

BEST PRACTICE GOVERNANCE: A COMMITMENT TO EQUITABLE GENDER BALANCE IN THE VICTORIAN PUBLIC SECTOR.

Abstract

Equitable gender representation on corporate boards has been a focal theme in the quest for best practice governance both nationally and internationally. Originating from an empirical study on governance structures and practices in a Victorian public sector health agency, this paper presents the trends in the representation of women on a range of public sector boards, including the make-up of state metropolitan public health service boards over a four-year period. The perceptions' of local leading governance professionals- collected as part of a larger ethnographic study on governance, is introduced to the debate in the academic and business literature on gender representation and the role of women on corporate boards. The paper explores the concept that women may bring a different perspective from their male counterparts that adds value to the boardroom. It addresses the purported barriers that prevent women from breaking the glass ceiling and discusses the government initiatives to increase female participation at board level. The paper concludes that the Victorian public health sector's model of governance may be one of genuine best practice in terms of achieving real gender equity on boards.

Keyword: governance, health, women, and equity.

Introduction

The recent appointment of *Samantha Mostyn* as a commissioner to the Australian Football League (AFL) has generated debate concerning the place of women in the boardroom. Media headlines announced this as an historical appointment, with Samantha declared as the *first* women to be appointed to the AFL Commission. The underlying comments have focussed on

the place a woman has in a sport played only by men. That is, what do women *really* know about the game? It is true that women do not play the game at its highest level – a multi-million dollar business. However, it appears that their contribution is not unusual as we see women employed in significant roles as, media commentators, trainers, runners, timekeepers and even goal umpires. In recognition of the positives of *Samantha's* appointment, the debate has focused on the changed audience of football and the need to recognise a growth in the games popularity and appeal to women that is evidenced by an increase in female memberships and the appointments of high profile women as number one ticket holders for several clubs. Women represent business potential and thus profit, as they are not only spectators, they are also the mother's, wives, partners and sisters of the game's stars. They are thus consumers and targets for marketing the multitude of football products. They are major stakeholders and or 'users' of the game. The debate regarding women on boards is not limited to Australian Rules football but one of global concern. According to Nahas (2003:7)

Today there is a greater demand for women because it is increasingly acknowledged that boards should reflect the American population and its customers – not just because it's the right thing to do, but because it makes good business sense.

This paper questions why the appointment of women onto high profile boards continues to generate such debate if it 'makes good business sense'. It suggests that women may bring a different and valuable set of skills and expertise to the boardroom table and argues that government initiatives are a positive step towards achieving equitable gender representation on public boards.

Background

According to Rosener (2003:17):

The issue of gender differences – in the context of corporate governance – always emerges as a topic of interest.

Gender representation on Victorian public sector health boards emerged as an issue as part of a grounded theoretical study on corporate governance. In this study, the researcher observed the governance processes and practices of the board of one public health sector organisation over a two-year period from 2001-2003. During this time, she witnessed the appointments of several new directors and the reappointments, or in some cases, non-reappointments of other directors, and, on several occasions a female director being replaced by a male. She was surprised by this given the State government's election pledge of a target of 40% representation on public sector boards and a vision to increase that to 50% over several years. She also noted the wording of the *Health Services Act* that clearly stated that public health service boards should have 'adequate representation of women and men' and, 'at least one person who is able to reflect the users of health services'. She had made the assumption that with approximately 74% of the national health workforce comprising of women (Australian Bureau of Statistics (ABS) 2005) and with at least 50% of health service users being women, it would seem logical to have a board that was equally reflective of its workforce and users.

In her search to find answers as to why this had occurred, she asked the Chair of the Board, who, with the CEO, is privy to the details of candidates nominated for Ministerial consideration. The reason given for the male replacement was simply explained - there were no suitably qualified female candidates available at this time. In contrast, Rosener (2003:8) claimed, 'there is no shortage of women ready, willing and able to fill board seats.' In order to confirm if there was not a suitable female candidate for the board, the researcher contacted

the *Department of Human Services*. She was informed that despite government initiatives¹ it remained a challenge to find appropriately qualified, experienced, interested and available women to fill the new and ongoing vacancies on these boards. Women who matched the desired skill set were much in demand and often over subscribed. In the words of the Department's governance official the task of trying to find new and suitable women on public sector boards was 'like trying to find a needle in a haystack'.

