

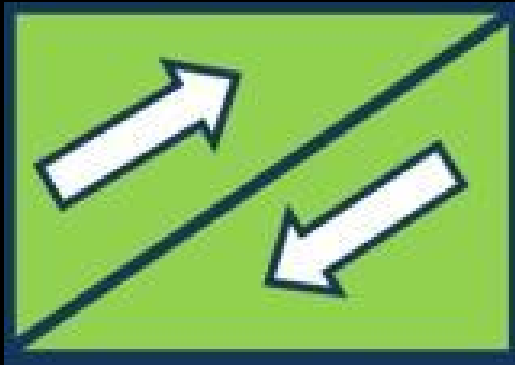
**What are the risks of not
considering diversity in your
organisation - are you losing
competitive advantage?**



**Risk and rewards of diversity in
the boardroom**



**Dr Rosanne Hawarden
Women on Boards NZ**



Women on Boards NZ
www.wob.org.nz

**Tools and empowerment to achieve
governance goals**

Dr Rosanne Hawarden
South Island Chairperson and Co-founder

- Inclusive organisation - men welcome
- Not elitist as that perpetuates the problem
- Growing the pipeline to the boardroom
- Senior women sharing knowledge and wisdom
- Ensuring better gender balance / diversity in the boardroom

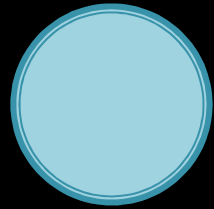
Women on Boards NZ
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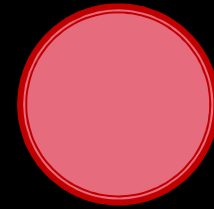
1. Relating diversity to risk management and competitive advantage/adaptability.
2. How director networks reduce risk by preserving the status quo while low levels of diversity maintain adaptability.
3. The 'Diversity Tsunami' – does it bring risk to companies who refuse to change?

Talk outline

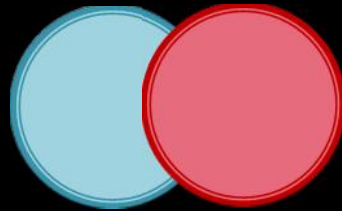
A matter of degree



Gender Apartheid

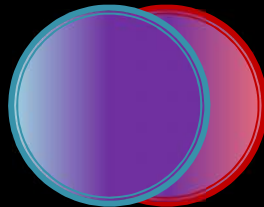


Difference 80 %



Similarity 20 %

Difference 20 %



Similarity 20 %

Diversity = variability, difference
or gender and race proportion

1. Relating diversity to risk management and competitive advantage/adaptability

a. The view point of the other

b. Diversity - a solution to a crisis?

c. 'Business case' trap

Diversity – Risk - Advantage

**Marissa Mayer
(ex Google)
Yahoo's new
CEO
takes over a
company in
crisis**



Diversity a crisis solution

Positive correlation = adding women to the board improves board and company performance. Is this necessarily causal?

**Bigger companies are more financially successful
Bigger companies have bigger boards
Bigger boards have more women
Therefore companies with more women will be more financially successful**

