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Female representation on boards of directors in Australia: The link to board independence

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Statement of Authorship

This thesis contains no material which has been accepted for the award of any other degree or diploma in any other university or equivalent institution. It is affirmed, to the best of my knowledge and belief, this thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis.



Kelly Tropea

February 25, 2016

Date

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Abstract

Female representation on boards has recently received significant attention across the developed world. Several European countries have legislated to boost gender diversity on boards, while the Australian Stock Exchange (ASX) has amended its corporate governance guidelines in order to increase gender diversity on company boards of directors. Corporate scandals (in the U.S.A. and Australia) have also heightened awareness of the importance of effective corporate governance, in particular, the need for greater independence of directors from management and greater diversity among directors.

The first objective of this research is to address the knowledge gap regarding the relationship between board gender diversity and board independence in Australia. A second research objective is to examine the reasons for the appointment of women directors. The research draws on agency theory and the literature on diversity, which are used to argue that a more gender diverse board should exercise more independence from management. Token theory, which identifies the inclusion of minority groups as a perfunctory gesture, is used as a possible explanation for the lack of impact that diversity may have on independence when there is a very low representation of a women. Finally, institutional theory explains why women are appointed to boards. Three research questions were developed in order to address the research objectives.

Seven background interviews were conducted with representatives of informant organisations. The research then included two studies:

- Study One: 25 interviews with board members of Australian listed companies; and
- Study Two: survey of 82 board chairs of Australian listed companies.

The findings of Study One highlight several direct benefits of board gender diversity and reveal indirect benefits stemming from improved board dynamics. The findings also indicate that recruitment of women is not a priority for the participating organisations, but that external pressure (i.e., coercive isomorphism) has been a factor in some past appointments of female directors. This finding was supported in the results for Study Two, along with findings that the enhancement of corporate reputation is a factor in the past appointment of women to boards. Interestingly, Study Two results indicate those organisations with a small number of women on boards (i.e. one) are more concerned with mimicking other organisations than are companies with more female directors.

Study Two is unable to confirm a link between board gender diversity and board independence. This implies that the Australian corporate governance environment is significantly different to similar economies (e.g. the U.S.A) where such a link has been found. Although the interview findings indicate that women contribute to board dynamics in a variety of ways, analysis of the survey results could not confirm board dynamics as a mediator between board independence and board diversity.

Consistent with institutional theory the research highlights mimetic isomorphism and concern for public relations as the key factors that have motivated past board appointments. However, consistent with token theory, there is evidence that female board appointments in Australia are tokenistic. The research has implications for regulators, companies and governments attempting to increase board gender diversity.

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Glossary of Terms

Board control tasks: The board's legal duty to monitor management on behalf of the firm's shareholders and to carry out this duty with sufficient loyalty and care (Forbes & Milliken, 1999).

Board Diversity: "relates to the board composition and the varied combination of attributes, characteristics and expertise contributed by individual board members in relation to board processes and decision making" (Van der Walt & Ingley, 2003 p.219).

Board dynamics: The interaction between board members and the ability to exchange information and knowledge effectively, that is, the board decision-making culture. Also includes working structures that are in place which essentially guide board members' behaviour so as to support board decision-making structures. Examples of such working structures include induction of new board members, regular board performance evaluations, board development activities and board instructions (Nielsen & Huse, 2010a).

Board effectiveness: "Ideally, the board guides long-term, corporate strategy, puts the key agents in place to implement it, and monitors performance against the strategy set out" (OECD Corporate Governance Forum, 2011, p.1).

Board gender diversity: Gender diversity is a term referring to how different genders are represented in a relevant setting (Sytsma, 2006). Board gender diversity refers to gender diversity in the composition of the board of directors.

Board independence: "Where the majority of the board are independent of management and free of any business or other relationship that could materially interfere with...the exercise of their unfettered and independent judgement" (ASX Corporate Governance Council, 2003, p.19).

Board strategic tasks: The board's tasks which involve monitoring managerial decisions regarding a longer term view of strategy including environmental monitoring, organisational practices and policies and relationships with key stakeholders (Neilson & Huse, 2010).

Corporate governance: "is concerned with the development of systems and practices that ensure the accountability of corporate managers and support good corporate performance" (Brammer, Millington & Pavalin, 2007, p.394).

Good corporate governance: “Doing the right things and “doing things right.” The key criteria for good corporate governance involves not only structural elements of boards (such as appropriate size, appropriate number of external directors), but also board behaviour (such as appropriate access to information and appropriate preparation for board meetings). The board is expected to control and monitor the company and to be involved in strategy. (Van den Berghe & Levrau, 2004).

Independent director: a director who has no affiliation with the company except for their directorship (Clifford & Evans, 1997).

Institutional investor: Large organisations (such as banks, finance companies, insurance companies, mutual funds or unit trusts, pension funds), which have considerable cash reserves, that need to be invested (www.businessdictionary.com).

Strategic involvement: "the level of attention given by directors to the various elements of the strategic process" (Torchia, Calabrò & Huse, 2011 p.305)

Chapter One: Introduction

The purpose of this thesis is to investigate the relationship between board gender diversity and board independence (if there is one) in an Australian context. A second objective is to examine the reasons for the appointment of female directors. This chapter presents the background to the research, the aims and scope, an overview of the research design, limitations of the research and an overview of the thesis.

Background to the Research

Throughout the developed world, female representation on boards of directors has increased substantially over the last 30 years (Brammer, Millington & Pavelin, 2007; ft.com, June 5, 2014). The most recent survey by the Equal Opportunity for Women Agency (EOWA) in Australia (Australian Census of Women in Leadership 2012) indicates women occupy 12.3% of the Australian Securities Exchange (ASX) 200 directorships, up from 8.4%, in 2010 and hold 9.2% of ASX 500 directorships.

Despite the recent increase in female representation in Australia, the percentage of women on boards still compares unfavourably with many other countries, most notably The U.S.A, which currently has 17.3% representation of women on Global 200 boards (ft.com, June 5, 2014) and the U.K, which has 19.2% on Standard & Poors 500 boards (Catalyst, 2014). According to the most recent Catalyst census (Catalyst, 2014), many European countries have seen significant increases in female board representation. Norway has the highest proportion of board seats occupied by women (35.5%) followed by Finland (29.9%), France (29.7%) and Sweden (28.8). Ten European countries (Norway, Belgium, France, Iceland, Italy, the Netherlands, Spain and Germany) have introduced quotas for female representation on boards (Fichtel, 2013; *New York Times*, March 6, 2015), which has contributed to a significant increase in the percentage of women on boards in those countries. Others, including Australia, have strengthened regulatory requirements in order to boost female representation (Chapple & Humphrey, 2014; Terjesen, Aguilera & Lorenz, 2014).

In Australia, the composition of boards is becoming an important element of corporate governance for regulators, commentators and governments (Blaga, 2011). Consistent with this, corporate governance guidelines were first introduced in 2003 by the ASX and amended in 2010 to try to boost gender diversity on boards of directors (Christensen, Kent & Stewart, 2010). The Victorian government has also acted to ensure a greater representation of women

(heraldsun.com.au, March 28, 2015; abc.net.au, March 28, 2015; skynews.com.au, March 28, 2015). Thus, the issue of female representation on boards is a current topic of discussion and debate for governments and business sector both in Australia and overseas.

The recent increase in interest in women on board of directors in advanced economies has been accompanied by increased awareness of the importance of corporate governance (Chapple & Humphrey, 2014; Simpson, Carter & D'Souza, 2010). The focus on corporate governance has been amplified by a series of corporate scandals particularly in the U.S.A. and the view that many of these scandals stemmed directly from poor corporate governance and/or ineffective boards (Adams, 2012; Marlin & Geiger, 2011). As a consequence of such scandals, governments (most notably the U.S.A. government) have initiated measures to strengthen board oversight (Adams, 2012; Cohen, Krishnamoorthy & Wright., 2004). In particular, there has been a focus on the independence of directors from management (and therefore the level of oversight they provide) and the level of diversity among directors (Hillman, Cannella, & Harris, 2002).

The belief that a board that exercises its independence is desirable in order to ensure effective corporate governance has been widely held in both the U.S.A. (*Wall Street Journal*, Eastern Edition, October 16, 2012) and Europe (Bertoni Meoli & Vismara, 2014). This view of the desirability of board independence has also been evident in Australia (Kang, Cheng, & Gray, 2007). In fact, the ASX recommends that the majority of board directors are independent from management and that the chair, in particular, should be a non-executive director (Dakhelalla, 2014).

There have been many studies into board independence and its potential link to firm performance (Baysinger & Butler 1985; Bhagat & Black 2002; Coles, Daniel & Naveen 2008; Duchin, Matsusaka & Ozbas 2010; Hermalin & Weisbach 1998; Johnson, Schnatterly & Hill, 2013; Klein, 1998; Lawrence & Stapledon 1999; Muth & Donaldson 1998). Similarly, there have been many studies investigating the characteristics of directors (Bilimoria & Piderit, 1994; Daily, Certo & Dalton, 1999; Johnson et al., 2013; Van der Walt & Ingle, 2003) and the effect diversity might potentially have on corporate outcomes (Chapple & Humphrey, 2014), although these are typically focused on US companies (Pugliese et al., 2009). While there is a theoretical basis to support the notion of a link between board diversity and board independence, it has not been tested empirically (Adams & Ferreira, 2009).

In view of the importance of board independence for corporate governance of organisations, it is important to expand our knowledge of how to increase board independence. Similarly, given the interest that the issue of female representation on boards is currently generating in academic and industry contexts, it is important to understand the contribution women make to boards (and are perceived to make) and ways in which board gender diversity could potentially enhance corporate governance.

Aims and Scope of Proposed Research

The first objective of this research is to address the knowledge gap regarding the relationship between board gender diversity and board independence in Australia. A second research objective is to examine the reasons for the appointment of women directors.

The research focuses on listed companies in Australia and does not cover government boards or boards in the not-for-profit section. It should also be noted that throughout this research gender diversity has been used to refer to females and males, though it is acknowledged that in some contexts and research the term may also refer to those who fall into non-binary categories of gender (Sytsma, 2006).

Three research questions have been formulated in order to enhance our understanding of the contribution women make to boards of listed companies in Australia. They are outlined, along with the theoretical underpinnings to each below.

Research questions

After a review of relevant literature and with reference to research gaps, the following three research questions have been formulated.

- Research Question One: What is the nature of the link between board gender diversity and board independence?
- Research Question Two: To what extent do board dynamics act as a mediator in the relationship between board gender diversity and board independence?
- Research Question Three: What are the antecedents to female board appointments?

The theoretical underpinnings and brief discussion of relevant literature for each of these research questions are contained in the following section.

Research Question One: What is the nature of the link between board gender diversity and board independence?

Board independence is a desirable, even crucial element to effective corporate governance according to agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976). The literature also suggests that there are many substantial benefits to board diversity including enhanced decision-making and greater oversight of management (Conger, Finegold & Lawler, 1998). It may also enhance the influence the board has over management.

Agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976) underpins the arguments developed in the thesis as the theory helps us to understand the role of the board and the importance of board independence. Agency theory suggests that agents will not act in the principals' best interests unless their behaviour is closely monitored or they are offered incentives to do so (Eisenhardt, 1989). The principals are the shareholders and the management are their agents, appointed to manage the organisation on their behalf. The board acts to protect shareholders from management self-interest (Anderson Melanson & Maly, 2007; Fama & Jensen, 1976; Van Der Walk & Ingley, 2003).

Agency theory has been the dominant theory in corporate governance research for more than 20 years, particularly in the economics and finance literature (Terjeson, Sealy & Singh, 2009). It explains the workings of boards of directors and has defined what is widely understood to be effective corporate governance (Anderson, et al., 2007; Huse et al., 2009).

According to agency theory, board independence is particularly desirable as it means that the board is more likely to ensure that the company is managed in the interests of shareholders i.e. with improved corporate governance (Fama, 1980). Agency theory is an appropriate basis on which we can view perspectives of female representation on boards from the private sector (Westphal & Zajac, 1998), as it is a widely held viewpoint throughout the academic literature (Christensen et al., 2010; Jermais & Gani, 2014; Johanson & Ostergren, 2010) and across the business sector.

The literature on diversity (as cited in Daily, Dalton & Cannella, 2003 and Bilimoria, 2006) offers a different perspective to agency theory on female board participation. Some of this literature (e.g. Arfken, Bellar & Helms, 2004; Fondas & Salsalos, 2000; Pollack, 2000; Van der Walt & Ingley, 2003) argues that a more diverse board (in terms of many diversity factors, one of which is gender) will give a more effective board and therefore better

corporate governance. This is because a more diverse set of views will enable the board to consider a wider range of options, including more innovative solutions to commercial problems (Arfken et al 2004, Conger et al., 1998; Nielsen & Huse, 2010b; Pollack, 2000; Van der Walt & Ingley, 2003).

When considered together, agency theory, with its focus on the importance of the role of the board, and explanations from the diversity literature that outline the potential benefits of a diversity characteristic such as gender, provide a strong theoretical basis for arguing that more women on the board will make the board more independent of management and therefore more effective.

