statistical analysis cannot. The detailed analysis extracting components and splitting out companies will be reported elsewhere.

Director networks belong to a class of networks called 'scale free' networks. Examples of social and natural scale free networks are the internet and computer networks, airline and shipping networks, power grids, neural networks, river systems, movie star and academic citation networks. Director networks like other complex networks are similar in structure irrespective of the location, size or scale of the network, and for this reason called self-similar or scale-free (Newman et al., 2006). A small network will resemble a larger network. Scale free networks have a specific structure, aspects of which can be mathematically expressed as a power law. This is more familiar if described as 'success attracts success', or the Pareto Principle or the 80/20 rule. A few nodes in the network attract the most links, while the remaining nodes have very few links to other nodes. The actors or nodes change but the underlying network is self-organising and continues to shape itself organically into a quantifiable form. Recent research has shown that once a stable state is reached, both natural and social networks are robust and change-resistant. This is a valuable attribute in power grids or the internet, but a problematical one when affirmative action interventions attempt to increase the number of women directors. If a stable director networks changes very little over time and is not subject to external pressure, gender ratios may similarly stay constant, shedding or adding directors in the same proportion as economies expand or contract.

Three main principles underlie the formation of scale free networks, and can also be observed in director networks. Firstly, *preferential attachment* or increasing attractiveness due to popularity leads to a few nodes having the majority of the links. Examples in the internet are Google and Facebook. In director networks the recruitment of directors through 'shoulder tapping' or personal invitations to known colleagues and acquaintances has this same effect. Secondly through *homophily* or a preference for the similar, certain nodes group together forming clusters or communities. It can be statistically demonstrated that directors prefer to sit on boards amongst peers with similar numbers of board appointments. Thirdly, *salience* or a preference for characteristics that are notable and relevant also leads to the appointment of celebrity or trophy directors who may have little governance experience or be family members.

Where there is pressure for affirmative action, Glass Network Theory suggests that boards will preferentially respond by appointing experienced female directors who already have a substantive board appointment. As these will be in larger companies with bigger boards which form the largest network component, more women connector directors will be found in the largest component. As director networks are dynamic entities, the movement of directors through the network must also be taken into account. High levels of turnover in director networks appears to be the norm. Davis et al. (2003) found this to be 95% over 17 years in the US Fortune 1000 network. Hawarden and Marsland (2011) found 49% of directors had been replaced in the NZX network from 2004 to 2007. Female

directors showed a higher average turnover rate of 59% compared to 48% for male directors. Despite high turnover, individual connector directors must gain other board appointments at an equal rate or single seat directors gain a second seat, to give director networks stability.

Having located women directors in the network, past research also examined the percentage of connector directors in a network. This was found to be different to the total percentage by gender and to change over time and in response to external pressure such as quotas. Why certain directors are able to secure the small number of multiple seats available is a question to which diversity researchers have devoted much time and effort. In particular they have looked at the characteristics of successful women directors trying to find common reasons for their success. Glass Network Theory suggests that overlooked differences may exist between them and single seat directors. Connector directors of both genders may share these characteristics, which may relate to competence, leadership ability and other enabling factors but these are still to be established.

Affirmative action interventions, such as the Norwegian board quota legislation, took place without a programme to monitor the effects of social change. Much of the subsequent research in Norway has centred on evaluating and understanding the unintended consequences of the quota regime. Known as 'Golden Skirts', a group of female connector directors emerged in Norway with what were regarded as 'excessive' board appointments (Huse & Seierstad, 2013; Seierstad, & Opsahl, 2011). The intention of the quota legislation was to increase the absolute numbers of women directors, or single seat directors, not reduce gender diversity with a limited number of women appointed to most of the seats. This phenomenon was understood to be a response to the imposition of quotas. Contrarily Glass Network Theory predicts that where there is pressure to increase the total percentage of women on boards, the numbers of female connector directors will increase first as they are beneficiaries of the network force of preferential attachment. It can be further argued that rising numbers of Golden Skirts will be the first indication that equity measures are successful in changing board composition. This will be associated with a corresponding decline in the numbers of male connector directors. The ratio of directors with multiple seats to single seat directors can be predicted if there is no affirmative action as it too follows a power law (Hawarden, 2010). Changes to this ratio are a measure of the success of gender equity programs.

Where there is pressure to appoint a woman to a board, a known pair of hands represents a reduced risk and an experienced woman is less likely to disrupt established modes of business. This may also be another indicator of the 'Queen Bee syndrome' or 'Aunt Lydia organisations' where women through a glass ceiling work together to shut out equally competent aspiring women directors. Where the proportion of Golden Skirts or (Golden Suits, the male equivalent) increases beyond the predicted ratio the presence of oligarchic organisations should also be considered. This is a troubling idea for those

working towards board gender equity but requires examination. The term 'old boy network' is a well-accepted concept but hard to demonstrate. The use of these terms including Golden Skirts, in the research literature means that they cannot be ignored and as the academic rule of priority taking precedence applies, continue to be used.