Venus and Mars

As part of her study, the researcher interviewed eight governance 'experts' who had been chosen because of their professional background and experiences as Chairs or directors serving on private, public or not-for-profit boards. In some cases, some had experience in all sectors, or, had or were currently serving on one or more boards. One of the questions the researcher asked was whether they considered it important to have an equal ratio of men and women directors serving on boards. The overall consensus was that whilst equitable gender representation was important, it was also necessary to have a range of views and perspectives. Most recognised that while equity is a consideration, the most important reason for an appointment to any board should be based on matching the needs of the board with the appropriate skill set and this should be regardless of gender. A response from one of the interviewees reflected the overall opinions:

I do think that there is a need for a careful consideration to be given to the composition of boards, not only in terms of gender and age, but also in terms of discipline based backgrounds and also the range of experiences that people have

¹ In 2001 the Bracks Government made a commitment to increase the number of women on Government Boards and Committees. An annual target was set of 40% for new appointments and reappointments to these boards and committee being women with a longer-term goal of 50%. *Department for Victorian Communities: Office of Women's Policy* (2004), <http://www.women.vic.gov.au>

had...There's a need to get the right sort of spread of the backgrounds of those people from the industries they've worked in. If you have the right people in place you hope that everything else will follow from that...

As part of the response to this question, he also mentioned his awareness and interest in the accounting literature that indicated women processed information differently and were perhaps performed better in accounting and finance related activities than men (see: Chung and Tang, 1998 and Chung and Monroe, 1998). Recounting his own experiences in accounting, he believed that women often looked at figures more laterally and that this made a valuable contribution when conducting audits etc. In terms of day to day financial planning and spending, it is worth noting that in Canada women control 80% of the household spending and using own resources represent 47% of all investors (Watson, 2004).

Academics from a range of disciplines have looked at the psychological and cognitive differences in information processing between males and females (see: Meyers-Levy, 1986, Farina, 1982, Gilligan, 1982, Poole 1977). Carlson (1972) found that each gender may be guided by different goals. Males tended to have more 'agentic' or personally orientated goals related to their aspirations and achievements. The goals of females were found to be 'communal' and an overall concern for the welfare of others. In an article on corporate governance models, Williamson (1995:29) refers to the *masculine* and *feminine* approaches to governance. She describes the differences in approaches:

The masculine approach enables the executives to drive the organization forward quickly...The feminine approach understands vividly the consequences of strategy.

Whilst the psychological differences between the genders has proved to be a popular topic and evidenced by the success of best sellers: *Men are from Mars Women are from Venus* (Gray 1993) and *Why Men Don't Listen and Women Can't Read Road Maps* (Pease, 2001). Such publications have brought to the surface that there is a need to consider that men and women may think and communicate differently and that these differences should be respected. This paper does not advocate that different is better, rather that the time has come to look at all of the skills required on today's boards and recognize that the differences or diversity in thinking may enhance organizational governance. According to Singh and Vinnicombe (2004:486):

...women can have something special to contribute to their boards as women, with their different experiences, styles, responsibilities and voice on the board.

In acknowledging the contribution that women offer on boards in terms of different skills, views and perspectives and based on the findings of a Fortune 500 companies study in Canada over an eight-year period, Watson (2004) claimed that organizations with more women in senior positions tended to perform better. Given the low percentage of women in senior positions in most organizations, it is difficult to back such claims. However, it would seem that there is still a resistance and an ambivalence regarding the place of women on corporate boards because, 'men are still somewhat leery of the way women think and behave' (Rosener, 2003:8).

Women on Boards: An International Perspective

In a study of women directors in 2002 UK FTSE 100 companies, Singh and Vinnicombe (2004:479) stated:

Evidence shows that senior women do not easily gain access to the boardroom...Explanations usually include women's lack of ambition, lack of experience and lack of commitment.

It appears that the reason for the lack of women directors serving on corporate boards is not easily explained and according to Singh and Vinnicombe (2004:479) the reasons given such as women's lack of ambition, experience and commitment has been 'disproved by research' and offer that social identity and social cohesion theories provide deeper insights into the reasons why women are poorly represented on boards.