Unfortunately, women appointed to boards in Australia are often in the position of being token appointments and are the only female director (Burgess & Tharenou, 2000; Ross-Smith & Bridge, 2009; Singh & Vinnicombe, 2004). According to the most recent Census of Women in Leadership Report (EOWA, 2012), 38.5% of the ASX 200 have no female board members, 38.5% have one female board member and 23% have two or more female directors. Where there is a ratio of 85:15 male to female or worse among an organisation's executives, female appointments may be regarded as tokens (Kanter, 1977). Similarly, it has also been suggested that with a female minority below 30% women will not be able to have a discernable impact on board culture (Elstad & Ladegard., 2010; Erkut, Kramer & Konrad, 2008; Singh & Vinnicombe, 2004). This implies that a women appointed to a board will feel pressure to conform to prevailing norms and will not draw upon her diverse experiences (Brooke & Tyler, 2011).

There has been little research into any potential link between board gender diversity and board independence. One exception was a U.S. study (Fondas & Sassalos, 2000) which found a link between board independence from management and the presence of female directors. There has however been no research identified to date into whether this link is present in Australia. Given the general lack of research into the link between board gender diversity and board independence and the absence of research that is applicable to the size and structure of Australian boards, the first research question addresses an important gap in the research.

- Research Question Two: To what extent do board dynamics act as a mediator in the relationship between board gender diversity and board independence?

The second research question extends the investigation of a relationship between board gender diversity and board independence to consider the mediating role of board dynamics. Studies suggest that a more diverse board may provide more robust debate (Sonnenfeld, 2004) and therefore more independence (Colaco, Myers & Nitkin, 2011). Certainly, the diversity literature indicates board diversity reduces the likelihood of "group-think" (Selby, 2000) and may have a positive impact upon on board dynamics (Terjesen et al., 2009). However, board dynamics is an area requiring further research (Pugliese, Bezemer, Zattoni, Huse, Van den Bosch & Volberda, 2009), specifically in relation to the contribution that women make in the boardroom (Bilimoria, 2000; Huse, 2009; Ross-Smith & Bridge, 2009) and how women exercise their influence as directors (Terjesen et al., 2009).

Studies to date have suggested that female directors may encourage more open debate and reduce conflict (Nielsen & Huse, 2010a), offer a diverse viewpoint which provokes discussion (Letendre, 2004), ask questions more freely (Bilimoria & Wheeler, 2000), question conventional wisdom (Bilimoria & Huse, 1997; Huse & Solberg, 2006) and thus be more likely to engage in debate and disagreement (Pearce & Zahra, 1991). While these points may not indicate better decision-making, they do indicate women can influence board dynamics positively. Investigating board dynamics in more detail may enable a better understanding of the contribution that female board members in particular, make to board independence (Huse & Solberg, 2006)

Research Question Three: What are the antecedents to female board appointments?

The final research question addresses the proposed knowledge gap that more research is required into the reasons why businesses recruit women to boards (Hillman et al., 2002; Knippen & Shen 2009). Certainly, it is clear that the business case for female directors has not been sufficiently made so as to induce organisations to appoint women to directly enhance their bottom line (Dalton, Daily & Ellestrand, 1998; Bilimoria, 2000). A review of current literature indicates that institutional pressure may be a key factor motivating the appointment of women to boards (Hillman, 2007; 2015; Knippen & Shen, 2009). This is consistent with institutional theory (Di Maggio & Powell, 1983) which contends that structural change in organisations, (which in this case would cover board composition) occurs because organisations wish to obtain legitimacy and therefore adapt to what other leading companies or other external forces require (DiMaggio & Powell, 1983). This process of transformation is referred to as isomorphism (DiMaggio & Powell, 1983). Thus it can be understood that

organisations conform to norms in order to obtain legitimacy (Dunn, 2012; Meyer & Rowan, 1977; Perriton, 2009; Yang & Konrad, 2011).

Di Maggio and Powell (1983) identified three key forms of isomorphism, which explain the various forces that encourage organisations to become more homogenous: mimetic, coercive and normative isomorphism. Each of these can be applied to the issue of women on boards and more specifically, why organisations choose to recruit women to boards. A greater understanding of how these isomorphic pressures impact upon the decision to recruit women to boards and why women are recruited to some boards and not others can help inform debate on female representation on boards (Hillman et al., 2002; 2007). It is also important to consider the Australian context specifically as Australia has an unusual regulatory environment with respect to corporate governance as the Corporate Governance Guidelines (ASX, 2010) are voluntary. It is also timely and important to understand if these guidelines are having an impact and what other pressures are being asserted to encourage female board appointments.

Overview of Research Design

Nature of research

The state of prior research into women's participation at board level and its impact (if any) on board independence can be classified as intermediate (Edmondson & McManus 2007) as there are some areas where research has been significant and other areas where little research has been conducted. Specifically, much research has been done into board independence and its impact on performance (Johnson et al., 2013), which typically references agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976) and uses a quantitative research method. There has also been quite a bit of research into board diversity that typically uses qualitative research methods (Ali, Ng & Kulik., 2014; Conger et al., 1998; Forben & Miliken, 1999; Rose, 2007; Selby, 2000). However, very few studies have focused on the impact board diversity might have on independence (Burke & Mattis, 2000; Nielsen & Huse, 2010a).

Given the state of current research it is most appropriate to use a combination of qualitative and quantitative research methods, which enables patterns to be recognised in areas where there has been little theory or research while at the same time building on areas with established theories and drawing connections between the two. Using a mixture of quantitative and qualitative research methods in such instances will assist in building

plausible and defensible explanations of observations (Edmondson & McManus, 2007). The use of quantitative and qualitative studies and a variety of different data sources to try to view the issue from a range of perspectives will assist in providing both broad brush and fine-grained analysis, both of which are useful to understand the issue of female participation on boards (Bilimoria, 2000).

Research methods

To provide some background information for the main study, a set of seven background interviews were conducted with informant organisations that work regularly in the area of female participation on boards. The interviews were designed to provide background context and inform the development of the research questions as well as providing data to address those questions, where relevant. This was an important preliminary step in the research that was necessary to understand the Australian context to understand if there were any issues particular to the Australian environment that were pertinent to the study.

The main data collection was comprised of two studies that were undertaken in order to address the three research questions posed. The first of these studies consisted of interviews with current board members of listed companies in Australia. These interviews helped to inform the development of survey questions as well as to provide qualitative data for the response to research questions. Study Two consisted of a survey of board chairs of listed companies in Australia in order to provide quantitative data on female board participation and board independence. The use of qualitative and quantitative data provides varied perspectives on the relevant issues and enables a broader understanding of the responses to the research questions.

Background interviews

Seven informant organisations consented to be interviewed. These were drawn from regulator, government, industry and business groups and lobby or pressure groups.

A semi-structured interview was used, with the same open interview questions asked of all participants, but with some flexibility to probe into areas of interest as the interview unfolded.

Study One

Study One consisted of interviews with current board members from listed Australian companies that had at least one currently serving female board member. The objective of

these interviews was to obtain information pertinent to research questions 1, 2 and 3. The interviews would also inform the design of the survey, which constituted Study Two.

Those board members (male and female) who were currently serving on boards with at least one female board member were invited to be interviewed. Interviews were conducted with a total of 25 serving board members. Of these 25, nine were male and 16 were women. This represented a response rate of 6.2%.

These interview questions provided a broad structure to the interviews, but probing and additional questions were asked where the responses of interviewees required clarification or additional information or where new or novel answers were provided.

Study Two

Study Two consisted of a questionnaire, which was sent out to currently serving chairs of boards of listed companies in Australia. The objective of the survey was to provide quantitative data to address Research Questions 1, 2 and 3. Questionnaires were completed and returned by 82 Chairs which represented a response rate of 4.2%.

Limitations of the Research

Study Two has relied on the self-rating of board chairpersons in terms of board independence. Studies 1 and 2 have relied upon the cooperation of board members of listed companies in Australia. This may lead to those with stronger views on the issue of female participation on boards to volunteer and thus may not accurately reflect the views of the broad group of directors in Australian listed companies. The research is also limited by the relatively small sample size, particularly with respect to Study Two.

Overview of the Thesis Structure

The thesis contains six chapters, including the present chapter. Chapter 1 covers an introduction and overview of the thesis. It introduces the research aim and details the research questions to be investigated. It provides an overview of the research design and the thesis structure.

Chapter 2 provides an exploration of the theory and literature related to this study covering board independence and board gender diversity. It provides a detailed exploration of the importance of board independence and the way in which female directors might impact upon

this independence. The research draws on agency theory and the literature on diversity, which are used to argue that a more gender diverse board should exercise more independence from management. Token theory, which identifies the inclusion of minority groups as a perfunctory gesture, is used as a possible explanation for the lack of impact that diversity may have on independence when there is a very low representation of a women. Finally, institutional theory explains why women are appointed to boards. This chapter highlights gaps in the literature, particularly in an Australian context and discusses recent developments in practice related to the appointment of female directors leads into the formation of the research questions proposed by this thesis.

Chapter 3 outlines the research design and methods. The thesis will use mixed methods, with two studies investigating the link (if any) between female participation on boards and board independence. Seven background interviews were conducted with organisations active in encouraging more female participation on boards followed by a series of 25 interviews of current board members (Study One). Study Two consists of a survey of board chairs of publicly listed companies in Australia. Both Studies 1 and 2 seek to answer the three research questions posed.

Chapter 4 outlines the findings of the background interviews and of Study One. The group of interviewees is analysed by industry and gender and their interview data are analysed. The findings are then used to answer the research questions and to inform the questionnaire to be used in Study Two.

Chapter 5 outlines the results of Study Two. The results of the preliminary analysis are presented first, including validation of the measures and consideration of data problems such as multicollinearity and common method variance. The results of the regression analysis are then presented.

Chapter 6 contains a discussion of the findings of Study One and Study Two for each of the research questions in the context of the literature. The implications of those results for research and for practice are also discussed. Contributions of the current research and further opportunities for research are also suggested. Concluding comments complete the thesis.

Chapter Conclusion

This chapter outlined the background to the current research, its aims and scope. The first objective of this research is to address the knowledge gap regarding the relationship between

board gender diversity and board independence in Australia. A second research objective is to examine the reasons for the appointment of women directors.

Chapter Two: Literature Review

Introduction

This research seeks to address the knowledge gap that exists regarding the relationship between board gender diversity and board independence in the Australian context. This chapter contains a discussion on corporate governance, its theoretical underpinnings and why board independence is a central feature of good corporate governance. Board gender diversity will then be discussed, including its theoretical underpinnings and board gender diversity in practice. The focus of discussion will then be on the links between board independence and board gender diversity and will also address how gender diversity may impact upon board independence through board dynamics. The chapter will conclude with an analysis of the reasons why women are appointed to boards according to research.

This research draws on several theoretical perspectives. Of particular importance in this research are agency theory (Fama, 1980) and the literature on the advantages of diversity, which together are used to underpin the argument that a more gender diverse board should exercise more independence from management. Token theory and the notion of a critical mass are also used to explain the lack of impact that diversity may have on independence if there is a very low representation of a minority group. Institutional theory (Hillman et al., 2007) will also be referenced to explain why women are appointed to boards. It should be noted that for the purposes of this research, the literature which outlines the theoretical advantages of diversity will be referred to as “the literature supporting diversity.”

Corporate Governance

In recent years there has been a heightened awareness in advanced economies of the importance of corporate governance (Chapple & Humphrey, 2014; Simpson et al., 2010), which has been amplified by a series of corporate scandals particularly in the U.S.A. and the view that many of these scandals stemmed directly from poor corporate governance and/or ineffective boards (Adams, 2012; Marlin & Geiger, 2011). As a consequence of such scandals, governments (most notably the U.S.A. government) have initiated measures to strengthen board oversight (Adams, 2012; Cohen et al., 2004). In particular, there has been a focus on the independence of directors from management (and therefore the level of oversight they provide) and the level of diversity among directors (Hillman et al., 2002).

In the U.S.A., independence of the board has been seen as such a vital component of good corporate governance that the U.S.A. government has legislated to enshrine it (Marlin & Geiger, 2011). The Sarbanes-Oxley Act (2002) mandates that a proportion of directors must be outsiders to the firm and therefore independent of management (Adams, 2012). However, board independence is not just about whether a proportion of directors are external to the company, but also about the behaviour of the board in terms of exercising managerial oversight (Anderson et al., 2007). The belief that a board that exercises its independence is desirable in order to ensure effective corporate governance has been widely held in both the U.S.A. (Wall Street Journal, Eastern Edition, October 16, 2012) and Europe (Bertoni et al., 2014).

This view of the desirability of board independence has also been evident in Australia (Kang et al., 2007), even to a disproportionate extent (*The Australian*, October 16, 2013). The Australian Securities Exchange (ASX) recommends that the majority of board directors are independent from management and that the chair, in particular, should be a non-executive director (Dakhelalla, 2014).

Board diversity is another aspect of corporate governance that has been receiving significant attention across the developed world, particularly with respect to the proportion of female directors serving on corporate boards. Traditionally, corporate boards have been labelled as "boys' clubs" consisting of older men with similar backgrounds (Fondas & Sassalos, 2000). Ten European countries (Norway, Belgium, France, Iceland, Italy, the Netherlands, Spain and Germany) have introduced quotas for female representation on boards of both government and privately owned organisations (Fichtel, 2013; *New York Times*, March 6, 2015), while Austria, Denmark, Finland, Greece and Slovenia have legislation requiring a level of female representation on the boards of state owned or controlled entities (Fichtel, 2013). Others have strengthened regulatory requirements in order to boost female representation (Chapple & Humphrey, 2014; Terjesen et al. 2014).