Queen Bees, Golden Tokens/Skirts and Shirts

The 'queen bee' concept has had some currency in the WOB literature. Queen Bees (and there is no male equivalent) are defined as women directors with two or more seats, who adopt the behaviour patterns of male directors, and are perceived as violating the norms of feminine behaviour by behaving in an imperious manner. Seeing other women as competitors, queen bees do not champion aspiring directors of their own gender (Hawarden, 2010: 43). Two factors reinforce queen bee behaviour (Kang, Cheng & Gray, 2007). Firstly, women are perceived as unlikely to be part of the 'old boy' network, which allows them to be independent (meeting governance requirements for independent directors) but lacking in influence and therefore unlikely to undermine the status quo. Secondly, they may have a better understanding of consumer needs and a greater ability to identify the opportunities for a company to meet them. To provide 'the women's point of view' on a board only one woman is required. Kantor's (1977) classic study found that tokenism creates performance pressure to behave in gender specific ways where the display of feminine characteristics or those perceived as such, obscures contributions in the boardroom. Token women directors may respond by constructing a facade that minimizes peer concerns or develop a persona that masks deeper thinking and accomplishment. Gender limiting strategies in the boardroom that promote tokenism appear to be a norm. Research by Farrell and Hersch (2005) indicates that departing women directors are replaced with women and the likelihood of a firm adding a woman to its board in a given year is negatively affected by the number of woman already on the board.

Branson (2007: 52) introduced the concept of the female trophy director on US boards where a woman director occupies four or more seats at publicly held corporations. A trophy director is appointed because of his or her high visibility and whose contribution to the board is limited to the recognition their celebrity status brings. Branson suggested that such a woman should be called a 'golden token'. It is from this discussion that Huse (2011) popularised the term 'Golden Skirts' when the impact of the Norwegian gender quota system became observable with a few notable women appointed to a large number of public company boards. Describing women as 'skirts' is English slang and may or may not be pejorative depending on the context. The silhouette of a woman in a skirt as opposed to a man in pants is the ubiquitous indicator for segregated toilet facilities. Huse (2011) also introduced the term 'Golden Sacks' to describe male investors who remained on the quota boards while independent male directors were replaced by women. Golden Skirts and Suits in a director network are inevitable and necessary

with 5-6 board appointments being the New Zealand upper limit before concerns of capability are raised. Where the governance literature has focussed on the effects of one director holding too many board appointments, the results are mixed with both positive and negative consequences (Ferris, Murali and Adam, 2003). Despite concerns with the gendered nature of the term 'Golden Skirts', this research report needed a male equivalent and Golden Suits is used here as the least offensive (Tutchell and Edmonds, 2013: 28).

Another term that is gaining currency in digital discussions is a resurgence of interest in a 1985 novel called *The Handmaid's Tale* by the Canadian author Margaret Atwood, following the release of a new television drama series in April 2017. This was referred to by Hilary Clinton in a discussion on women's rights. In a recent Radio New Zealand interview with Kim Hill, the author highlighted her depiction of the repressive character, Aunt Lydia. She suggested that Aunt Lydias are women or women's organisations who benefit themselves by supporting a totalitarian or colonial regime to repress other women and enforce the regime's gendered dictates. This is an extreme conceptualisation of an 'old girl network' which has a restricted and controlled membership. Circumstances that favour one group over another are likely to lead to gender or other imbalances or the dystopic world of gender segregation. These may arise at lower levels in organisations as is now been seen in the Middle East where educated and skilled women are unable to find employment, a phenomenon being described as 'pipeline block'. If these organisations do exist and are influential in determining board appointments that favour certain women or men over others, then having base line statistics becomes important in establishing their presence.

Research Methodology

1. In January 2017 the NZX provided an Excel spreadsheet as at the 24th January 2017, listing companies by market capitalisation and directors by company and by gender. The diversity reporting statistics by quarter were also provided. This list was used as the basis to include or exclude companies in the network analysis and as 3 companies appeared twice, 122 companies were used.

2. A crowd sourcing or a crowd research methodology was used for the first time in Women on Boards research. Crowd science also involves multiple teams examining the same data, replicating results and confirming findings while applying innovative methodologies to develop and expand initial results (Silberzahn & Uhlmann, 2015). These new approaches are time efficient, low cost and very productive as they very quickly harnesses the talents of a diverse community where research budgets are minimal. Crowd science is characterised by open participation in a project by a wide base of potential contributors, with data or problem solving methods supplied by the researchers (Franzoni & Sauermann, 2014). Critical challenges in crowd science projects are attracting contributors and

coordinating the contributions of a large number of participants. The motivation and educational benefits of crowd science are recognised as enhancing an individual's engagement with science and progressing science generally by building in cumulative steps on the work of earlier and other researchers.