In his Canadian study on the views of women on the criteria for selection, Burke (1997: 118) claimed that there were several key factors that included:

... a flawed director process which places too much reliance on the "old boy network", difficulty in finding qualified women, few openings for new board members and a reluctance to appoint women without previous board experience.

According to Zweigenhaft and Domhoff (1998), directors and the top executives of major corporations, including government agencies are considered as 'elites', with the 'elite group', dominated by males. Equally, the *Hansard Society Commission* 1990:2, found that 'the higher the rank, prestige or influence, the smaller the proportion of women'. The findings of research by Conyon and Mallin (1997:116) supported this and they also reported 'a strikingly low number of women in private sector company boardrooms'.

There is a range of data sources compiled on the number of women on corporate or private boards nationally and internationally. The yearly *Census of Women's Participation in*

Governance and Professional Life reveals that in Australia, the United States, the United Kingdom, Canada, South Africa and New Zealand, boards are still dominated by males.

Table 1: An International Comparison of the Percentage of Women Board Directors

COUNTRY	Latest Census Figures %	2 nd Census Figures %	3 rd Census Figures %
Australia	8.6 (2004)	8.4 (2003)	8.2 (2002)
United States	13.6 (2003)	8.7 (1994)	8.3 (1993)
Canada	11.2 (2003)	9.8 (2001)	6.2 (1998)
South Africa	7.1 (2004)	-	Not provided
New Zealand	5 (2004)	-	3.8 (1995)

Source: Adapted from the *Equal Opportunity for Women in the Workplace Agency (EOWA) 2004 Census of Women Board Directors Fact Sheet*.

The figures in **Table 1** are supplied by each of the countries listed individually and are derived from each countries data source. That is, the figures from the United States are collected from the Fortune 500 (F500) companies. Australia uses the *Australian Stock Exchange (ASX)* index. Despite using different sources, the figures are collected from each country from what are deemed the top performing companies of that country. The methodology was developed by *Catalyst* enabling the comparisons of each country from the comparable studies.

While it seems that there has been a slight increase in the number of women serving on private sector boards in Australia, it is minimal and not reflective of Australian women’s participation in the workforce. In 2004, 45% of the total workforce comprised of women and 56% of all university graduates were also women (ABS, 2005). Despite having a smaller population, we are lagging behind both America and Canada and there is room for a marked improvement. The private sector is not required to follow government policy that stipulates, ‘government boards and committees reflect the composition of the Victorian community.

This includes the representation of women' (Department of Human Services, 2005:1). ²As such, it appears evident that women are not considered as equitable propositions for the private sector boardroom. However, it would appear that this may not be the case in public sector agencies.

Women on Public Sector Boards

Ashburner (1993) reported 31.5% executive directors and 27.9% non-executive directors are women on United Kingdom (UK) National Health Services (NHS) boards. According to the most recent UK Department of Health (2004), this figure has risen with women occupying 48.7% of positions as chairs or non-executive directors on NHS boards. This rise in the number of women on NHS boards has been attributed to the UK's Department of Health's strategy and committed goal for a more equitable representation of women on boards (Department of Health (UK) 2005).

The Victorian *Office of Women's Policy Annual Report 2003-2004* claimed that the number of women across all government Boards and committees has remained stable (38%) with any new appointments and or reappointments of women on these boards and committees having risen to 40% in 2002/3. In order to confirm these figures, this paper presents two data sources including (1) Tables of total directors for the Victorian metropolitan health services over a four-year period from 2002 – 2005, and (2) data from the *Public Accounts and Estimates Committee Report on Corporate Governance in the Victorian Public Sector* (2005) on women serving on public sector boards in 2003-2004.

² In 2004, Norway introduced a piece of legislation that requires all companies to have at least 40% women on their boards by July 2005.