In Australia, the composition of boards is becoming an important element of corporate governance for regulators, commentators and governments (Blaga, 2011). Consistent with this, corporate governance guidelines were first introduced in 2003 and then amended 2010 by the ASX to try to boost gender diversity on boards of directors (Christensen et al., 2010). More recently, the Victorian government has announced plans to apply a 50% quota on all new appointments to government boards to ensure a greater representation of women

(Johnstone, M., heraldsun.com.au, March 28, 2015; Savage, A., abc.net.au, March 28, 2015; skynews.com.au, March 28, 2015).

There have been many academic studies into board independence and its potential link to firm performance (Baysinger & Butler 1985; Bhagat & Black 2002; Coles, Daniel & Naveen 2008; Duchin, Matsusaka & Ozbas 2010; Hermalin & Weisbach 1998; Johnson et al. 2013; Klein, 1998; Lawrence & Stapledon 1999; Muth & Donaldson 1998). Similarly, there have been many studies investigating the characteristics of directors (Bilimoria & Piderit, 1994; Daily et al., 1999; Johnson et al., 2013; Van der Walt & Ingley, 2003) and the effect diversity might potentially have on corporate outcomes (Chapple & Humphrey, 2014), although these are typically focused on U.S. companies (Pugliese et. al., 2009). While there is a theoretical basis to suppose that there is a link between board diversity and board independence (as indicated by agency theory and the diversity literature), it has not been tested empirically (Adams & Ferreira, 2009). This research seeks to address that gap by providing an investigation of the relationship between diversity and board independence (if there is one) in an Australian context. In light of the importance of board independence for corporate governance (from a research perspective and from the perspective of regulators and government) it is important to expand our knowledge of how this independence might be increased. If greater diversity promises to provide a pathway to greater independence in governance (as theory suggests) then it is useful to investigate whether this is indeed the case. The following section defines corporate governance and explains the importance of board independence.

A key characteristic of the modern corporation is the separation of ownership and management (Daily et al., 2003). At the beginning of the 20th century large corporations would usually have had managers who had a sizable ownership stake and therefore a proprietary interest. Since then the concept of a professional manager has emerged, as an executive who usually has only a very modest ownership stake in the organisation. Owners of large corporations are now typically anonymous investors with no daily contact or influence on the organisation. Along with this, the board of directors has emerged, to which professional managers would report and who would be responsible for looking after the interests of the owners of the company i.e. the shareholders (Daily et al., 2003). This oversight of, and influence over, management exercised by the board of directors has come to be known as corporate governance and its many facets are now the subject of much research and discussion.

Corporate governance can be defined as "the set of mechanisms that influence the decisions made by managers when there is a separation of ownership and control" (Larcker, Richardson & Tuna, 2007, p.964). A more practical definition is that corporate governance "is concerned with the development of systems and practices that ensure the accountability of corporate managers and support good corporate performance" (Brammer et al., 2007, p.394). It involves the relationships between shareholders, boards of directors and managers (Marlin & Geiger, 2011). Traditionally, corporate governance was regarded as essentially the oversight undertaken to ensure the integrity of financial reporting (Cohen et al., 2004), but this has now expanded to include such tasks as the management of relationships with external stakeholders (Cohen et al., 2004). Guidelines across the developed world for corporate governance typically cover the way the board executes its duties with very few prescriptions relating to composition (Brammer et al., 2007) except that independent directors are consistently recommended (Lawrence & Stapledon, 1999).

Many U.S.A. studies have established a link between effective corporate governance and organisational performance (e.g. Brickley, Coles & Terry, 1994; Byrd and Hickman, 1992; Core, Holthausen & Larcker, 1999; Gompers Ishii & Metrick, 2003; Klein, 1998; Morck, Schleifer & Vishny, 1988; Yermack, 1996). However, the difficulty of measuring effective corporate governance has meant that the nature of this relationship is still difficult to ascertain (Larcker et al., 2007). Despite this, effective corporate governance is seen as essential to preventing organisational collapse (Kiel & Nicholson, 2006) and conversely, where corporate failures have occurred, governments and other stakeholders have typically taken the view in recent times that the board should shoulder at least some of the blame (Adams, 2012, Dakhellela, 2014, Monem, 2011, Valenti, 2008). Issues such as board diversity, board independence and Corporate Social Responsibility (C.S.R.) are increasingly of concern to shareholders (Aguilera, Williams, Conley & Rupp., 2006) and a variety of reports such as the Higgs review in the U.K. (Terjesen et al., 2009) and the Dey report in Canada (Carter, D'Souza, Simpkins & Simpson, 2010) have investigated these areas. In the U.S.A., the government enacted the Sarbanes-Oxley Act (2002) in an attempt to strengthen corporate governance in the wake of corporate collapses (Adams, 2012; Marlin & Geiger, 2011).

Boards have also come under scrutiny in Australia, especially after the demise of companies such as HIH and OneTel (Bonn, 2004; Dakhellela, 2014; Kang et al., 2007). Australia's corporate governance mechanisms are unusual as they typically take the form of guidelines, which are not mandatory. There are, of course, directors' duties set out in the Corporations

Law which are mandatory, but the mechanisms for corporate governance such as the requirement to have an audit committee, the number of board members, the number of board meetings which are held and the proportion of independent directors are recommended by the ASX Corporate Governance Guidelines (2003, 2007). These are not compulsory for most organisations (with some exceptions, for example, the largest 500 listed companies must have an audit committee) (Christensen et al., 2010). Thus, research into the benefits (and costs) of adopting the various corporate governance mechanisms recommended by the ASX is important for Australian corporations (Christensen et al., 2010).

One of the most recent and more controversial changes to the ASX Corporate Governance Guidelines (2007 with 2010 amendments) requires organisations to report on the number of women on boards and in senior management as well as to explain, if there are no women, why this is the case. While the absence of board diversity does not necessarily imply poor corporate governance (Brammer, Millington & Pavelin., 2007), the purpose of this section in the Australian guidelines is to apply pressure to listed companies to increase the number of women in senior management and in board roles. As yet, there is very little research indicating the likely impact increasing female directors will have on corporate governance, particularly in an Australian context. Therefore, in conclusion, corporate governance is increasingly seen as important by governments and commentators. Key elements of it include the level of independence of the board, board composition and diversity. Each of these areas will now be discussed in greater detail.

Board Independence

In modern corporations, which are categorised by a separation of ownership and management, the central issue in ensuring effective corporate governance is the independence of the board. The role of a director is to be the advocate of shareholders and to exercise managerial oversight to ensure that the organisation is managed in order to maximise returns (Shellenger & Wood 2001). Thus the board is obliged under law to evaluate and assess management decisions (Arfken et al., 2004). In Australia the relevant law is the Corporations Act, 2001 (Australian Institute of Company Directors <http://www.companydirectors.com.au/membership/the-informed-director/what-are-the-general-duties-of-directors>.) which outlines that “The business of a company is to be managed by or under the direction of the directors.” Boards are responsible for appointing the CEO and for overseeing the organisation's position in society and in the marketplace (Casey,

Skibnes & Pringle, 2011). Reflecting this, Australian boards are required to sign off on financial reports as well as exercise corporate governance in such a way as to maximise shareholder wealth (Christensen et al., 2010) even though The Australian Corporate Law Economic Reform Program of 1998 asserted that the emphasis on compliance had been too great and that greater emphasis needed to be placed on wealth creation for shareholders (Bonn, Yoshikawa & Phan, 2004).

Institutional investors in Anglo-American countries typically endorse the view that a large proportion of the board should be comprised of independent directors (Johanson & Ostergren, 2010). In fact, in order to build investor confidence in the U.S.A. after several high profile financial collapses (e.g. ENRON) the Sarbanes-Oxley Act (2002) has sought to increase the proportion of independent board members for public companies and to more strictly define what constitutes an independent board member (Marlin & Geiger, 2011). It has sought to ensure that board members are independent from the CEO and that they actively assert this independence with respect to the oversight of financial decisions (Arfken et al., 2004). The legislation reinforces the view that independent directors are more likely to monitor and challenge management if required (Lee & Carlson, 2007).

Definition of board independence

While there is a widespread acceptance of the notion that board independence is important to effective corporate governance, there is no common definition of an independent board or an independent director (Kang et al., 2007). An independent director can be defined as a director who has no affiliation with the company except for their directorship (Clifford & Evans, 1997). This implies that there are no family ties between the organisation and the director and also that the director had not previously served in the management team of the company. The definition of an independent director can sometimes extend to one where there are no friendship ties to the CEO or any other reason not to be impartial (Burke, 2000c), for example in the case of interlocking boards (as described in studies such as Davis, 1991; Kaczmarek, Kimino & Pye, 2014; Westphal, Sidel & Stewart, 2001). The legal definition of an independent director may vary across jurisdictions. Perhaps the clearest definition in the Australian context comes from the ASX which has defined independence as "...independent of management and free of any business or other relationship that could materially interfere with...the exercise of their unfettered and independent judgement" (ASX Corporate Governance Council, 2003, p.19). The ASX Corporate Governance Guidelines (2003)

recommend that a majority of directors are independent in order to enhance the independence of the board as a whole from management (Bonn et al., 2004; Christensen, 2010). The ASX Listing Rule 4.10.3 provides that, if a company does not comply with the guidelines, it must disclose this fact in its annual report (Ritchie, 2007).

Thus, as a starting point, the strict definition of an independent board is one where the majority of directors are legally independent of management. The creation of an independent board is the most common recommendation to achieve good corporate governance (Kang et al., 2007). In fact, institutional investors and shareholder activists have been strong advocates of having external directors with many arguing for boards comprised exclusively of external directors (Dalton et al., 1998), with the independence of the board a signal of board effectiveness in an Australian context (Bonn, 2004).

However, board independence is not just about whether a proportion of directors are external to the company but also about the behaviour of the board in terms of exercising robust managerial oversight (Anderson et al, 2007; Fondas & Salsalos, 2000). In fact, Cortese's 2009 study of Australian listed companies indicated that there may be a difference between the actual independence and the perceived level of independence of external directors, due to factors such as boardroom friendships and social relationships which may compromise independence to some extent.

Therefore, a more independent board is not only one which has a large proportion of legally independent directors, but also one which is more likely to exercise that independence through influencing management in key areas of decision making (Fondas & Salsalos, 2000). These key areas of business operations have been identified by Fondas and Salsalos (2000) as the following nine areas: selection of senior executives, compensation of top management, long-range planning, capital expenditures, mergers and acquisitions, day-to-day operations, management succession, counselling top management and corporate organisational structure.

These nine areas are consistent with the two roles of the board, which are identified in the literature; to monitor and control the company and to be involved in strategy (Van den Berghe & Levrau, 2004). In other words, the board undertakes tasks which fulfil the board's legal duty to monitor management on behalf of the firm's shareholders (Forbes & Milliken, 1999). This involves monitoring managerial decisions involving strategy including environmental monitoring, organisational practices and policies and relationships with key stakeholders (Nielson & Huse, 2010). One central way that boards exercise these roles is to provide

support to management and to challenge them on decisions taken in the past and proposed in the future (Van den Berghe & Levrau, 2004).

Understanding board independence: Agency theory

Agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976) helps us to understand the importance of board independence. Agency theory suggests that agents will not act in the principals' best interests unless their behaviour is closely monitored or they are offered incentives to do so (Eisenhardt, 1989). Thus, the principals are the shareholders and the management are their agents, appointed to manage the organisation on their behalf.

Agency theory has been the dominant theory in corporate governance research for more than 20 years, particularly in the economics and finance literature (Terjeson et al., 2009). It explains the workings of boards of directors and has defined what is understood by effective corporate governance (Anderson et al., 2007; Huse et al., 2009). The theory essentially outlines that the shareholders of companies are unable or unwilling to directly manage companies in which they have an ownership stake. At the same time, agency theory assumes that management will act in a self-interested manner, which may not be aligned with the interests of shareholders (Anderson et al., 2007). When managers use organisational resources in their own interests rather than for maximising shareholder returns, agency costs will be generated (Jurkus, Park & Woodard, 2011) and this will have a negative impact upon performance (Muth & Donaldson, 1998). Thus, monitoring and control mechanisms need to be put in place to protect shareholders from these agency costs (Fama & Jensen, 1983).

For this purpose, the shareholders appoint a board of directors. The board is therefore a mechanism through which shareholders can retain some control associated with ownership (Muth & Donaldson, 1998) and its role is to mitigate the costs associated with the agency problem (McIntyre et al., 2007), or in other words, to protect shareholders from management self-interest (Van der Walt & Ingley, 2003). Thus, directors are seen to be agents of shareholders, ensuring the company is managed in the interest of those shareholders (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). While the board is clearly intended to monitor management behaviour under this theory, it implies the board's role is also to assist in moving the organisation forward in order to create value and wealth for shareholders, thus encouraging positive management, not just preventing negative management (Beatty & Zajac 1994; Boyd, 1994; McIntyre, Murphy & Mitchel, 2007). According to agency theory, boards

ratify and monitor strategic decisions, but should not initiate or implement them as this is the role of management (Fama & Jensen, 1983).

Another key aspect to understanding agency theory is that it assumes economic rationalism (i.e. that individuals will choose the most economically optimal outcome for themselves). It also emphasises the primacy of shareholder interests over other stakeholders. Thus, broader issues that are outside of these parameters such as C.S.R. or board diversity are not addressed by agency theory (West, 2009).