Members of the Women on Boards division of Governance New Zealand Inc were approached by email and asked to volunteer three hours of their time to research companies listed on the New Zealand Stock Exchange. A Gmail email address was set up to collect responses. The email included the NZX Gender Gap graph (Figure 1) and a link to the NZX diversity statistics page. In addition, the anticipated benefits were described for a participating researcher as:

- An active contribution to increasing board diversity
- A detailed look at 5 -10 NZX companies' annual reports and websites as you verify board member gender and explore their diversity statements.
- Improve your understanding of corporate governance and inform your own share market investing
- Experience with a new research technique

The email contained a statement clarifying ethical issues. Volunteers were assured that the data used is publically available or supplied by the New Zealand Stock Exchange on request. All contributors would be acknowledged in any published research and given an opportunity to comment on the draft report. The skills required were a basic knowledge of Excel spreadsheets, an ability to download files from the NZX website and use word search to find specific information. Researchers were provided with 5-10 companies identified by name and ticker code to research and an answer spreadsheet with a sample template and instructions on how to fill it in. Researchers were asked to download annual reports from 2013 if available and search them using 'gender' and 'women' as the key word. Three volunteers were asked to trial and comment on the email and the usability of the templates. Based on feedback the email text was improved. Volunteers were also asked to report on their learnings in 4 or 5 short sentences. Qualitative reports on learnings would indicate the levels of stock market literacy in the contributors who were 99.9% female. The invitation to participate stressed that the research was gender inclusive but only one man volunteered but did not submit results. All data returned was double checked and verified.

Every email was replied to personally with the researcher ensuring that all replies were friendly and answered all questions raised by volunteers. The time and effort taken to do this was not onerous and the relationship building between the researcher and the contributors was an important part of the research methodology. The anticipated benefits stressed this educational component as the extent of

the understanding by research volunteers of stock market governance and investment in NZX listed companies is unknown. Also unknown is what proportion of the volunteers personally invest in NZX companies and how their portfolio and investment selection is driven. In 2005 the ANZ Banking Group conducted an extensive survey on the financial practices of consumers in Australia and New Zealand (Lusardi and Mitchell, 2007). Low levels of financial literacy highly correlated with low education and income levels. This survey also confirmed the gender gap, with women concentrated in the lowest 20% of the financial literacy distribution. New Zealand women directors' financial literacy levels are unknown, nor is it known whether there are gender differences in stock market research behaviour amongst New Zealand directors. How women directors think and feel when researching and making stock market investment decision requires further research.

Results

This second report of the 2017 Women on Boards Census examined the 2016 gender diversity of NZX listed companies required since 2013 to report on their board gender composition. Descriptive statistics are given in Table 1 which gives a ten year comparison to the 2007 NZX data. The NZX's diversity reporting regime has led to a small improvement in female directorships or seats from 12.4% in 2014 to 16.8% in 2015, and was unchanged for 2016 (Figure 1). This study found the percentage of women directors out of a total 586 directors in these 'diversity reporting companies' to be 14.8%. When all 718 directorships or seats are considered the NZX official figure of 16.8% is confirmed but is much lower than the percentage of 22.1% for the Top 100 companies. However, it is the comparison to the 2007 data that shows the greatest improvement. Over the ten year period, the percentage of female seats/directorships has improved from a low of 7% to 16.8%. This does indicate that increased activism and consciousness raising in this period has led to an average increase in the numbers of female seats of 1% per year both before and after the 2013 introduction of NZX diversity reporting. As a bigger difference would have been expected in the percentage increase from 2013 to 2016, the reporting regime is not having a marked effect on the gender balance. However the ratio of male to female directors has improved from 12:1 to 6:1. Women directors are increasingly the norm around the board table.

No conclusions are drawn here regarding the effect of detailed gender policies in quickening the pace of greater female representation in boardrooms but are covered by McGregor and Sikuea in the first report. The wide variability in company gender policies made collation and analysis difficult with multiple contributors but the provision of these reports did save considerable time in validating the data. Both researchers and contributors were in agreement that variability and the lack of accountability undermine New Zealand's corporate diversity reporting regime. What is reported on are the learnings

of the contributors who reported a positive experience with crowd research techniques. The most common phrase used was the perception of 'lip service' being paid to gender diversity in company annual reports and a boilerplate approach to comply with NZX guidelines. Some researchers were shocked to find that at company level there was so little interest in diversity.

