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Executive Search & Board Advisory

## **IT WASN'T ANY GOOD WITH THE OLD BOYS' CLUB, AND IT ISN'T ANY BETTER WITH THE NEW WOMEN'S CLUB**

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In a recent discussion with a number of ASX Chief Executives, their concern with the composition and mechanics of the Boardroom was apparent. Whilst we recognise Boards do not run organisations, Executives do, the Chief Executive Officer has to present regularly, in fact, more regularly to the Board than in the United Kingdom or the United States. In the United States, it is not unusual for Boards to meet four times a year, the United Kingdom six to eight and Australia ten to twelve.

For many of the Chief Executives, the need to present up to twelve times a year is simply too much. They expressed their concerns that they are taking too much time away from good staff to prepare the reports for Directors and are being taken away from the business. All express the need for governance, but most were apprehensive that the Board meetings are becoming governance driven, not business driven.

The CEOs were concerned by the competency in the Boardroom and therefore, the ability to act quickly and make decisions. A number of them questioned the value of Non-Executive Directors who have not had successful or established careers being appointed to tick certain boxes. This led to a more open and broader discussion.

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The CEOs felt that many Directors had not run a business or at least a sizeable P&L, had not rolled out significant change or led a merger or acquisition and had little or no track record of leading growth businesses or business divisions. They expressed a genuine concern that shareholders are being penalised by Boards that do not have the business exposure and experience to grasp and contribute to the CEO's needs. Many said that business is losing opportunities and being constrained by the pedigree of individuals in the Boardroom which is in some cases, being driven by a narrow definition of diversity.

Most expressed the view that Australian Boards have become overweighted on compliance and risk-taking has been downgraded, as a result, opportunities have been missed. A number communicated the level of detail they are drawn into in the Boardroom when their role is supposed to be strategic. Their argument is some of the Board Director's lack significant experience.

Another concern was that in striving for diversity in the Boardroom which they all agreed is needed, it does not have to be confined to purely gender. They stated they are not seeing enough Executives with P&L experience, international experience, deep industry exposure and Executives with successful business track records. One noted Chairman's view is "diversity in the Boardroom is 50% male and 50% female". That does not take into consideration anything but gender. Another CEO said, "every appointment to the Board has to be gender focused, not enough willingness is given to what is actually needed to help the company." One CEO stated "we all appreciate the need for gender in the Executive ranks and the Boardroom. No one disagrees, but aren't we supposed to have diversity. I don't need more accountants or lawyers in the Boardroom just because they are female, that is not diversity of thought and background. Surely we are a little more sophisticated than that."

Another CEO said, "we all understand what is happening, every appointment that I make I look for diversity, but I am looking for genuine diversity, not just gender. How else do we get different thinking? The Chair is also fully aware of the market situation but is adopting the view that diversity in Australia means gender. The truth is that there is simply not enough women who have the business experience, and I would argue some of those that have are being chased by every company. I think everyone is on board with diversity; no one wants the old boys club, we want meritocracy. It's got to the point that there are Board members who in my opinion add very little, and others who are now on too many Boards to be as truly effective as they can be. We have got to stop over promoting people because it is unfair on them. At the end of the day, I have to represent my shareholders, and that has to remain at the forefront of my mind. Decisions are being slowed, and opportunities are being missed because we are following the 'policy of pleasing', that everyone has to hire a diversity executive."

"Let's not lose sight of the capable men who are being completely overlooked, and whose careers have been curtailed. If we are going to be serious, why isn't anyone asking about diversity in Human Resources or General Counsel, which is now heavily populated with women? We have almost gone too far" said another CEO.

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“I would like and am focusing on diversity in the executive ranks, but I mean true diversity. We are appointing executives with international backgrounds, we are appointing females, we are rotating our staff, so they don’t remain silo educated, and they can bring more to the table,” said a CEO.

“I appreciate that my Chair, like many others, is being questioned more and more about appointments to the Board. The press are fairly aggressive in that regard, however, the Chair has a role of appointing appropriate Directors and with the Board hiring or sacking me.”

“We meet too regularly, we are knee deep in bureaucracy, and we have inexperience in the Boardroom. I would like the hard questions to be asked about the skills Directors are bringing to this company. It wasn’t good enough with the old boys club, but it isn’t any better with the new women’s club. Some of the education required in the Boardroom is significant. My preference is to have more Directors who are an ex CEO. They don’t have to be the Chair, but as a CEO it would be helpful to have a few people at the table who have been there.”

“We are becoming a nanny state. We cannot say anything without being hung, drawn and quartered. The analysts and investors want results, and so do I. But I do not need another solicitor on the Board, I would like someone who understands my markets are rapidly changing and who has seen it elsewhere, some overseas experience would be helpful. I have been perplexed by some of the appointments to the Boardroom of late,” said a CEO.

“I cannot speak about other Boards, but I have seen the appointments and know some of them, who never made it as an Executive and are now on multiple Boards. I know there is a need for balance, but the role of a Director is a privilege, and it is not a right. I have a similar situation, but like my contemporaries, we get on with it. At the end of the day, Directors are all part-timers and do not know and cannot know our business in depth. Only one or two ask the necessary questions, the others are side-tracked by process, so I make sure full process is achieved.”

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- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

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