Indeed, Huse et al. (2009) argue that agency theory alone is insufficient to fully understand the way boards work and their impact. In particular, agency theory does not give us an insight into board functioning (Daily et al., 2003) whereas theories focusing on stakeholders, behaviours and team production would provide valuable and diverse perspectives on corporate governance and board effectiveness (Huse et al., 2009). For example, while agency theorists suggest a high proportion of independent board members is optimal (Jermais & Gani, 2014) other scholars (particularly proponents of stewardship theory) argue this could decrease board cohesiveness and therefore reduce board effectiveness (Maharaj, 2009; Muth & Donaldson, 1998). Thus, it is important to focus on what boards actually do, not just how they are composed (Brundin & Nordqvist, 2008) if we are to fully understand their impact.

Huse et al. (2009) also argue that academics in other areas such as strategy, management and organisational behaviour must bring other perspectives into research to a greater extent if board functioning is to be better understood. It could be argued that this has become difficult because of the entrenched nature of agency theory particularly in the areas of finance, law and economics. It is so dominant in those areas that it has become difficult to challenge (Brundin & Nordqvist, 2008; Huse et al., 2009).

Why is an independent board desirable?

According to agency theory, board independence is particularly desirable as it means that the board is more likely to ensure that the company is managed in the interests of shareholders (Fama, 1980). It is generally thought that companies with more independent boards should be able to more effectively mitigate agency costs and therefore provide more effective corporate governance (Bonn et al., 2004; Christensen et al., 2010; Jermais & Gani, 2014; Johanson & Ostergren, 2010).

Consistent with this, agency theory tells us that shareholders will support measures that seek to increase the independence of the board in order to ensure that the company is managed in their interests. The theory assumes that the more outside (or independent) directors, the more agency costs will be minimised. It therefore considers board composition to be a critical factor in effective corporate governance (Van der Walt & Ingley, 2003). This view has led to the recommendation by many stock exchanges and governments around the world (including the ASX in the Corporate Governance Guidelines, 2003) that ideally, boards should have a majority of independent, external directors. There is also the view that the role of CEO and board chair should be separated which would then promote a more independent board, more likely to protect shareholders from management self-interest (i.e. agency costs) (Kiel & Nicholson, 2003).

It is understood that having an independent board (i.e. with more outside directors) has a number of positive outcomes such as a greater likelihood of CEO turnover for poorly performing firms (Weisbach 1988) and a reduction in agency costs through more conservative accounting practices (Ahmed & Duellman, 2007). However, the literature is not clear as to any link between having a high proportion of independent directors and company performance overall. While some studies have found firms with more independent boards perform better than those with less independent boards (Lee & Carlson, 2007, Shellenger & Wood, 2010), other studies have found this relationship is indeterminate or non-existent (Daily, Dalton & Canella, 2003; Hermalin & Weisbach, 1998; Kaufman & Englander, 2005; Lawrence & Stepleton, 1999). Nonetheless, it seems that financial markets often react positively to the appointment of additional outside directors (Rosenstein & Wyatt, 1990).

It is perhaps the research that looks at boards and audit committees that lack independence that gives us an insight into why independence in corporate governance is important. There is a link between those firms with poor or fraudulent accounting practices (or subject to enforcement action by the SEC in the U.S.) and weaknesses in governance structures (i.e. less independent boards and/or audit committees) (Abbott, Park & Parker, 2000; Cohen et al., 2004; Dechow, Sloan & Sweeny, 1996). Conversely, the academic literature indicates that more independent boards (and their audit committees) tend to act as a deterrent to fraud (and/or earnings manipulation) by management (Abbott et al., 2000; Beasley et al., 1996; Beasley, Carcello, Hermanson & Lapides., 2000). This is consistent with agency theory, which tells us that the more independent the board is, the more effective the oversight of management will be. As indicated earlier, the market generally takes a similar view, reacting

positively to measures, which indicate an increase in board independence from management (Westphal, 1989).

Certainly, corporate collapses both in Australia and around the world have been generally reflective of weak boards of directors (Dakhellala, 2014) and this has led to additional government regulation in many jurisdictions that mainly focuses on ensuring the independence of the board. For example, the Sarbanes-Oxley requirements in the U.S.A. ensure that audit committees consist of independent board members (Colaco et al., 2011). It is thought that external directors would be more independent and therefore scrutinise management decisions to a higher degree, which is consistent with agency theory and is supported by research (e.g. Johnson, Hoskisson & Hitt, 1993; Judge & Zeithaml, 1992).

However, there are some caveats, which must be understood on the general assumption that independent boards will naturally offer more effectively corporate governance. Non-independent board members also offer some advantages (such as more intimate knowledge of day-to-day operations) and thus it is often a mix of insiders and outsiders on the board, which is advocated by many researches (Fama & Jensen, 1983; Fields & Keys, 2003). In addition, management must allow themselves to be monitored by the board for independent board members to have an impact. Therefore, it may not simply be a case of having a sufficiently independent board, but the effectiveness of corporate governance may also be related to the interaction between that board and the management of a company (Cohen et al., 2004). Similarly, Finkelstein and Mooney (2003) argue that the concept of board independence as defined by agency theory (usually involving concepts of external directors, share ownership by directors, smaller boards and an independent chairperson) is too narrowly defined. While it may be possible to conclude that a board is independent from a legal perspective, it is more difficult to ascertain the extent to which the board asserts its independence through its behaviour. In other words, the extent of influence a board exercises over management may differ considerably between boards, even though they all may be considered legally independent from management.

It should also be noted that some studies (e.g., Cohen et al., 2004, Westphal, 1998, Westphal 1999) have suggested that board independence is not necessarily a positive phenomenon for corporate governance in certain circumstances. For example when a CEO loses control to a board (i.e. the board becomes more independent), the CEO may over-compensate for this loss by engaging in “persuasive and ingratiating” behaviour. It appears that the threat created by

the loss of power motivates the CEO to try to influence the board more strongly and has, in fact, been associated with outcomes considered less favourable to shareholders (Westphal, 1998). Similarly, there has been some challenge to the notion that social ties between board members and the CEO will lessen the effectiveness of managerial oversight (Westphal, 1989). These social ties may in fact increase the incidence of strategic advice and counsel offered to the CEO by the board, which is an important contributor to board effectiveness. It has also been suggested that internal directors can help external directors to better understand the company and therefore potentially enhance strategic decision-making (Cohen et al., 2004).

All of these research findings present some challenge to the assumptions outlined by agency theory about board effectiveness, perhaps indicating that the relationship between independence and corporate governance is more complex than agency theory might suggest. However, as indicated earlier, investors (and in particular, institutional investors) typically respond favourably to changes in board structure that are in line with agency theory and would appear to support an increase the independence of the board and therefore its monitoring capacity (Westphal, 1989).

Board independence in Australia

The Australian approach to corporate governance may be seen as very similar to that of the U.K. and U.S.A. and is influenced by developments in comparable countries (Horrigan, 2012). Generally, it can be concluded that Australian corporate boards are independent (Kang et al., 2007). Australia, the U.K. and the U.S.A. all use shareholders' interests as the foundation of laws covering corporate governance (Horrigan, 2012), it is interesting to note that Australia tends to have a higher proportion of independent directors than the U.S.A. or the U.K.. In fact, in Australia around 80% of directors are typically non-executive, which is a higher percentage than is generally found in the U.S.A. or U.K. (Burgess & Tharenou, 2000).

A range of other significant differences may be relevant to the issue of board independence (Bonn et al., 2004). The first of these is the market for corporate control (or the takeover market) (Butler, 1989). This market seeks to ensure that firms that are well-run, will take over firms that are not well run, thereby providing discipline for boards to oversee management teams effectively. While this may function as described in the U.S.A. or U.K., in Australia there is a significantly weaker market for corporate control (Stapledon & Lawrence, 1997) partly due to the laws concerning the accumulation of shares and restrictions in partial takeovers (Craswell, Taylor & Saywell, 1997; Dignam & Galanis, 2004). Therefore in

Australia the threat of takeover does not act as an encouragement to boards to monitor management (Henry, 2008; Suchard, Singh & Barr, 2001). This could lead to the conclusion that board independence in Australia (and the implication that it necessarily encourages management oversight) is even more important than in the U.S.A. or the U.K., given that the market for corporate control is not encouraging such behaviour.

Another key difference between Australia and similar countries (e.g. the U.S.A. and the U.K.) is that institutional investors in Australia typically own a smaller percentage of shares (Farrar, 2001; Henry, 2008; Hsu & Koh 2005) and are less likely to exercise their voting rights (Walters, Kroll, & Wright, 2008). Along with some laws that restrict active involvement by institutions (Craswell et al., 1997), this means that the impact of institutional investors on corporate performance and governance could be expected to be lower in Australia. Again, this leads to a conclusion that having an independent board may therefore be of even greater importance in Australia given that pressure from institutional investors to monitor and/or improve governance may not be felt by board members as keenly as in the U.S.A. or U.K.. Many commentators have indicated that increasing board independence in the U.S.A. has been the result of increased activism by institutional investors (Van den Berghe & Levrau, 2004; Westphal & Zajac, 1997). However, due to the nature and size of institutional ownership here, this result is unlikely to be mirrored to the same extent in Australia, although there has been a recent increase in shareholder activism (Commins, P. 28 August, 2013, afr.com.au; Kitney, D., 9 December 2014, theaustralian.com.au; Allens.com.au, 24 July 2014; Verrender, 15 May 2014, abc.com.au; www.ftconsulting.com 2015).

Another key difference is the use and level of executive incentive payments for senior management. Such payments are designed to align the objectives of the management with those of the shareholders, therefore decreasing the agency problem (as described by agency theory) and encouraging management to make decisions in the interest of shareholder value creation. If this occurs, there should be less necessity for the board to be independent of management, as senior management is already being encouraged to act in the interests of shareholders. In Australia, the use of incentive payments for executives is both less frequent and small as a percentage of total pay than in the U.K. or the U.S.A. (Hanson, Dowling, Hitt, Ireland & Hoskisson, 2002). This therefore makes board independence in Australia even more important than in the U.K. and the U.S.A. to ensure that management acts in the best interests of shareholders (Craswell et al, 1997).

In summary, Australia has a (mostly) non-mandatory form of corporate governance regulation. There are key differences between the legal environments and market practice between Australia and comparable countries in the area of corporate governance, which impact upon the independence of our boards. This makes research into the effectiveness of corporate governance measures (such as those recommended by the ASX Corporate Governance Guidelines) particularly significant along with their likely impact upon board independence.

There has been increasing academic interest in board independence and particularly how it relates to diversity in recent years (Kang et al., 2007). However, this research has tended to concentrate on the U.S.A. and there have been few studies that have focused primarily on Australia (the notable exceptions being Kang et al, 2007; Kiel & Nicholson, 2003; Lawrence & Stapledon, 1999; Muth & Donaldson, 1998). The differences in the legislative and business environments as discussed earlier make Australian research into board independence valuable. In addition, board composition may be influenced by the social, political and economic context of each country (Bonn et al. 2004; Casey et al. 2011; Grosvold & Brammer, 2011; Terjesen et al., 2014; Terjesen & Singh, 2008) and therefore we cannot assume that cultural similarity with other English speaking countries will provide sufficient insight into board diversity in Australia.

Those studies which have focused on Australia have tended to describe the composition of Australian boards and the extent of interlocking (e.g. Alexander, Murray & Houghton, 1994; Carroll, Stening & Stening, 1990; Hall, 1983; Stening & Wai, 1984) with very little work examining any link between this composition and corporate governance (Kiel & Nicholson, 2003). However, research has indicated that Australian boards are relatively independent (Kang et al., 2007) at least from a legal perspective when looking at the composition of the board. It is more difficult to ascertain the extent of influence on management or behaviour that asserts that independence. Research has indicated that in Australia outside directors have a significant positive impact on firm performance, which implies that the independence of the board is an important factor in board effectiveness (Bonn et al., 2004). These authors (e.g. Kang et al, 2007; Kiel & Nicholson, 2003) have called on future research to focus on developing a greater understanding of the connection between board independence and corporate governance and how it relates to board composition. Research could also consider implications for making judgements about appropriate regulatory requirements (Lawrence &

Stapledon, 1999). The next section will look more closely at board diversity, its definition, theoretical basis and relevance for corporate governance.

Diversity

Diversity in general terms can be defined as "...concerned with recognizing the value of differences within the workforce and managing them for commercial advantage" (Oswick & Noon, 2014 p.26). Companies, particularly in the U.S.A. have devoted considerable resources to diversity management, believing that it is good for business (Jayne & Dipboye, 2004). Australian companies also widely recognise the value of diversity (Knippen & Shen, 2009).

Board gender diversity

Board diversity "relates to the board composition and the varied combination of attributes, characteristics and expertise contributed by individual board members in relation to board processes and decision making" (Van der Walt & Ingley, 2003, p. 219). Or, more simply it can be defined as "variety in the composition of the board of directors" (Kang et al., 2007 p.195).

In discussions of board diversity, a notable feature of diversity is gender diversity. Governments in OECD countries have attempted to improve gender equality in the workforce through various policy initiatives, since the 1970s (Casey et al. 2011). It is consistent, therefore, that attention from academics, business and governments should concentrate on board level participation of women, as directors influence key aspects of an organisation's operations and represent positions of power and influence in society (Burke and Mattis, 2000; Kang et al., 2007).

Despite many organisations giving diversity management prominence, there are still significant barriers to female participation, particularly at senior level in Australian industry including male managerial cultures that may lead to exclusion (however unconscious) (Bilimoria & Piderit, 1994; North-Samardzic & Taksa, 2011; Sheridan, 2002; Singh & Vinnicombe, 2004) and traditional attitudes about the role of women (Holton, 2000; Oakley, 2000). Such reasons may be seen as (possibly subconscious) discrimination, which limits or frustrates the advancement of women.