Rise of the Golden Skirts and Decline of the Golden Suits

There has been a marked change to the circumstances of the Golden Skirts, the female connector directors or the group of women holding more than one board appointment in the diversity reporting companies. The Golden Skirts have gained at the expense of the Golden Suits and aspiring women directors.

Table 1 shows that a total of 86 connector directors or Golden Skirts and Suits link multiple boards together as they hold from two to five board appointments in the 2016 NZX data. 24 Golden Skirts (28% of women directors) hold 58 seats (47% of the female seats). While the 62 Golden Suits (13% of male directors) hold 161 seats (22% of the male seats). Ten years ago, the 2007 survey of all 185 NZX companies reported 7 Golden Skirts holding 16 seats (21 % of female seats) and 110 Golden holding 261 seats (27% of male seats). Table 2 gives the numbers of directors at each level from 1 – 5 seats in the NZX data for 2007 and 2016. Figure 2 shows how male and female seat distributions converge in the 2016 data compared to the 2007 data, showing the growth in the numbers of women with multiple seats at each level and the reduction in the number of men.

A small group of women directors hold nearly half of all the female seats. This is the first evidence that the NZX's diversity regulations may be contributing to the creation of the same unintended consequences as in Norway where the implementation of gender quotas saw a dramatic rise in the numbers of 'Golden Skirts'. Norwegian board diversity was reduced as a limited number of women held a high numbers of seats. This is now the case in New Zealand as reflected in the seat spreads in Table 2. In 2007 Golden Skirts did not hold more than 3 seats while in 2016 they held up to 5 seats. In 2007 Golden Suits held up to 6 seats while this has reduced to 5. As the NZX has imposed a 'soft' diversity reporting regime, this rise of the Golden Skirts cannot be as previously thought, solely a consequence of quota imposition. These results support Glass Network Theory that affirmative action pressure on the NZX director network will result in an increase in the numbers of Golden Skirts, and a decrease in the Golden Suits with the total percentage of connector directors remaining constant at 14-15% in the director network. The total percentage of male to female directors responds slowly ie 1% per year to pressures for change unless these are imposed through quotas.

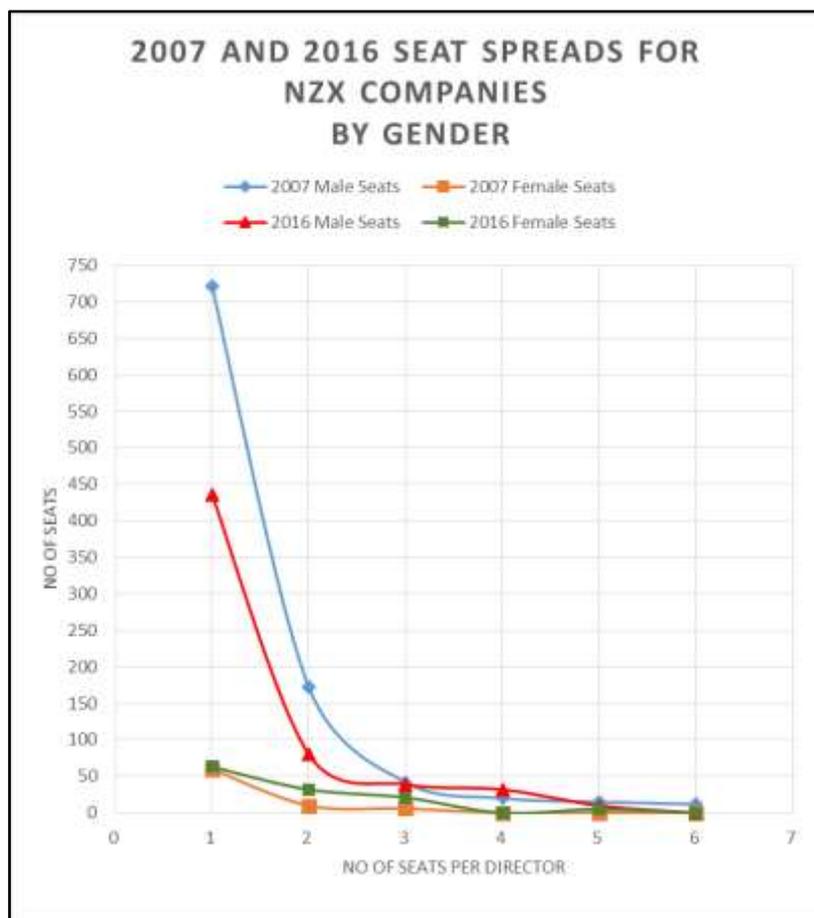
Table 1. Descriptive statistics for the mixed gender 2007 NZX and 2016 diversity reporting director networks.