'Business Case' Trap



Its not a Glass Ceiling

Its a Glass Network

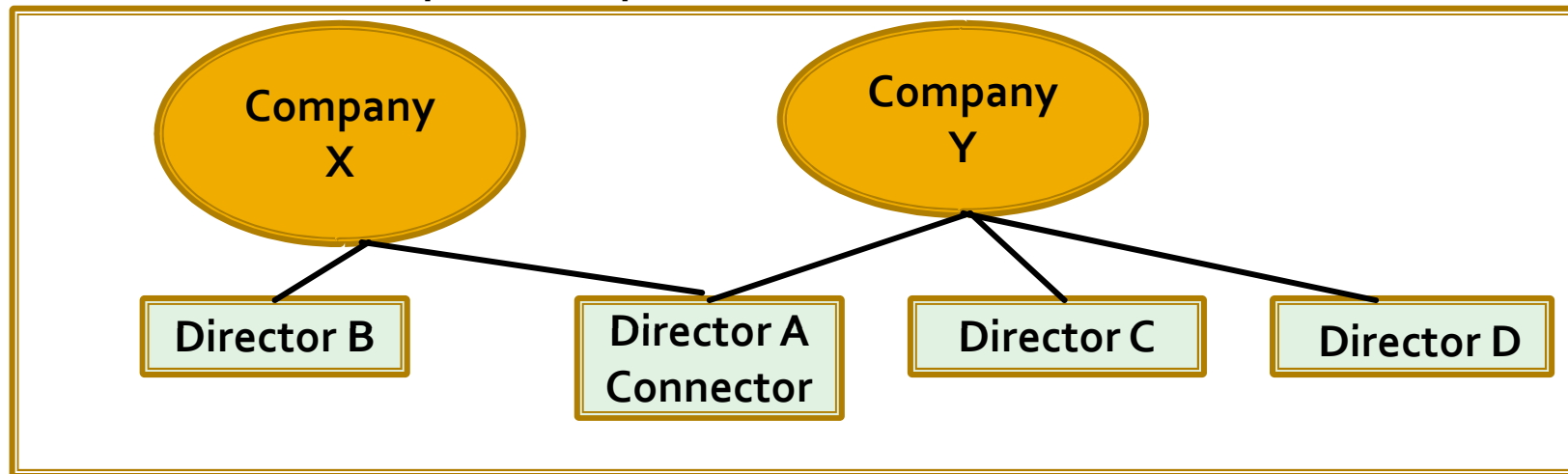
An invisible network

**Glass Ceiling = First board
appointment on a
substantive listed company**

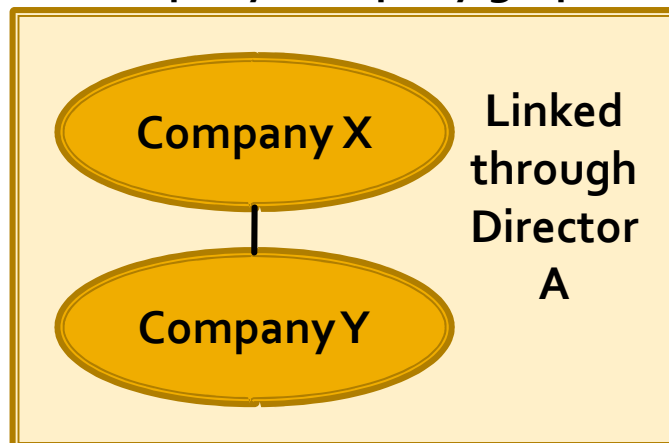
**1986 Wall Street Journal
Hymowitz and Schellhardt**