Personal preferences such as lack of ambition or interest in board positions (Stephenson, 2004), family responsibilities (Metz, 2003; Sheridan & Milgate, 2003; Vasquez-Cupeiro &

Elston, 2006; Vinnicombe & Singh 2003) and a lack of operational experience, particularly CEO experience (Pajo, McGregor & Cleland, 1997; Sheridan, 2001, 2002; Singh & Vinnicombe, 2004; Stephenson, 2004), are also often cited as key reasons for relatively low female participation at senior levels. Female perceptions about their own leadership style (Vilkinas, 2006), a lack of self-confidence (Singh & Vinnicombe, 2004) and a reluctance to apply for senior positions and promotions (Burke 2000a; Chesterman & Ross-Smith, 2006; Doherty & Manfredi, 2006; Simpson 2000; Vinnicombe & Singh, 2003) may also be factors contributing to poor female participation at senior levels.

Board Gender Diversity: Theoretical Reasons for its Desirability

In broad terms the arguments for greater female participation on boards can be summarised into two main categories, which represent economic (or business case) arguments and broader social justice arguments. Those that argue that more women should be directors for reasons relating to social justice (usually emphasising ethical and equal opportunity viewpoints) broadly present the view that it is ethically and morally questionable to exclude any person from a board position on the grounds of gender. These arguments state that enfranchising those groups who were historically excluded from power, including women, is in itself a desirable aim and results in a fairer outcome for society (Brammer et al., 2007). This social and moral argument is made by various writers, as discussed by Adams and Flynn (2005). An example of these types of arguments is that the current low representation of women in senior management is a human rights issue, as this group should be able to participate with the full rights of citizenship (Noble & Moore, 2006).

An extension of these arguments is that the composition of the board should be a reflection of shareholders demographically (Carver, 2002). However, the legal obligations of the board (and those consistent with agency theory) are related primarily to a duty to shareholders and do not include a duty for the board to be composed of directors which reflect shareholders demographically. Similarly, it can be argued that boards are not democracies (Rose, 2007) and should not necessarily reflect the makeup of society and that some similarity in the backgrounds of board members may be a positive thing if it encourages cohesion (Leighton, 2000). Such arguments reflect the political dimension of board composition, which is often evident in investor reaction to female appointments (Dobbin & Jung, 2011).

The other key argument in favour of diversity is made in terms of its business case. That is, that having gender diversity provides advantages such as an enhanced corporate image,

improved group and organisational performance and an enhanced ability to attract and retain good staff (Bleijenbergh, Peters, & Poutsma, 2010). There are also potentially some economic benefits to the appointment of women to boards. These are very difficult to quantify, but essentially fall into one of two categories. Those that focus on the direct impact on the financial performance of companies with female directors, and those that focus on enhancements to corporate governance that may result from having women on the board. Both of these potential advantages stem from the view that a more diverse board will have many significant benefits (Bilimoria, 2006; Burgess & Tharenou, 2000; Fondas & Salsalos, 2000; Nielsen & Huse, 2010b; Stapledon & Lawrence 1997). These advantages were first associated with information/decision-making theories, (Hoffman & Marrier, 1961) which assert that team diversity generates more group creativity and better decision-making (Nielsen & Huse, 2010b). Those advocating diversity at board level (e.g. Bilimoria, 2006) argue that a more diverse board (in terms of many factors, one of which is gender) will mean a more effective board and a better performance outcome for the company, particularly around a higher quality of decision-making (Forbes & Milliken, 1999). This is because a more diverse set of directors will generate new ideas more readily and have a wider range of perspectives (Pollack, 2000). This will enable the board to consider more options, including more innovative solutions to commercial problems (Arfken et al., 2004; Pollack, 2000; Van der Walt & Ingley, 2003).

As detailed earlier, agency theory has been criticised as taking a narrow perspective of board effectiveness as it overemphasises the monitoring role of boards and ignores the advisory role boards play (Brundin & Nordqvist, 2008; Daily et al. 2003; Huse, 2007; Muth & Donaldson, 1998). However, arguments in favour of diversity on the board include the view that a diverse set of directors is more likely to act on behalf of shareholders rather than just echo the voice of management whereas directors with similar backgrounds will tend to ask similar questions of management (Selby, 2000). Therefore, greater board diversity, and more specifically gender diversity, can be seen to be consistent with agency theory.

Having a more diverse board is important both for the quality of decision-making (stemming from the board's knowledge base) and the level of oversight the board exercises over management decisions (Conger et al., 1998). The combined knowledge and experience of board members needs to match the strategic demands facing the organisation. Perhaps most important is the potential that board diversity has to increase the human capital of the board (i.e. to enhance the competence profile of the board that can lead to increased firm performance) (Rose, 2007).

Diversity can also help to remove some of the negative elements of homogenous boards, for example, group think, which can lead to a lack of critical examination of board decisions, particularly where boards are making those decisions in areas of business operation or locations with which they have little experience. Homogenous boards may also be less likely to discuss more entrepreneurial ideas (Tuggle, Schnatterly & Johnson, 2010) or be innovative in their approach (Miller & Triana, 2009).

Another benefit to greater gender diversity on boards is that it may act to attract potential candidates for future board positions from outside the typical recruitment sources (Rose, 2007). There may also be benefits for the firm's reputation as board gender diversity sends a positive signal to other stakeholders such as customers, which may have positive effects for performance (Rose, 2007).

Research findings relating to diversity and gender diversity

It should be noted that most of the research into diversity in the management field has occurred at the workplace level and has not looked specifically at board level diversity (Sheridan, Haslam & Still, 2011). However, there has been increasing interest in board level diversity from academics in recent years. While agency theory and the independence of the board has dominated such research, increasingly, other perspectives are also being utilised (Huse et al., 2009).

Most literature in the area of board gender diversity has focused on a potential link between board gender diversity and firm performance (for example, Adams & Ferreira, 2009; Bonn et al., 2004; Carter et al., 2003; Erhardt, Werbel and Schrader, 2003; Shrader, Blackburn & Paul, 1997; Simpson et al., 2010; Yap, Palmer, Comb & Opiano, 2004) although this literature is inconclusive (Adams & Ferreira, 2009; Choudhury, 2014). There has been comparatively little research and/or theory relating to how gender diversity on boards might impact upon corporate governance, including on issues of board independence and/or effectiveness (Burke & Mattis, 2000; Nielsen & Huse, 2010a). This research addresses that gap in the literature.

If we are to understand why some boards exercise their independence more than others, we must understand more about the functioning of the board and the role diversity, and gender diversity in particular, plays. It is through group processes that scholars have often assumed that diversity at board level can impact board effectiveness (Cascio, 2004, Dobbin & Jung, 2011). However, the precise way in which diversity impacts upon board function is unclear.

In fact, there is some evidence to suggest that although corporate leaders may express support for gender diversity as a concept (particularly with respect to boards) they have more difficulty outlining precise benefits it has provided (Broome, Conley & Krawiec, 2011). This may be because of the political nature of the subject matter (Dobbin & Jung, 2011) and that any specific suggestions of inherent differences between the sexes may be seen as invoking stereotypes, even if it has positive connotations (Broome et al., 2011).

There is also some evidence that diversity in the top management team may be particularly important for firms in volatile environments (Olsen, Parayitam & Twigg, 2006). Diversity is also associated with overall employee productivity (Ali et al., 2014). Certainly research suggests there appears to be a link between board diversity and firm innovation (Erhardt et al., 2003; Watson, Kumar & Michaelsen, 1993).

Similarly, homogenous directors reinforce the notion of not wanting to disrupt the status quo. Diversity may act against this culture and therefore help to enhance board effectiveness (Selby, 2000). This implies a more diverse board will have more conflict (Hambrick & Mason, 1984), but also more innovative discussion (Miller & Triana, 2009; Tuggle et al., 2010; Wiersema & Bantel, 1992).

However, other research concludes that heterogeneous groups perform worse than homogeneous ones (Richard, Barnett, Dwyer & Chadwick, 2004) and may decrease the level of cohesiveness and increase conflict (Forbes & Milliken, 1999; Pfeffer 1973). This implies that diversity in board composition may in fact lead to less effective outcomes. This may be because those in the minority do not identify with the group and exhibit lower satisfaction with group membership (Milliken and Martins, 1996). This effect is thought to be most pronounced in terms of gender and racial diversity as it is with reference to these factors (rather than on educational or functional diversity for example) that people tend to see themselves as belonging or not belonging to a particular group (Nielsen & Huse, 2010a).

In contrast, there is also some research that supports the notion that increased conflict apparent in more diverse boards may result in them being less influential. It is argued by some commentators that demographically similar individuals tend to have similar attitudes and behaviours, which makes communication easier and reduces the potential for conflict (both between board members and between board members and the CEO). It also promotes the acceptance of different viewpoints if there are disagreements. Therefore demographically similar individuals promote consensus and cohesion (Fondas & Sassalos 2000). This suggests

that more homogenous boards should be more influential over management as they use their unity to deliberate more effectively and increase their power and influence. Some commentators have even suggested that conflict is avoided in the boardroom primarily by ensuring that the board has homogenous composition (Singh Vinnicombe & Johnson, 2001 based on Westphal, 1998).

One criticism of diversity management is that gender, or other diversity factors, may not adequately reflect the differences that exist between board members and that individual personalities may be a key factors that requires consideration (Huse et al., 2009). In fact, some researchers have indicated that the differences between individual board members are typically greater than those between the group of male and group of female directors on any board (Arfken et al., 2004; McCabe, Ingram & Dato-on, 2006; Ruigrok, Peck & Tacheva, 2007).

The limited Australian evidence suggests that Australian boards are not diverse in terms of age or gender (Kang et al., 2007) although there is some evidence that this is changing, at least with respect to gender (EOWA, 2012; Sheridan, Ross-smith & Lord, 2014). However, the vast majority of research examining board diversity and its impact on corporate performance and corporate governance (including board independence) has related to the U.S.A. (Hyland & Marcellino, 2002) with very few studies looking specifically at Australian companies (Kang et al., 2007). In addition, where research has focused on board-level gender diversity most has examined firm performance rather than board independence. This study aims to respond to that research gap in an Australian context.

Evidence and impact of tokenism in female board appointments

Despite these potential advantages of gender diversity, it has been argued that any unique contribution made by female directors may be invisible if there are fewer than 3 women on a board, that is, if they do not reach the critical mass necessary to influence the board (Erkut, et al., 2008; Konrad & Kramer 2006). The following section will discuss the notion of a critical mass in the context of female board participation.

Where there is a ratio of 85:15 male to female or less among an organisation's executives, female appointments may be regarded as tokens (Kanter, 1977). Such low representation of women at senior management level may create cultures that are hostile to women (sometimes referred to as a 'boys' club') in the sense that there was a poorer attitude to female managers,

greater performance pressure on women (because they were highly visible and a member of a minority group) and where their working relationships with men were also typically more problematic (Simpson, 2000).

Related to tokenism is the notion of a “critical mass”, which is the point at which the number of women in senior positions becomes great enough to effect a cultural change in the organisation therefore improving opportunities for other women to take up senior roles (Chesterman & Ross-Smith, 2006; Dahlerup 1988). It has been suggested that if 15-22% of senior roles are held by women then this will impact upon the overall culture of the organisation (Martin, Knopoff & Beckman, 1998). Similarly, when the representation of a group falls below 15% members of that minority group are seen primarily as representatives of that minority (Singh & Vinnicombe, 2004), which means for example, that women in senior roles are expected to pursue a "female agenda." With a minority of between 15% and 30% the group is seen as skewed and the minority individuals are less isolated and often provide social support for each other. With a minority of between 30% and 40% the group will have the required the power to impact upon the culture (Elstad & Ladegard, 2010; Singh & Vinnicombe, 2004).

Although originally formulated with respect to organisational culture, token theory can be applied to boards and board culture. It suggests that as long as women are represented in small numbers on the board, they will not threaten the dominance of the majority and will have little effect on the influence of the board (Erkut et al., 2008). This implies that a women appointed to a board will feel pressure to conform to prevailing norms and will not draw upon her diverse experiences (Brooke & Tyler, 2011). The theory also has implications for the functioning of the board itself and whether women can and do make any difference to board culture, and therefore to board effectiveness. There is evidence that as the ratio of women on the board increases, they are perceived as being more influential (Elstad & Landegard, 2010; Erkut et al., 2008). This is consistent with other research such as Bilimoria and Piderit (1994), which found female directors, who are typically in the minority, were less likely to serve on the more important board committees (and thus less likely to be an influential part of the board). It should be noted, however, that there is some evidence that female directors, even when in the minority, feel welcomed in the boardroom and do not believe they are seen as outsiders (Mathisen, Ogaard & Marnburg 2013).

Unfortunately, women appointed to boards are often in the position of being token appointments and are the only female director (Burgess & Tharenou, 2000; Ross-Smith & Bridge, 2009; Singh & Vinnicombe, 2004). According to the most recent Census of Women in Leadership Report (EOWA, 2012), 38.5% of the ASX 200 have no female board members, 38.5% have one female board member and 23% have two or more female directors. This statistic highlights that in most cases, where there is a female director on a listed company board in Australia, she is the only one (Ross-Smith & Bridge, 2009).