	2007 NZX All companies	2016 NZX Diversity Reporting companies	Direction of Change Red-Decrease Green- Increase
No. of companies	185	122	
No. of directors	899	586	
Male directors (%)	832 92.5%	499 85.1%	
Female directors (%)	67 7.5%	87 14.8%	
Gender ratio	12.4	5.7	
No. of seats	1059	718	
No. of male seats (%)	985 93%	597 83.1%	
No. of female seats (%)	74 7.0%	121 16.8%	
No of connector directors (%)	117 14.1%	87 14.8%	No change
No of male connector directors (%)	110 94.0%	63 72.5%	
No of female connector directors (%)	7 6.0%	24 27.5%	
No of connector seats (% to total seats)	277 26.1%	219 30.5%	Small change
No of male connector seats (%)	261 94.2%	161 73.5%	
No of female connector seats (%)	16 5.8%	58 26.5%	

Table 2. Seat spreads for the 2007 All NZX listed companies and the 2016 Diversity Reporting Companies by gender.

Seat spreads for NZX 2007 and 2016								
	2007 NZX companies				NZX Diversity Reporting Companies in 2016			
No of companies	185				122			
No of seats/directorships per director	Male Directors	Female Directors	2007 Male Seats	2007 Female Seats	2016 Male Directors	2016 Female Directors	2016 Male Seats	2016 Female Seats
6	2	0	12	0	0	0	0	0
5	3	0	15	0	2	1	10	5
4	5	0	20	0	8	0	32	0
3	14	2	42	6	13	7	39	21
2	86	5	172	10	40	16	80	32
1	722	60	722	60	436	63	436	63
	832	67	983	76	499	87	597	121
Total Directors	899		1059		586		718	

Figure 2. Seat spreads by number of seats per director by gender in the 2007 All NZX Companies and the 2016 Gender reporting companies, showing the decrease in 2016 male directors (red line) and increase in 2016 female directors (green line) with more than one directorship.



Network Analysis

The percentage of total connector directors has remained stable over the ten year period at 14-14.8% but the gender balance has changed. From a low of 6%, female connector directors now comprise 27.5% and male connector directors have declined from 94% to 72.5%. Of the 67 women in the 2007 NZX dataset, only 13 remained in the 2016 NZX dataset. They are Alison Paterson, Carmel Fisher, Elizabeth Coutts, Jane Freeman, Jenny Shipley, Joan Withers, Joanna Perry, Linda Sanders, Rosanne Meo, Sarah Ottrey, Sharon Hunter, Susan Paterson, and Susan Sheldon. While their individual board appointments may have changed, these women continued to be appointed to NZX boards over the ten period. Of these women, 8 were connector directors and contributed to the stability of the 2016 director network.

Figure 3, an online and interactive view of the NZX director network. It shows that the unconnected components are largely male (in magenta) and around the rim of the image with the female directors (in green) in the largest connected component. The numbers of multiple seats are reflected in the size of the nodes and the individual directors can be identified. The largest nodes are the connector directors with the most seats. The small grey nodes are the companies. In the interactive online version of the network floating a mouse over the node, will reveal the identity of the node. Figure 4 is a view where boards are grouped into communities based on common links and then separated by seat level where it is easy to see the gender of directors at each level. The largest connected component is on the left. It can be seen that the women directors tend to cluster in certain communities which can be coloured separately in the Polinode software. Polinode can calculate a range of network metrics which are not reported on here but can be accessed online [here](#) or through the website, www.countingforchange.nz.