EXTRACTING THE GLASS NETWORK

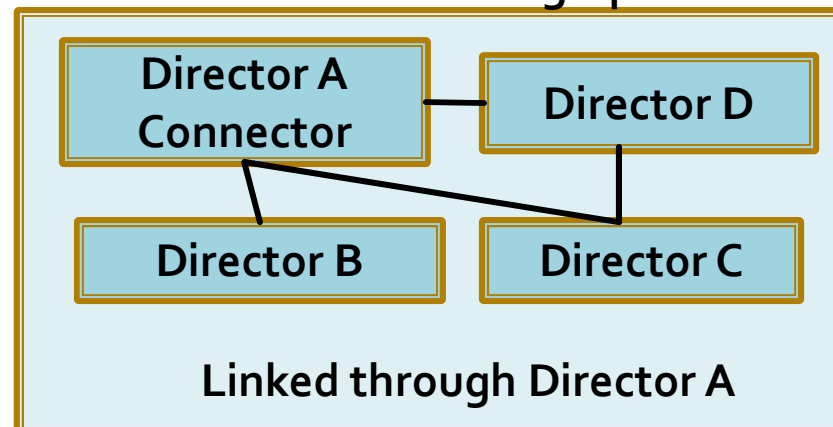
Graph of companies and directors



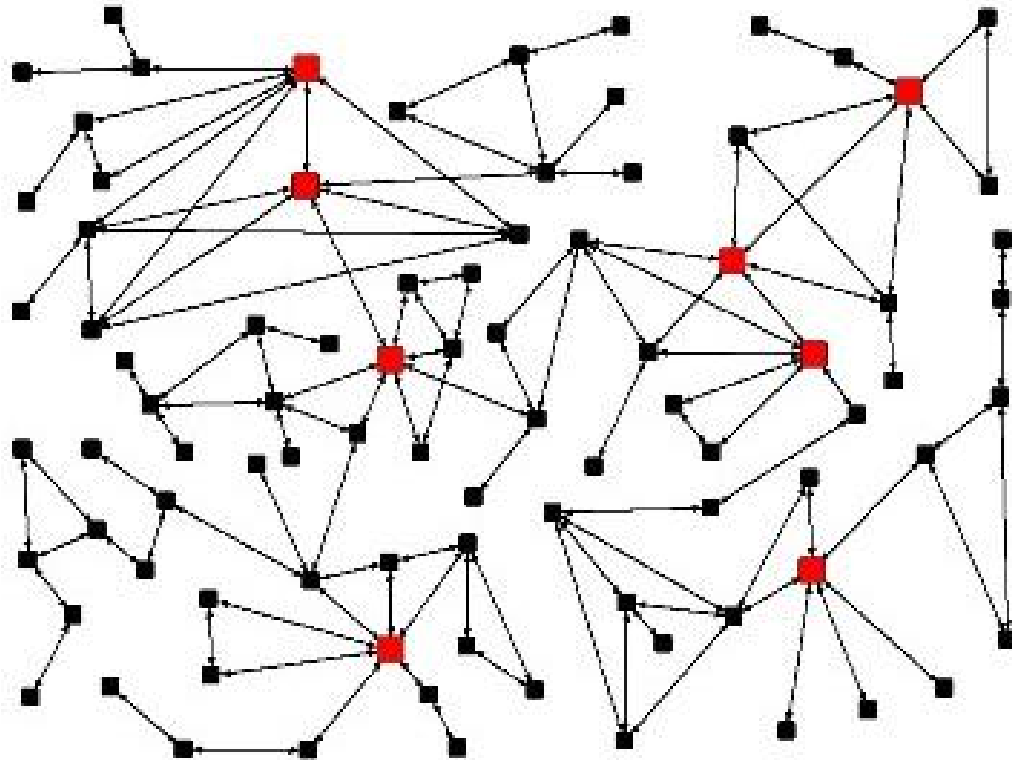
Company-company graph



Director-director graph



Social network analysis



Extract
director-director
links

Red dots
are super
connector
directors with 6
seats or
directorships
linked to other
directors

2007 NZX components	
No of directors with common board links in component	Number of components
445	1
37	1
18	1
14	1
13	1
12	1
11	3
10	4
9	2
8	2
7	5
6	14
5	16
4	7
3	9
68 components of 900 directors	



80 % = largest component of 445 directors
1 large 'Old Boy and Girl' Network

20% = 67 small unlinked components



900 directors of 2007 NZX director
68 network components



1. Preferential attachment – prefer nodes with links or rich get richer – shoulder tapping
2. Cumulative advantage – first mover advantage
3. Homophily – birds of a feather flock together
4. Assortative mixing – prefer others of same status

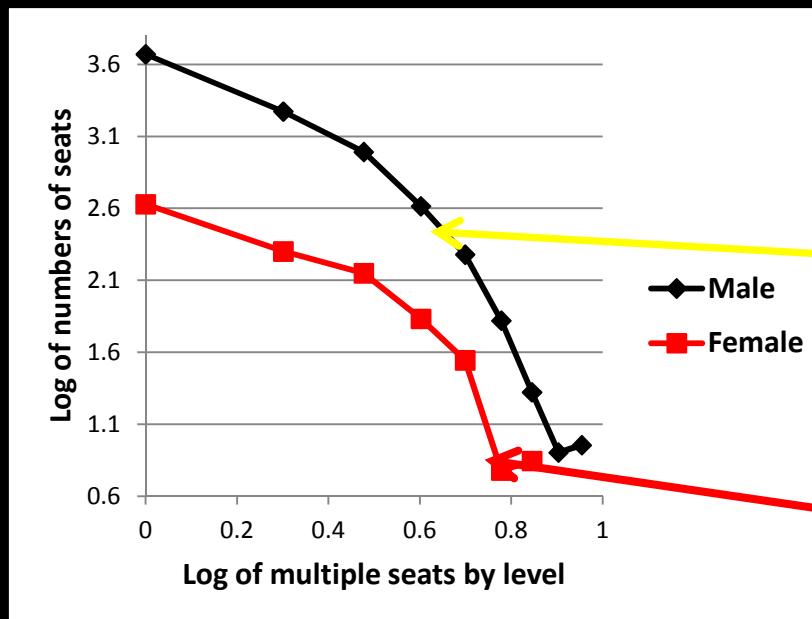
How does the large component form?

Seat spreads in the largest connected component

Largest connected component directors only	No of seats	Fortune US 1000		Fortune Global 200		2007 NZX	
		Male	Female	Male	Female	Male	Female
	1	4685	425	1214	187	319	30
	2	938	100	137	26	67	5
	3	327	47	11	3	12	2
	4	103	17	3		5	
	5	38	7	0		3	
	6	11	1	0		2	
	7	3	1	1			
	8	1					
	9	1					
	Totals	6107	598	1366	216	408	37
% single seat directors		76.7	71.1	88.9	86.6	78.2	81.1
No of connector directors (%)		1422 (23.3)	173 (28.9)	152 (11.1)	29 (13.4)	89 (21.8)	7 (18.9)