In terms of what the level of critical mass might be before female directors have an impact upon the board, Joecks, Pull & Vetter, (2013) in their study of listed companies in Germany, found that only after female directors constituted 30% of the board was there a positive effect on firm performance. Australian boards typically have eight directors (Kang et al, 2007) and therefore a critical mass of 30% would require approximately three female directors. In fact, Joecks et al. (2013) found that companies with boards that had fewer than 30% female directors had no discernible difference in performance from all male boards.

This is consistent with a variant of the notion of a critical mass, which asserts that it is the absolute number of women rather than the percentage that is the critical factor (Johnson et al., 2013). For example, Post, Rahman and Rubow (2011) suggest that three women on the board is the point at which gender diversity has an impact on corporate social responsibly outcomes. Konrad and Kramer (2006) and Erkut et al. (2008) conclude that in order for female representation on boards to be able to influence board content and dynamics a board must have at least three women. They argue that two female directors may cause the women to be seen as a separate group whereas with three they are no longer regarded as outsiders by the other directors. Having three directors can therefore break down stereotypes and potentially change board dynamics (Elstad & Ladegard 2010; Konrad, Kramer & Erkut, 2008) as well as normalise women's presence as leaders (Erkut et al., 2008).

Certainly, the research on tokenism with respect to boards suggests that three female directors can be seen as a "tipping point" after which it is possible to convince others of an alternative point of view (Fitzsimmons, 2012). It should be noted that there are currently only seven companies among the ASX 200 which have three or more female directors (EOWA, 2012) which constitutes 0.5% of ASX 200.

To summarise, the research on tokenism suggests that it may be very difficult to discern any impact that gender diversity might have on corporate governance outcomes (including

independence) unless the number of women reaches a critical mass (or at least three directors). In Australia, there are currently only seven companies among all boards listed on the ASX that meet that criterion. However, given the scarcity of studies that have sought to address the Australian environment specifically, it is important to understand whether the effect of tokenism will outweigh any potential advantages in having board diversity.

Impact of gender diversity on corporate governance

While the link between gender diversity and firm financial performance is unclear (Daily et al., 2003), there is a suggestion that boards with female directors may offer better corporate governance than all male boards (Credit Suisse, 2012). Conference board of Canada research (as quoted in Stephenson, 2004) details that boards with some female representation have a more explicit identification and measurement of strategy, a more explicit monitoring of strategy implementation, more ethical conduct (e.g. ensuring conflict of interest guidelines and code of conduct are complied with) and increased use of non-financial performance measures (e.g. innovation and social responsibility). There is also some evidence that gender-diverse boards are tougher monitors of management conduct (Adams & Ferreira, 2009).

There are three key ways through which gender diversity at board level might be expected to provide enhanced corporate governance. These are through the availability of more diverse human capital resources, enhanced board independence and enhanced board dynamics (Simpson, 2010).

Diverse Human Capital

Human capital can be defined as the knowledge and skills possessed by an individual, including their career experience and wisdom (Hatch & Dyer, 2004). The combined knowledge and experience of board members needs to match the strategic demands facing the organisation. The diversity literature tells (e.g. Fernandez, 1993; Kang et al. 2007) us that the inclusion of women on the board should bring about a broader set of skills, which in turn should improve the decision making capacity of the board as a whole. It is argued that having women on the board may enable companies to adapt better to turbulent, globalised markets, by bringing more diverse human capital, although this case has yet to be made in an unequivocal fashion (Bilimoria 2000).

For example, it has been suggested that having women on the board may help to better manage product and labour market diversity (Fernandez 1993), which may be particularly the

case for companies where women are a high proportion of customers or employees (Arfken et al., 2004; Kang et al., 2007; Mattis, 2000). As discussed previously, there is some evidence that companies have taken this advantage very seriously. In the U.K. at least, evidence suggests that diversity on the board is reflective of an attempt to mirror customer diversity over other goals (Brammer et al., 2007), which may help to explain why women are more prevalent on boards of companies in sectors such as retail, as they are in Australia (EOWA, 2012).

Enhanced board independence

While there has not been a lot of research into the relationship between board independence and board diversity, the literature does indicate that there may be two ways in which board gender diversity is linked to board independence. The first of these is that a more gender diverse board is likely to have more influence over management (Fondas & Sassalos, 2000). Much of the literature on diversity predicts that when there is more diversity the board will be more influential over management decisions (Fondas & Sassalos, 2000). It provides a strong theoretical basis for arguing that more women on the board will make the board more independent of management and therefore able to exercise more effective corporate governance. There is some evidence to support the idea that more diverse boards have greater influence over management decisions. Burke (2000c) points to some studies examining the relationship such as Johnson, Hoskisson and Hitt (1993) and Judge and Zeithaml (1992), who reported that outside director representation increased board influence over some strategic outcomes.

A particularly relevant study for this discussion was conducted by Fondas and Sassalos (2000) who found that boards in the U.S.A. with one or more women had significantly more influence over management decisions than those without any women. Thus they found a positive relationship between board influence and board gender diversity. Board influence over management can be regarded as the operationalisation of board independence. An independent board is one that exercises its influence on the board in terms of its governance responsibilities and over management decisions (Fondas & Sassalos, 2000). Similarly, a board which is not independent in the way it exercises its duties (i.e. it simply rubber stamps the decisions of management) cannot be regarded as influential (Fondas & Sassalos, 2000).

The second way in which gender diversity may impact upon board independence is understood by viewing female directors as outsiders. As most women are outsiders (i.e. they

are outside of the usual old boy's network), they are more likely to exercise independent oversight over company activities and to curtail the power of the CEO (Fondas, 2000). In other words, because they are not part of the "in-group" they are less likely to simply rubber stamp management decisions and more likely to exercise independent oversight of company activities and to curtail the power of the CEO (Brennan & McCafferty, 1997; Fondas, 2000; Kesner, 1998). In fact the benefits brought by an independent director can be seen as analogous to that brought by female directors. Both bring a new and different perspective (Fitzsimmons, 2012). This is consistent with agency theory, which suggests that the proportion of insiders on the board will be negatively associated with board influence on management decisions (Simpson et al., 2010).

However, as discussed earlier, if women are marginalised as tokens then an opposing argument suggests that women may have very little influence at all. (Simpson et al, 2000). Theoretically, therefore, it is possible that having women on the board may enhance board influence (and independence) because they provide a diverse voice, or, alternatively, a female voice on the board may have no impact on board influence (or independence) because she represents a marginalised, token appointment (Elstad & Ladegard 2010; Singh & Vinnicombe, 2004).

There has been very little research seeking to establish or understand any potential link between board independence and board gender diversity (Fondas & Sassalos, 2000). This is particularly the case in an Australian context. The following research question is formulated based on the literature supporting diversity and agency theory. It seeks to address a research gap that exists with respect to understanding the relationship (if any) between board gender diversity and board independence:

Research Question One: What is the nature of the link between board gender diversity and board independence?

Enhanced board dynamics

Studies suggest that a more diverse board may provide more robust debate (Sonnenfeld, 2004) and therefore more independence (Colaco et al., 2011). Certainly, as discussed earlier, the diversity literature tells us that heterogeneity among the board reduces the likelihood of "group-think." (Selby, 2000). Consistent with that, there is evidence to suggest that board diversity has an impact on board dynamics (Terjesen, et al., 2009). For example, Choudhury

(2014) has argued that women on boards may enhance board decision-making processes. In fact, it has been suggested that board dynamics are a more important factor than board composition when attempting to enhance the effectiveness of the board (Nielsen & Huse 2010a). However, board dynamics is an area requiring further research as there have been relatively few studies focused on it and its impact is not well understood (Pugliese et al., 2009).

More research into the contribution that women make to the functioning of boards would be welcome (Bilimoria, 2000; Huse, 2009; Ross-Smith & Bridge, 2009) as would additional research into how women exercise their influence as directors (Terjesen et al., 2009). Studies to date have suggested that women have a significant impact with respect to decision-making culture. More specifically, Nielsen and Huse (2010) suggest that the presence of female directors may encourage more open debate and also reduce conflict, although they found no significant positive relationship between female directors and open debate. Open debate may be defined as "an open discussion of task related differences" (Simons, Pelled & Smith 1999:663). Women may encourage this open debate by offering a diverse viewpoint which provokes discussion (Letendre, 2004), asking questions more freely (Bilimoria & Wheeler, 2000) and being more likely to question conventional wisdom (Bilimoria & Huse, 1997; Huse & Solberg, 2006) and thus be more likely to engage in debate and disagreement (Pearce & Zahra, 1991).

Similarly, the "female leadership style" may promote more discussion and argument (Eagly & Johnson, 1990). The female leadership style (as stated by Trinidad & Normone, 2005) is typically identified as more democratic, participative, inclusive and collaborative than the traditional (male) leadership style. It should be noted that such a leadership style is not always confined to women and not displayed by all women, but is nonetheless associated with female leaders. It has been suggested that women will reduce conflict because of their participatory leadership style (Eagly & Johnson, 1990) and higher sensitivity towards others (Bilimoria, 2000; Bradshaw & Wicks, 2000).

Nielsen and Huse (2010) outline two key types of board dynamics, which are important for the board to maximise its effectiveness. The first of these is the interaction between board members and the ability to exchange information and knowledge effectively. The second is board working structures that are in place which essentially guide board members' behaviour so as to support board decision-making. Examples of such working structures include

induction of new board members, regular board performance evaluations, board development activities and board instructions (Huse, 2007).

It is in the interaction between board members where research suggests female directors may make a unique contribution (Nielsen & Huse, 2010a), by encouraging more productive board discussion (Bilimoria, 2000; Nielsen & Huse, 2010a) and by way of providing a more participative management style (Pearce & Zahra, 1991) and more sensitivity to other points of view (Bradshaw & Wicks, 2000). It should be noted, as discussed earlier, that some research (e.g. Fine, 2014) argues that these traits are not inherently female, but merely the result of gender stereotyping.

Women may also have an impact on board working culture through board development activities (Huse, 2009; Nielsen & Huse, 2010a). This may be because female board members have higher expectations of board task performance and therefore are more concerned with developing greater board effectiveness (Fondas, 2000). Similarly, Huse and Solberg (2006) suggest that female directors are more likely to spend longer preparing for meetings (see also McInerney-Lacombe, Bilimoria & Saliante, 2009), attempting to understand board work and identifying areas for improvement as well as participating in board evaluation activities. Certainly, some evidence from the U.S.A. suggests directors are less likely to have attendance problems than their male colleagues (Adams & Ferreira, 2009). In fact, the attendance record of all directors appears to go up with more women on the board so they also impact on the behaviour of their male colleagues (Adams & Ferreira, 2009). This is contradicted to some extent by Bianco, Ciavarella and Signoretti (2015) in their study of Italian boards, which found that women had lower attendance at board meetings than their male colleagues.

Observable characteristics of female board members

In order to enhance our understanding of the contribution female directors might make to board independence, it is useful to reflect on the typical characteristics and backgrounds of female board members and how these may differ from their male counterparts. These characteristics can be viewed in terms of demographics (or individual characteristics), social capital and human capital (Terjesen et al., 2009). The evidence, as discussed below, indicates that there are differences between the cohort of female directors and male directors. More specifically female directors may have different educational, professional and industry backgrounds and may be younger than their male colleagues. This implies that any differences between male and female directors may be as a consequence of differences in the

characteristic of these two groups rather than (or in addition to) any differences directly related to gender.

Based on examinations of listed companies, female directors are typically younger than their male counterparts by around 3 to 6 years. This is the case in the U.K. (Sealy, Singh & Vinnicombe, 2007), the U.S.A. (Peterson & Philpot, 2007; Simpson et al., 2010) and Australia (Ross-Smith & Bridge, 2009). Most directors (between 65% and 71%) in Australia, the U.S.A. and the U.K. are married (Burgess & Tharenou, 2002) and around 70% have children. The Australian statistic is based on a sample of ASX listed companies (Burgess & Tharenou, 2002; Sheridan, 2001) although international comparisons can be problematic as Australian studies have tended to measure the number of dependent children rather than children in total. Interestingly, Burgess and Tharenou's (2002) study indicates there is some evidence to suggest that in Australia, those female directors with children have slightly more children (an average of 2.9) than their U.K. (an average of 2.5) or Canadian (an average of 2.4) counterparts.

There is some evidence to suggest that board members are frequently appointed, at least partly for the quality of their network and the benefits that may flow from those contacts, such as the ability to supply information to the company (Singh & Vinnicombe, 2004). This ability to build social network ties with other directors is regarded as social capital (Westphal & Milton, 2000). In the U.K., women who have succeeded in obtaining board positions are often extremely well connected (Singh & Vinnicombe, 2004). They are also more likely to be titled than their male colleagues (Singh et al., 2006) although some evidence suggests this may have changed (Sealy et al. 2007; Singh et al., 2007).

In the U.S., female board members are likely to have an Ivy League education (Mattis, 2000), signalling upper class status and suggesting a well-developed network (Singh & Vinnicombe, 2004). This evidence therefore suggests that female directors may not (only) be token recruits, but have been recruited partly for their social contacts (i.e. their social capital). In Australia, network ties with other female directors appear to be a factor for board appointments of female directors in a third of cases (Sheridan, 2001), while business contacts have been identified by both men and women directors as a very important factor in their success (Sheridan & Milgate, 2005).