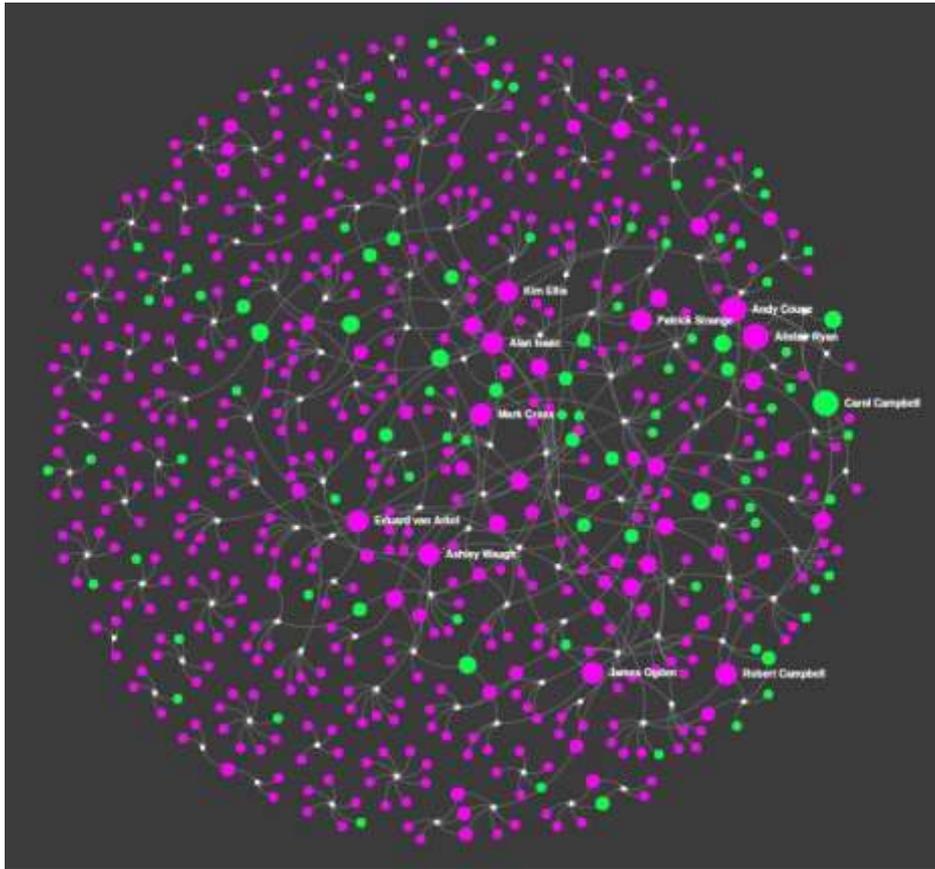


Figure 3. 2016 NZX network of male and female directors in 122 Gender Diversity reporting companies (male in magenta and female in green, size indicates number of seats. Interactive online network may be accessed [here](#).

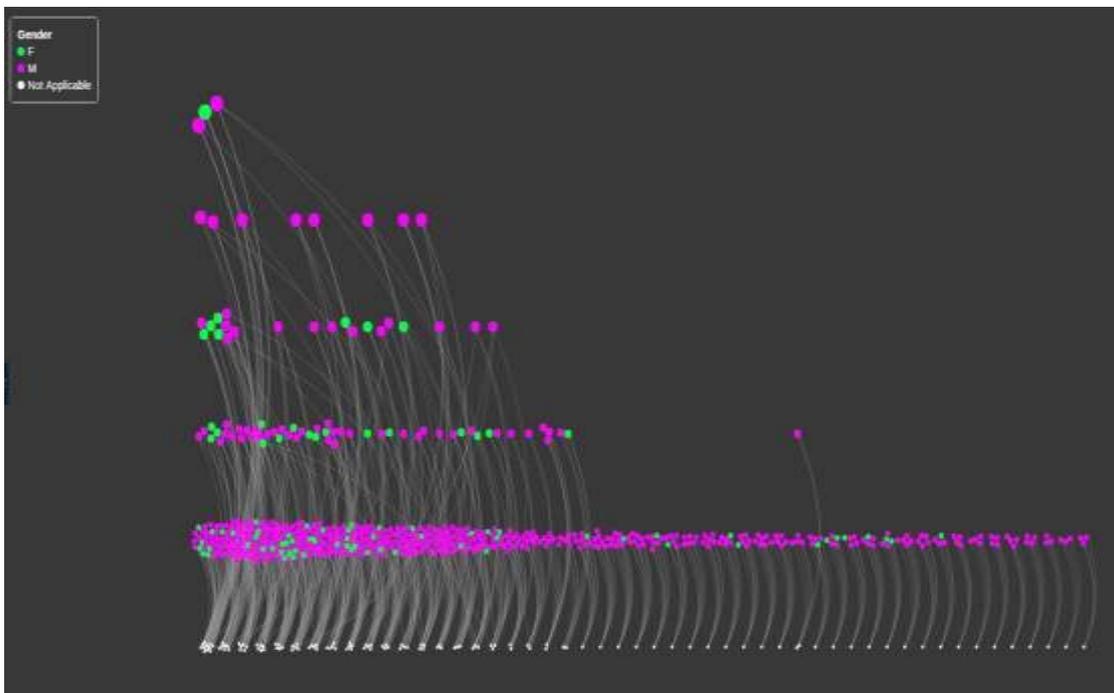


Figure 4. 2016 NZX network of male and female directors in 122 Gender Diversity reporting companies by seat spread (male in magenta and female in green, size indicates number of seats from 1-5 per director. Interactive online network may be accessed [here](#).