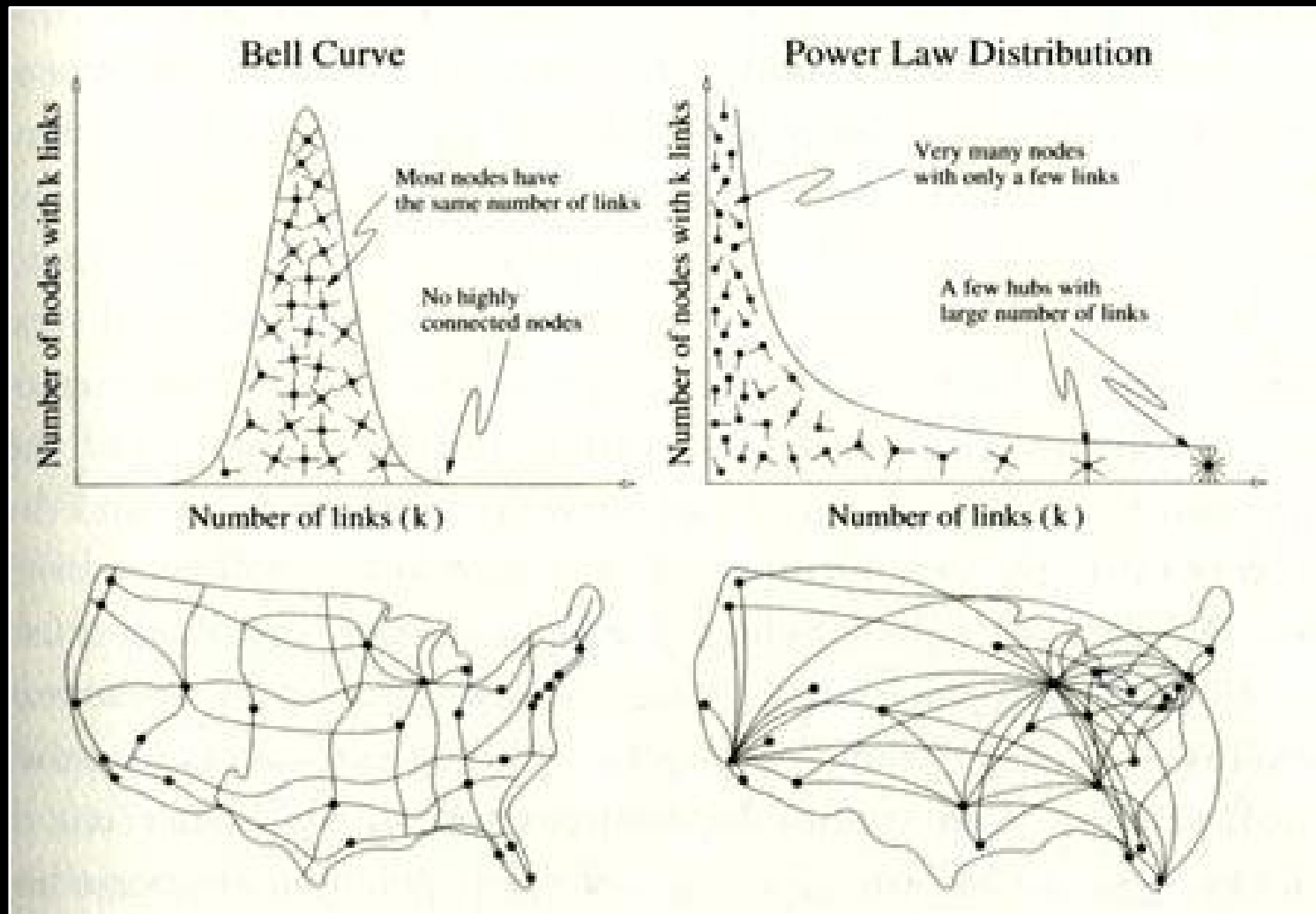
80% have 1 seat
20% have 2+ seats

Male connector directors = 1422 out of 6107
Female connector directors = 173 out of 598



No of seats or directorships	US Fortune 1000 directors	
	Male	Female
1	4685	425
2	938	100
3	327	47
4	103	17
5	38	7
6	11	1
7	3	1
8	1	
9	1	
Totals	6107	598

Ranking directors by number of seats



Normal distribution vs.
power laws

**Director networks = type of natural network
with approximately
80/20 diversity ratio**

Fractal – small sections resemble large sections

**Stable and change resistant
High turnover – 50% over 3 years
Constant throughput
Dynamic equilibrium**

Diversity inbuilt into networks

Norway's Golden Skirts



A risk reducing strategy

Owners and investors = male
Independent directors = female

Good intentions, undesired
outcome of quotas

Diversifying corporate boards and senior management has been described as the NUMBER ONE issue in corporate governance.

Worldwide governments are getting very serious about who is sitting in boardrooms.

The Diversity Tsunami



Will female customers be boycotting Smith's City?

The Press Christchurch Stuff-Gender rule 'watered down' www.stuff.co.nz

Rick Hellings, managing director of NZX- listed retailer Smiths City, said

“The company would not write up a gender policy and he believed the act of creating one was an indictment on a company’s decision making.

Any company that needs a gender policy probably needs to review their appointment policies in general.”

His company was gender-neutral and looked for skills the board needed regardless of where they were found, he said.