Evidence suggests that in Anglo-American countries (including Australia), women bring different human capital to the board than their male colleagues (Dunn, 2012). Human capital

theory (Becker, 1964) examines the role of an individual's cumulative stocks of education, skills, and experience in enhancing cognitive and productive capabilities that benefit the individual and his/her organization. Human capital theory proposes that boards should consist of directors that can enable organisations to access prestige, legitimacy, financial capital and market knowledge (Terjesen, Sealy & Vinnicombe, 2008). A common assumption of board selectors is that women lack sufficient human capital for board positions (Burke, 2000a). However, Singh, Terjesen and Vinnicombe (2008) found that female directors typically have similar and sometimes additional human capital to their male counterparts. Having said that, there is some evidence of differences in the human capital of the cohort of female directors to that of male directors.

For example, women directors are less likely to come from corporate backgrounds (Daily & Dalton, 2003b; Hillman et al., 2002; Simpson et al., 2010), but instead typically come from the public sector and academia (Daily & Dalton, 2003b; Simpson et al., 2010), the non-profit sector (Daily & Dalton, 2003b) or medicine (Simpson et al. 2010). They are also more likely to be support specialists for example from areas such as law, public relations and marketing, or "community influentials" who have important contact with the community (Hillman et al., 2002; Singh et al., 2007, Singh et al., 2008; Terjesen et al., 2008) and less likely to have experience as a CEO (Singh et al., 2007).

In Australia, female directors are more prevalent in the insurance, banks, food, beverage and tobacco, software and services, retailing and diversified financial services sectors (EOWA, 2012). They often work in large, public sector organisations that have managerial hierarchies less dominated by men (Burgess & Tharenou, 2000). Certainly, directors (both male and female) have indicated that in Australia professional background and a solid understanding of business principles contributed to their appointments (Sheridan & Milgate, 2005).

In summary, there are some differences between the cohort of female and male board members in Australia, in terms of social and human capital. The question of whether that flows through to differences in values is discussed in the following section.

Values of female board members

Generally speaking, research suggests that there are no significant differences between the effectiveness of men and women in leadership roles (Nielsen & Huse, 2010a). However, there is some research that suggests there may be differences in the values of female and male

board members and that may, in turn, have an impact on corporate governance outcomes (Adams & Funk, 2012; Bertrand, Golden & Katz, 2010; Beutel & Marini, 1995; Eagley, Diekmann, Johannesen-Schmidt & Keonig, 2004). It should be noted that this research stands in direct contradiction to other arguments which propose that any differences between men and women are the result of societal norms and cultural assumptions regarding gender rather than biology (Fine, 2005). This debate is a wide and complex one that is outside the scope of this research.

Focusing on research, which has found differences in the values of men and women, it has been suggested that in general, women may have a tendency to show greater compassion (Beutel & Marini, 1995) and have a lower tolerance for ethically ambiguous practices (Eagley et al 2004). In fact, Bertrand et al. (2010) argue that it is to be expected that female directors would have significantly different values to that of both their male peers and other women in general. This is because the decision to pursue a career path, which leads to the boardroom is often at the expense of having children and thus it can be expected that there is a difference in the values of women who make that choice against women who do not and against men for whom that choice is not necessary. However, it should be noted that this was only presented as a plausible argument and is yet to be substantiated by research. This is somewhat consistent with the finding that female directors in Sweden tend to be more powerful and achievement orientated than women in the general population (Adams & Funk, 2012). Adams and Funk (2012) also noted that the trade-off between career and family for female directors may be smaller than elsewhere given the strong child-care, government and social support for working mothers in Sweden. Therefore, even though the authors believed the results would be applicable in other countries, they considered it quite possible that the difference between the values of female directors and women in the general population may in fact be greater in other countries and therefore the results may be even more contrasting.

In Adam and Funk's recent (2012) study of 499 directors of listed companies in Sweden it was concluded that there was still a significant difference between the values of male directors and female directors. Interestingly, they found that female directors were more benevolent, but less power oriented than male directors, which were results mirrored in the general population. However, female directors were less traditional and security oriented and more open to change than their male counterparts, which is not a characteristic present in general female population. Perhaps most interestingly, female directors were found to be more risk loving than their male colleagues. This goes against commonly held perceptions and other

research indicating women (and female board members) are more risk averse than their male counterparts. Perhaps the most significant inference to be drawn from this research was that at least in Sweden, female directors are not risk averse (which is one of the persistent negative stereotypes associated with women in leadership) and also that they vary significantly in values to women in the general population. They also differ from male directors in key areas, thus indicating that they bring a different set of views to the boardroom.

Another Swedish study, which gives some insight into the issue of male and female value alignment, is Smith's (2007) study of Swedish non-for-profit associations and their boards. Smith used a more complex definition of entrepreneurship, which had some interesting results. In the study, entrepreneurship was defined in terms of two dimensions; risk taking and strategic optimism. Strategic optimism involves an organisation's capacity to perceive new opportunities and develop new strategies and to transform the strategy of the organisation. Her conclusions were that these two dimensions were negatively related to each other and both were important for successful entrepreneurship. Although boards with a high proportion of women were typically more risk-averse, such boards were found to be more strategically optimistic.

Adams and Ferreira (2009) found boards with gender diversity tended to be more effective in monitoring management and to put in more effort to do so, which is an important aspect of ensuring board independence. Therefore, it is important not only to understand how having female directors might be linked to board independence, but also to understand if and how female directors make both a direct contribution to board effectiveness and an indirect contribution through board dynamics.

In summary, while there are no inherent differences in the capacity of men and women to be board members which is evident in the literature, there do appear to be differences in the social and human capital of the cohort of male and female board members. This may lead to differences in the values and behaviour that men and women exhibit in the boardroom. Such differences are indicated by the literature to be associated with gender diversity rather than professional background, age or educational background. While these points may not indicate better decision-making, they do indicate women can influence board dynamics positively. Investigating board dynamics in more detail may enable a better understanding of the contribution that female board members in particular, make to overall board effectiveness (Huse & Solberg, 2006) and whether this has an impact on board independence. Therefore the

following research question is formulated to address gaps in the literature and to improve our understanding of the role of women in enhancing board independence through their contribution to board dynamics:

Research Question Two: To what extent do board dynamics act as a mediator of the relationship between board gender diversity and board independence?

Why do Businesses Appoint Women to Boards?

The importance of board independence was discussed previously along with how board gender diversity might be linked to this independence and thus contribute to effective corporate governance. Any such link would boost the business case for recruiting women to boards. However, the board director recruitment process remains under-researched (Withers. Hillman & Cannella, 2012) and clarity is sought on why businesses recruit women to boards (Hillman et al., 2002; Knippen & Shen 2009). The current research seeks to address that knowledge gap. There is a wide range of potential reasons for selecting female directors, both theoretically and in practice, for example occupational and educational background, or networks of contacts. Key reasons however are still to be determined (Hillman et al., 2002). Similarly, it may be that organisations recruit women to boards to obtain benefits of diversity, but again this is yet to be established (Miller & Triana, 2009). The purpose of the following section is to explore these antecedents to female board selection and to investigate whether effective corporate governance is one of the primary reasons that organisations attribute to having women on boards. The following provides an outline of the reasons organisations might recruit women to boards and develops a relevant research question. The section will draw from institutional theory and address institutional pressure, in order to explain female board appointments.

Appointment of female directors: A theoretical perspective

Many of the potential reasons why businesses might seek to appoint women to boards are related to institutional pressure (Hillman et al., 2007). Certainly, it is clear that the business case for female directors has not been sufficiently made as to induce organisations to appoint women to directly enhance their bottom line (Bilimoria, 2000; Dalton et al., 1998). Therefore, it can be concluded that it is other institutional pressures, whether internal or external, that have contributed to the increasing presence of women on boards, however, it is unclear how this pressure is applied to organisations (Knippen & Shen, 2009). Zajac and Westphal (2004)

indicate that more research is needed into how corporate governance practices are impacted by institutional pressures and the way these pressures are asserted. A greater understanding of how these pressures impact upon the decision to recruit women to boards and why women are recruited to some boards and not others can help inform debate on female representation on boards (Hillman et al., 2002; 2007). More specifically, such research into the predictors of female board appointments can help us understand why women directors are more prevalent in some industries and not in others (Hillman et al., 2002; 2007). Similarly, it is unclear if those companies that appoint women relatively early do so with more commitment and those who appoint women late are doing so largely for symbolic reasons (Hillman, 2015).

There is some tentative evidence of organisational factors impacting upon female representation in the boardroom. In the U.S.A. there is a tendency for organisations in industries with a high proportion of female employment and larger organisations to have more women on the board (Hillman et al., 2007). Interestingly, firms that are linked to other firms with female directors are more likely to then have female directors on their own boards, which may indicate a quest for legitimacy or isomorphic behaviour as a motivator for appointing female directors (Hillman et al., 2007). Certainly, if these organisational factors influence board appointments, it may follow that a board which is more independent (or wishes to be perceived as such) might show a preference for appointing more female directors. However, there appears to be very little research, which has addressed this possibility to date or indeed, has looked at organisational factors as predictors for female board appointments (Hillman et al., 2007).

While research such as Knippen and Shen (2009) gives us some insight into the isomorphic pressure affecting the recruitment of women to boards of directors in the U.S., there has been very little research into the particular pressures applied to Australian firms in this regard. As mentioned earlier, Australia has a unique regulatory environment with respect to corporate governance as our Corporate Governance Guidelines (ASX, 2010) are voluntary. Thus, it is very important that the impact of isomorphic pressures on Australian companies is understood in order to determine the impact any such external pressure plays when companies contemplate the recruitment of female directors. It is also timely and important to understand if these guidelines are having an impact and what other pressures are being asserted to induce female board appointments. The basis of any investigation of this nature must revolve around institutional theory. In the following section, the theory is outlined and applied to explain why women might be appointed to boards.

Institutional theory

A potential explanation for the lack of senior women apparent in almost all companies across all of Australian industry is offered in the form of institutional theory (DiMaggio & Powell, 1983). Institutional theory contends that structural change in organisations (which in this case would cover board composition) occurs because organisations wish to obtain legitimacy and therefore adapt to what other leading companies or other external forces require. This process is called isomorphism and can be defined as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio & Powell, 1983 p.149). The process of isomorphism is undertaken irrespective of whether the changes made make the organisation more or less efficient and creates homogeneity in structure and firm behaviour (DiMaggio & Powell, 1983). It occurs alongside the process of bureaucratisation as industries become established and inevitably leads to greater similarity between organisations. Thus it can be understood that organisations are competing for legitimacy and it is through the process of isomorphism that this is achieved (Meyer & Rowan, 1977). Firms that conform to these standards are less likely to face questions regarding their policies (Dunn, 2012). Even new entrants will seek to gain legitimacy by taking established norms from the leaders in the field. This legitimacy is obtained by conformity to social norms and institutional requirements (Yang & Konrad, 2011).

In terms of gender diversity, isomorphism has resulted in firms following standard forms and using similar discourses to conform to the corporate norm in response to the issue of women in the workplace (Perriton, 2009). Thus female board appointments may occur in order to demonstrate that the board is diverse and not because of any perceived advantages of female directors or the particular director appointed (Dunn, 2012). Some evidence suggests women are more likely to be appointed to boards where there are no women currently serving and when a female director leaves, they are more likely to be replaced with a woman. These two factors may lead to the view that women are being appointed to obtain or convey social legitimacy (Farrell & Hersch, 2005).

Institutional theory has particular relevance for issues of Corporate Social Responsibility (C.S.R.), which can be seen as those organisational practices that are not legally required, but are implemented to improve the workplace and to benefit society (Brammer, Jackson & Matten, 2012). In that sense C.S.R. refers to actions taken by boards and managers that go

beyond the narrowly defined parameters of agency theory where companies are managed primarily in the interested of shareholders and specifically to maximise shareholder wealth (Brammer et al., 2012). While technically C.S.R. initiatives are typically voluntary in nature, institutional theory tells us that such initiatives are often so pervasive in our industries and expected by society so as to make them forms of self-regulation, which in effect, become compulsory for firms if they wish to win and maintain legitimacy (Brammer et al., 2012). Thus some corporate activities may have a symbolic value that becomes institutionalised over time regardless of their economic impact (positive or negative). The key example of a C.S.R. initiative for our purposes is the appointment of women to boards of directors. Institutional theory could apply to analysis of female board appointments as institutional investors, advocacy groups, governments, stock exchanges (such as the ASX) and other external parties apply pressure to companies to increase the number of female directors. This pressure may impact upon the legitimacy enjoyed by the company with the public (Knippen & Shen, 2009).

Knippen and Shen (2009) have found in their analysis of U.S.A. boards, that the presence of female directors is positively related to firm size and to the prevalence of female directors in the particular industry in which the firm operates. They also found recruitment of female directors to be positively related to the presence of female directors already serving on the board. These results reinforce the view that isomorphism plays an important role in understanding why women are appointed to directorships. Institutional theory suggests that larger firms are more visible and therefore will be scrutinised by the public to a greater extent than smaller firms. Thus, they are under greater pressure to conform to societal expectations (Knippen & Shen, 2009). Similarly, institutional theory suggests that firms, in their quest for legitimacy, will attempt to follow the industry leader and therefore it would be expected that the number of women appointed to a particular company board would reflect the number of women typically appointed to boards in that particular industry (Knippen & Shen, 2009). In addition, institutional theory tells us that as the existence of female directors is legitimised across society, in the particular industry and in the firm itself, it is more likely that such appointments will be seen as the norm and therefore, will be more frequent (Knippen & Shen, 2009). Thus, board level gender diversity can be regarded as giving an organisation some legitimacy (Milikens & Martins, 1986).