A Profile of Women on Victorian Public Sector Health Service Boards

Table 2: Gender Profile of Directors on Metropolitan Hospital Boards in 2002

Agency	Total Directors	Total Women (includes Chair)	%
A	8	2	<40
B	9	4	>40
C	7*	4	>50
D	8	5	>50
E	9	2	<40
F	10*	5	50
G	9*	6	>50
H	9*	5	>50
I	8	4	50
J	9	4	>40
K	9*	4	>40
L	8	4	50
12	103	49	>40

Notes: * Indicates position of chair held by a woman.
(In 2002, five of the twelve Chairs were women)

**Alphabetic letters are used in place of agency names to satisfy confidentiality as part of the ethical requirements for the doctoral study on corporate governance from which this paper originated.

Table 2.1: Gender Profile of Directors on Metropolitan Hospital Boards 2003

Agency	Total Directors	Total Women	%
A	9	3	<40
B	9	4	>40
C	8*	4	50
D	9	4	>40
E	9	3	<40
F	10*	4	>40
G	9	5	>50
H	9*	5	>50
I	9	3	<40
J	9	3	<40
K	9*	4	>40
L	9*	5	>50
12	108	47	>40 (-)

(In 2003, five of the twelve Chairs were women)

Table 2.2: Gender Profile of Directors on Metropolitan Hospital Boards 2004

Agency	Total Directors	Total Women	%
A	8	3	40
B	9	3	<40
C	9*	4	>40
D	9	4	>40
E	8	3	40
F	8*	3	40
G	9	5	>50
H	9*	4	>40
I	9	3	<40
J	9	3	<40
K	8	3	40
L	8	3	40
M	9*	6	>50
13	112	47	40>40

(In 2004, four of the thirteen Chairs were women)

Table 2.3: Gender Profile of Directors on Metropolitan Hospital Boards 2005

Agency	Total Directors	Total Women	%
A	8	3	40
B	9	3	<40
C	9*	4	>40
D	9	4	>40
E	8	3	40
F	9*	5	>50
G	9	5	>50
H	9*	4	>40
I	9	3	<40
J	9	3	<40
K	8	3	40
L	9	4	>40
M	10*	7	>50
13	115	51	>40

(In 2005, four of the thirteen Chairs are women).

*** *In July 2004 one of the health services was divided and became two separate services. That is, in July 2000 until June 2003 there were 12 metropolitan agencies. In July 2004 this number increased to 13 agencies. The reason for this being that the one particular agency had become significantly larger. The legislation provides the provision to the Department of Human Services to increase or decrease the number of health service boards in the case of an agency becoming significantly larger or smaller.*

Tables 2 – 2.3 are based on information from the *Department of Human Services* website and from various metropolitan health services Annual Reports. It should be acknowledged that there might be slight variations during each of the years presented as in some cases; new appointments and reappointments do not coincide. A total number of nine directors per health service are recommended and the data from the tables shows that the majority of health services had nine directors. The tables reflect the overall gender profiles of the Victorian metropolitan health services during each particular year. What is evident that the total number of directors for all health services has increased. There has been also been slight rise in the number of women on boards, with forty-nine of the one hundred and three directors in 2002 being female. In 2005, fifty-one of the one hundred and fifteen directors are female. It is interesting to note that in 2002, seven of the twelve health service boards comprised of fifty and above percent of women. The government target of 40% representation was achieved in all years with nine of the thirteen agencies achieving this in 2005. The figures for 2004 and 2005 indicate a level of stability. In all of the years presented, there are several agencies that have over 50% representation of women on their boards. The number of female Chairs has decreased from five of twelve in 2002 and 2003, to four of thirteen in both 2004 and 2005. In 2005 the number of boards with 50% and above women has been reduced to three of thirteen.

It can be argued that the participation of women on metropolitan boards has improved (Office of Women's Policy, 2004). However, is this the case in other public sector agencies? Given that the focus of the original research was evidence of equity in gender on health service boards, this paper has not drawn on a comparative sample of all public sector agencies, rather, the author has adapted data from the *Public Accounts and Estimates Committee Report on Governance* (2005) to reveal if the government target of 40% was being realised and the trends in gender representation on various public sector organisations.