Learnings analysis

There were 44 responses to the request for volunteers, and from their email signatures many were senior officers and directors. 5 dropped out early followed by another 6 largely due to pressure of work. The names of the respondents indicated a multicultural response and included one man. 17 volunteers returned data and gave their learnings which are included in Appendix A. These learnings are all positive about the research and the contributors perceived it to be of high value. It is apparent that exploring the company data on the NZX website was a new experience for some. A number of senior women made constructive comments on NZX governance and comparisons with international practice. In general the tone reflected disappointment in the lack of value placed on diversity in company reporting. Where companies have good programs and policies, respondents commented that these do stand out. As a constructive methodology to increase women directors' engagement and provide an opportunity to contribute to a research project perceived to be of high importance, crowd research was an effective tool. Its value also lies in increasing meaningful networking opportunities between researchers and volunteers.

Conclusion

In the ten years since the 2007 NZX network analysis done by Hawarden (2010), there has been an increase in the percentage of female directorships/seats from a low of 7% to 16.8%. The average annual increase of 1% in female seats indicates slow change. The governance community of New Zealand is responding to pressure to appoint more women directors but at this rate the target of 40% may only be reached in another 20 years ie 2037. This is a more conservative estimate than that of McGregor and Sikuea. These figures while mildly encouraging do mask the underlying trends that are revealed if the numbers of individual women directors are considered. The major change is in the percentage of women connector directors from 6% to 27.5% of female directors with this small group of women holding 26.5% of female seats. Male directors holding multiple seats have declined. These changes are in line with Glass Network Theory predictions, with Golden Skirts and Suits being the group of directors most likely to change if affirmative action pressures are applied to change board gender. This research reaches the conclusion that these changes will also occur in the absence of legislated quotas such as those imposed in Norway and Europe. Soft or community pressures for change can be effective but will take place at a slower rate. Quotas are an effective way to implement rapid change and maintain it permanently. These gender balance changes resulting from unlegislated pressure may not be permanent as if the pressure to change is reduced. Network dynamics suggest that gender balances would drift back to the Pareto ratio of 90/10.

What is of more concern is that a small group of women who already have extensive governance experience and are 'through the glass ceiling' are benefitting from this pressure for more diverse boards.

This does have negative implications in that the pool of experienced women directors is limited and aspiring directors continue to be caught in the Catch-22 of directing, unable to get the governance experience to qualify them for the boards of the NZX. There is a suggestion that this may not be a permanent phenomenon as follow-up research is beginning to indicate in Norwegian quota companies. There do appear to be spill over effects as companies not effected by quota legislation appoint women to their boards. There is no shortage of qualified women and as they are getting more experience are becoming more visible (Huse, 2012). While the phenomenon of the Golden Skirts with large numbers of board appointments appears to be abating in Norway, there are no regular censuses such as in New Zealand to track this reliably. New Zealand appears to be a world leader in terms of monitoring changes to the gender balance on public boards and to understanding how director network structure impacts its gender balance, particular of directors with multiple board appointments.

The conclusions drawn here reinforce the requirement for ongoing Census of Women's Participation as reports of this nature exert community pressure on boards to change their gender composition. The imposition of quotas seems unlikely and activism on the part of concerned governance and women directors' organisations also needs to be continued. To ensure that the pool of board ready female directors continues to grow, initiatives that encourage the exposure of aspiring women directors to governance training and real life learning through observing boards at work are to be encouraged. Alternate directors, one avenue to acquiring governance skills was seen in the NZX data for the first time and is a trend to be encouraged. Connector directors and those through the glass ceiling of NZX boards should be encouraged to mentor and promote other women to boards recruiting new directors. Education of chairs and the members of selection committees as to best practice in terms of open and transparent selection procedures would ensure meritorious selection. Greater emphasis should be placed on developing consensus as to what constitutes best practice for director recruitment and selection. The same level of attention needs to be paid to the appointment of directors as is to the hiring of Chief Executive Officers. This is the most important role of the chair who needs the foundation of a well thought out diversity policy on which to base the director selection decisions.

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Appendix A. Learnings from WOB Crowd Research

These reflections are not ordered and have been anonymised, removing comments on specific companies with minor editing to improve readability.

1. Contributor A

1. The international banking company had no reference to diversity in the NZ annual report while the Australian New Zealand Corporate Governance Framework was very positive with detailed references. This seems more like tokenism rather than being embedded across the organisation, and across borders. This bank had one woman on the NZ board out of the 7 directors, and this is someone who has many board appointments. It seems there are go-to women across the country.

2. A personal response to doing this is that being on a board is for a certain type of woman and the rest of us are those who contribute in the NGO sector for no financial recognition. I found it a little depressing as I have a lot to contribute and looking through this makes me think that I will never have the opportunity.

3. The property investment company had no women and no diversity statement or reporting. Ironically, the only diversity mention related to the importance of diversity in their property portfolio.

4. The minerals company had 2 out of 5 directors as women. Interesting that the founding director was part of IOD mentoring for diversity programme. Yet, the other woman on the board was someone she previously worked with on a board. Also the annual report had minimal reference to diversity only, identifying the numbers and nothing in corporate governance framework. Wonder if numbers on the board is personality driven rather than organisationally driven.

5. News media company had well developed policies under the corporate governance statement since 2013. Wondering what makes this organisation different as it also has 2 women directors out of the 5 current directors. There seems a commitment to gender diversity.

2. Contributor B

The lack of women on Boards, and that as short as three years ago, diversity and the role of women within companies, held little value. Out of the five companies I researched there was only one that valued women and diversity in the workplace. As the mother of two daughters, I found this very sad. I felt some of the companies Diversity Policies were nothing more than lip service - doing what had to be done to meet NZX requirements. Again, sad.

3. Contributor C

I found it disappointing that very few women are on the boards I researched. Lip service is being paid to women being appointed. A company can write the word 'diversity' as many times as it likes but that doesn't equate to action. Personally it was good for me as I've never achieved a board appointment in NZ so now do not participate in putting my CV forward. The research gave me better knowledge of NZX and how companies are reporting.

4. Contributor D

The commitment by listed companies to diversity is very disappointing – I was truly surprised that only one of five companies I researched has a diversity policy. It would seem that despite NZX requiring companies, since 2013, to include a diversity statement, this is not being complied with in many cases. It appears NZX are not taking any steps to check, much less ensure, that their diversity requirement is being complied with. It was pleasing to see that there are some women on some of the boards of companies I researched. However the proportion of women does not reflect the composition of our population. I would describe gender diversity, and diversity in general, as merely 'being paid lip service' by influencers in NZ.

5. Contributor E

Very interesting project - I learned heaps!!

6. Contributor F

That there are NZX requirements regarding (limited) gender diversity; how minimal those requirements are; and (on a sample of five companies) how little effort those companies put into improving diversity.

7. Contributor G

I was not previously aware of the requirement to report on diversity - this was interesting. The companies that chose to have a diversity policy and how they defined diversity was interesting and informative and highlighted that diversity definition was up to individual companies. The glaring lack of consistency in the representation of women on boards.

8. Contributor H

Crowd research is a great option. Some companies actively encourage diversity while other sectors don't appear to encourage it at all. I should peruse more Annual Reports & they are readily available. Reinforces my thinking of ensuring your values a line with an organisation before you try and work with it. It was easy to assist

10. Contributor I

It was interesting to learn more about the NZX requirements for listed entities and what information is available on the main board website – I hadn't really looked at this in any detail before. Even amongst the five entities I looked at there was a big variation in the content and presentation of information on corporate governance. Compliance with the NZX disclosure requirements does not of itself appear to increase diversity - in most of the reports the diversity information was buried near the back and there was no clear link between having a diversity policy and the quantitative disclosures. One company was a clear stand out having clearly articulated objectives and measurements around diversity.

11. Contributor J

My learning from participating in this research was to get up to speed on the current approach to corporate reporting/governance in NZ and to understand a bit more about the differences in approach vs the UK.

12. Contributor K

1. A common thread are that those who did minimal compliance did not place value on diversity. While I expected male dominated companies e.g. construction to pay lip service only, some appeared to be totally committed to diversity. Not many companies have actually moved the needle and improved their female:male ratio. A very interesting project!

13. Contributor L

I noted a number of annual reports were 'cut and paste' for each year. In particular companies focused on funding and/or little interest in diversity. As soon as I saw a specific woman was the Chair I knew there would be a focus on diversity in the annual reports and I was correct. I noticed gender based titles – Chairman even for woman in the role. I would prefer Chairperson as a title. It became evident from reviewing the Annual Reports that Board members stay in their roles for a number of years. For some businesses reviewed there was only lip service to diversity and I am not sure how NZX can enforce diversity beyond a statement.

14. Contributor M

Exposure to a new research method, and its logistics (something to squirrel away for future reference and use perhaps). Exposure to the diversity reporting requirements of the NZX and their guidance. Insight into organisational / board reporting in general and the varied, but often poor or cursory coverage of matters such as diversity, inclusion, environment etc.

15. Contributor N

Disappointing to learn that so little regard is paid to diversity. The Boards I serve on have a comprehensive diversity policy and enact it in everyday activities throughout the company – diversity in the wide sense not just gender. Most companies have directors who are white male middle aged. I believe it is time for quotas - such as in Norway.

16. Contributor P

The NZX guidelines are pretty lame. You don't have to have a diversity policy, but if you do develop one then you give yourself a lot of reporting requirements. It's the corporately responsible thing to do but it's hardly being effectively promoted by the controlling body. If you have no policy then it's only a matter of reporting a table of actual numbers of Board and Executive by gender. I can see why we have not really progressed in addressing the gender imbalance. There is NO teeth to any of this.