Table 3 Women appointed to boards of selected public sector agencies 2003-04

Entity/Board	Women appointed to board	Percentage total	Breakdown	Victorian Government Target
<p>Commercially Focussed: (16 listed). Includes: <i>Melbourne Water Corporation, Victorian WorkCover Authority, Port of Melbourne Corporation.</i> (16 represented) * <i>City West Water</i> 2 of 16 have women as Chairs</p>	44	41%	<p>>50 % = 2 50% = 4 40% < 45% = 6 30% = 2 <30% = 2</p>	yes 40- 50%
<p>Health Services (9 listed) Includes: 8 x metropolitan 1 x regional) *<i>Peninsula Health</i> 4 of 9 have women as Chairs</p>	27	40%	<p>>50% = 1 50% = 1 40-45% =2 <40% =5</p>	yes 40-50%
<p>Advisory (6 listed) Includes: <i>National Parks & Public Records Advisory Councils or Committees</i> <i>Nil Women as Chairs</i></p>	22	35%	<p>50% =1 40% =1 <40% = 4</p>	no <40
<p>Regulatory (9 listed) Includes: <i>Essential Services Commission, Pharmacy Board, Dairy Food Safety Authority and Surveyors Board</i> * <i>Nurses Board</i> *<i>Essential Services</i> Women as Chairs = 2 of 9.</p>	30	45%	<p>> 50%=3 50%=1 40%=1 <40%= 4</p>	yes 40-50%
	7	78%		
	0	0		

Source: Adapted from the Public Accounts and Estimates Committee (PAEC) *Report on Corporate Governance in the Victorian Public Sector, 2005* (Exhibit 6:1 Number of women appointed to boards of selected public sector agencies, 2003-2004: 200-201).

Table 3 reveals that in 2003 –2004, the government target of 40% female representation on public sector boards was achieved on the *Commercially Focussed, Health Services* and *Regulatory Boards*, but not the *Advisory Committee Boards*. The *Health Services* had the most women as Chairs and the *Advisory Boards* failed to have a woman in the role as Chair. It should be noted that in the four categories of the public sector, the agencies are ‘selected’. That is, this table does not show all of the public sector agencies and in the instance of the Health Services, only eight of the possible twelve are presented. The ninth agency reported is a regional health service. It is not surprising to see that the *Nurses Board of Victoria* with 78% of the Board comprising women. Current *Australian Bureau of Statistics* figures indicate that nurses comprise of over 90% of the national Health work force. Both *City West Water* and *Peninsula Health* had over 50% of women on their boards. *Essential Services* did not have any female directors during this period.

Conclusion

This paper argued that the issue of equity in gender representation on boards was recognised as a significant contribution to the debate on corporate governance. The paper revealed that little actual progress had been made in women breaking the glass ceiling in the quest to achieve equity in private sector organisations both in Australia and internationally and that despite the structural differences between the public and private sectors, the paper suggests that the public sector model of governance and the selection of its directors made be based on a be a more equitable and committed framework of governance in terms of gender representation. The Victorian government’s genuine commitment to improving the participation of women on boards and in senior positions in the public sector and initiatives

such as the *Women's Register*³ appears to be successful in not only ensuring that gender balance is on the governance agenda, but also in monitoring the progress of various boards and agencies in attracting women on boards over time.

The paper also contended that governance may be improved by having a broader representation of views and that this may be achieved by having women on boards because they are said to process information and communicate differently. The paper supports the claims that women can assist in the creation of a more open, collaborative and productive board environment because of their 'sensitivity to other perspectives, as well as a more interactive and transformational board management style' (Singh and Vinnicombe 2004:481). The paper acknowledges the limitation of the data provided on presenting one type of public sector agency – the Victorian Health Services over a four-year period with a small sample of other types of public agencies over a one-year period. However, the aim was to indicate the general trends of gender representation on public sector boards. Ultimately, the paper reveals that government initiatives assist in not only achieving a higher proportion of women on boards, but also that such initiatives provide an avenue for identifying suitably skilled and experienced women who should be considered for selection on any public or private sector board.

As to whether governance will be improved by the presence of more women as directors remains unanswered and this paper posits that further research on the performance of boards with equal gender representation is warranted.

³ The Victorian Women's Register forms part of a broad government strategy aimed at increasing the representation of women on boards and committees. The register can assist a Board or Committee by putting it in contact with women who are skilled, experienced and interested in appointments. The register can also assist women who are interested in being on boards and committees to be linked into opportunities when they arise.

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