Di Maggio and Powell (1983) identified three key forms of isomorphism, which explain the various forces that encourage organisations to become more homogenous: mimetic, coercive and normative isomorphism. Each of these can be applied to the issue of women on boards

and more specifically, why organisations choose to recruit women to boards. Each is outlined below.

Mimetic isomorphism

Mimetic isomorphism is that which stems from uncertainty. When organisations face an uncertain environment (internally or externally) they may seek to model themselves on other organisations. In particular, they look to those organisations that are perceived as being more legitimate and/or successful than their own. This is often the case when looking at organisational structure and re-structuring, which often happens in order to follow the current trend in management thinking (and following those successful firms who have adopted the structural type in question) as advised by one of a few existing consulting firms. It could be argued that the key driver of such restructures is often a desire to be like other firms rather than a quest for greater organisational efficiency (DiMaggio & Powell, 1983). As applied to the issue of women on boards, evidence of mimetic isomorphism might be that women are recruited to corporate boards because other boards have recruited women and therefore doing so provides legitimacy. Hillman et al. (2007) found that in the U.S.A. organisations are more likely to have women on the board of directors if they were operating within industries with a greater percentage of women in the workforce or as customers. These results could be interpreted to be evidence for mimetic isomorphism, as the percentage of female employees and customers tends to be industry-based and therefore it could be the case that firms within these industries are seeking to obtain legitimacy by acting as others do within their sector. This was confirmed by Knippen and Shen in their 2012 research into U.S.A. boards found that there was a positive relationship between female board appointments and the presence of other female directors on boards within the same industry. Thus, it appears that if industry peers are appointing female directors, pressure is applied for organisations to do the same in order to obtain legitimacy.

Relatively little research has been done with respect to diversity issues and mimetic isomorphism (Yang & Konrad, 2012). An exploration of the appointment of women to boards of directors and the role mimetic pressures might play would help inform an understanding of the antecedents of the recruitment of female directors.

Coercive isomorphism

Coercive isomorphism stems from external pressure applied to organisations either by other organisations, the state or by the cultural expectations of the society in which they operate. These external pressures may be of a formal or informal nature and they may come in many forms ranging from legal requirements imposed by the state to the persuasive pressure of societal expectations. It has been argued that because of these coercive pressures organisations are increasingly homogeneous as they attempt to adapt to the standards and requirements of government and of society more broadly (Meyer & Rowan, 1977). Certainly there has been more scrutiny of the operations of corporations recently particularly in light of a string of corporate scandals (Brammer et al., 2012).

Perhaps the most obvious example of coercive isomorphism as it applies to women on boards is the recruitment of women to board roles for public relations purposes or to enhance a firm's reputation. This stems from the pressure applied to organisations by societal expectations to include female directors on boards (Elgart, 1983). It can be seen as a method of symbolic management action designed to signal compliance with stakeholders' expectations in order to gain legitimacy (Ferreira, 2010). In a general sense, research suggests that firms enhance their corporate reputation when they undertake activities in the area of C.S.R. (Turban & Greening, 1997). It may also be seen specifically as meeting the expectations of institutional investors (e.g. superannuation funds), which have increasingly scrutinised companies in terms of gender diversity (Singh, 2005). Certainly, evidence suggests that having women on the board enhances a firm's reputation (Bear, Rahman & Post, 2010; Bernardi, Bosco, & Columb, 2009; Bilimoria, 2000; Brammer et al., 2009). In fact, Bernardi, Bean & Weippert (2002) found that those companies with a strong female presence on their board are more likely to have pictures of board members included in the annual report so as to advertise the gender diversity of their board to stakeholders. This in turn, increases pressure on those firms within fewer women on their boards to increase the number of female directors in order to show they are also committed to diversity (Bernardi et al., 2002).

"High reputation" can be defined as "the accumulation of high levels of public recognition of the quality of a firm's capabilities and outputs" (Farrer et al., 2010 p.1132). There are several high profile companies such as Johnson and Johnson and The Body Shop which have long claimed that being socially good enhances their ability to do well financially (Dowling, 2006). Consistent with this, a variety of research suggests that there are many significant benefits,

which accrue to organisations that have positive reputations (summarised by Bear et al., 2010). Some of these relate to human resources, such as enhanced ability to recruit staff (Albinger & Freeman, 2000; Cordeiro & Sambharya, 1997; Turban & Greening, 1997), better retention of staff and higher job satisfaction levels. Other benefits relate to marketing such as ease of entering new markets and launching new products due to enhanced branding. Another area of potential benefit is financial as a positive reputation may contribute to more interest from institutional investors, a better financial performance and a higher share price. A good reputation may also provide legitimacy for the firm's strategy externally and enable easier access to certain resources, for example finance (Coreidiro & Sambharya, 1997). There is some dispute in the literature, however, as to whether corporate reputation enhances profit or whether profit enhances corporate reputation and there is empirical support for the link between the two variables in both causal directions (Sabate & Puente, 2003). In fact, some of the research has pointed to a two-way relationship whereby a good reputation enhances corporate performance and vice versa (Sabate & Puente, 2003). Despite some studies finding a clear relationship between having a good reputation and above average financial performance, research in this area has not progressed sufficiently to be able to quantify the value an enhanced reputation might have for an organisation (Dowling, 2006).

In addition, those firms with a high reputation received better responses from investors than other firms when making positive or negative announcements (Pfeffer, Pollock & Rindova, 2010). In fact, a McKinsey report even indicated a premium of 13-14% is typically paid by institutional investors for well-governed organisations (Dowling, 2006). This reinforces the value of positive reputation for organisations, which can be seen as an intangible asset of significant value. It also helps us to understand the coercive power of societal expectations encouraging firms to do a range of socially positive activities including appointing female directors.

Research suggests that the composition of the board (and the combination of the social and human capital of board members) may be an important signalling device to the market (and stakeholders) regarding the quality of corporate governance being exercised (Certo, 2003; Fama & Jensen, 1983). More specifically, the existence of diverse board members (i.e. women and ethnic minority directors) may send a positive signal to stakeholders and the general public regarding a firm's commitment to diversity (Miller & Triana, 2009; Turban & Greening, 1997) and creating social value (Dowling, 2006). It may also indicate that the firm understands its diverse marketplace and customer base (Bilimoria, 2000, Burke, 2000) and

also that the firm's culture is one which accepts diversity and where minorities feel they can advance (Albinger & Freeman, 2000; Bilimoria, 2000; Daily & Dalton, 2003; Mattis, 2000; Turban & Greening, 2009; Van der Walt & Ingley, 2003), which gives the firm credibility in the marketplace (Fondas, 2000; Mattis, 2000; Miller & Triana, 2009). There may also be more concrete benefits from having more directors from minority groups as they are able to directly engage with a more diverse range of stakeholders to expand the organisation's good reputation (Miller & Triana, 2009). Certainly, assumptions about how investors may view the appointment of female directors may be a key factor that senior management consider (Cook & Glass, 2011).

It should be noted, however, that some studies such as Miller and Triana (2009) have failed to find a positive relationship between board gender diversity and reputation (despite finding that this relationship did exist with respect to racial diversity and reputation). The authors discuss several reasons for this (as they highlight theories that suggest the relationship should exist). It may be that women are less likely to be in powerful positions on boards and therefore may have only limited influence on reputation (which is supported by Peterson and Philpot's 2007 research into committee membership) or that minority directors are seen as more important in the global business environment than gender. This is because minorities may have familiarity with other cultures that are useful to the business and therefore enhance reputation (as they are more highly valued) in the current business environment. Alternatively, it could be argued that women are typically token appointments and therefore lack power.

Research suggests that organisations believe that a positive reputation is something to aspire to, as with can see from Knippen and Shen's (2012) and Hillman, Shropshire and Cannella's (2007) research into U.S.A. boards. Both of these studies found the recruitment of women to boards was positively related to firm size, which the authors attributed to the greater scrutiny by external parties of those firms, which were more visible. In other words, larger, more visible companies, which were more likely to be scrutinised by the public were more likely to take action (i.e. appoint women to boards), which could enhance their reputations.

Another more obvious form of coercion in Australia is via the ASX in the form of changes to its Corporate Governance Guidelines (2010), which require companies to report on the number of women on boards and on firm diversity policies. The guidelines requires an explanation as to why companies have few women or do not have a diversity policy (or have not meet target set by their own policies), but does not have the power to sanction companies

for non-compliance. It provides coercion in the form of non-binding encouragement, which seeks to reflect societal expectations regarding female appointments to boards. As this is a relatively new initiative, little research has been done at this stage into the impact it will have on the recruitment of women to boards of directors in Australia.

More research is needed into the relationship between firm reputation and board gender diversity and how female directors might impact upon reputation (Bilimoria, 2000). In fact, Miller and Triana (2009) call for more research into how diversity is valued by board members and impacts upon recruitment. While there is some evidence that managers are increasingly aware of how internal decisions affect stock prices, little research has focused on how the options of external stakeholders actually impact such decisions, such as the appointment of women to boards of directors (Cook & Glass, 2011).

Normative isomorphism

For many key positions in organisations, the professionals that occupy them are almost interchangeable with individuals who occupy similar positions in other organisations. This is due to the university education that is required to enter these professions and the fact that this education has helped to develop and disseminate professional standards and norms of behaviour. Thus, individuals in each profession enter their working life with certain pre-existing notions of appropriate behaviour and conduct as a specialist in their chosen field. In addition, there are well-developed networks of professionals for each field, which reinforce such norms and ensure consistency across the profession. These two factors combine to ensure that the organisation has a much less persuasive influence in the behaviour of key professional staff, which traditionally might have been affected by different historical contexts and control mechanisms employed by different organisations. However, this is no longer the case as the professional conduct expected of managers conforms so strictly to norms in that profession which spans across organisations. It can be argued that in some professions these norms are adhered to so well and the entry into the professions so restricted that those at the highest levels in organisations are barely indistinguishable from one another (DiMaggio & Powell, 1983). Thus, this occupational socialisation as it could be considered, acts as an isomorphic force which occurs irrespective of whether such professional behaviour increases organisational efficiency or not.

It might be expected that normative isomorphism does impact upon board composition in the sense that directors will be chosen from a narrow range of professions from which directors

are usually selected and that operate within relatively structured parameters. Thus, actual differences between board members would be minimal. Therefore, it might be expected that firms recruiting women to directorships in response to other forms of isomorphic pressure will continue to look for women who conform to the usual professional backgrounds of directors (and thus the difficulty often reported in finding suitable female candidates) as the result of normative isomorphism. This may also have a bearing on the issue of women on boards and the difficulty of establishing a business case for having more women on boards. If normative isomorphism is pervasive it is likely that male and female professionals in any given field exhibit norms of behaviour, which are very similar, making the case for recruiting women to boards for any particular business reason more difficult to make. However, Knippen and Shen in their 2012 research into U.S.A. boards found that there was a positive relationship between female board appointments and the presence of other female directors on the same board in the previous year. Thus, it appears that if the norm becomes to have female directors, normative pressure is applied from within the organisation to continue to appoint women.

Interestingly, normative isomorphism and diversity are contradictory in terms of their predictions of the impact of having women on boards. The diversity literature tells us that women will be different to men and therefore have a diverse view on some issues. This diversity may spring from their gender directly, or from the cohort of female directors having different experiences on the path to directorship, which make their perspectives differ from those of their male colleagues.

Dunn's (2012) research into the appointment of female directors to board committees reinforces the view that organisations are appointing female directors because of the benefits of diversity. Previous research into the representation of women on board committees (e.g. Bilimoria & Piderit, 1994; Peterson & Philpot, 2006) had concluded that women tended to serve more readily on less important board committees (e.g. public relations) rather than the key committees (such as audit and compensation), which supported the view that women were therefore token appointments. However, Dunn's (2012) research which followed 159 new female and 159 new male directors appointed between 1996 and 2004 to listed Canadian companies indicated that women were typically appointed to major board committees within one year of the appointment as a director whereas the male directors were not typically appointed to any board committees within their first year of service. Dunn concluded that these results indicated women were increasingly being utilised on board committees and that they were not token appointments. He also hypothesised that it was the perceived benefits of

diversity that were driving the difference in the utilisation rates for male and female directors in his study. This finding is consistent with the benefits of diversity as outlined in the literature, but not with normative isomorphism, which asserts that female and male directors should be very similar in terms of their approach to issues and problems.

While research indicates the educational and professional backgrounds of the top management team may contribute to organisational isomorphism (DiMaggio & Powell, 1983), there has not been considerable research looking at normative isomorphism (Yang & Konrad, 2012). An exploration of the role normative pressure plays would inform our knowledge of the antecedents of the appointment of women to boards in Australia.

Therefore, institutional theory and gaps in the literature form the rationale for the development of Research Question Three as outlined below:

Research Question Three: What are the antecedents to female board appointments?

Chapter Conclusion

This research seeks to examine the relationship between board gender diversity and board independence in Australia (if such a relationship exists). The discussion considered the importance of corporate governance in light of recent corporate scandals and government legislation. Board independence was examined as a crucial element of corporate governance and a central feature of agency theory. There was a discussion of the importance of board diversity, focusing especially on board gender diversity and the theoretical impact this may have on board independence. Drawing on agency theory and the literature supporting diversity, a theoretical case can be made for board gender diversity increasing board independence. However, token theory was considered to explain why the theoretical benefits of diversity might not be apparent i.e. as a possible explanation for a failure of women to make an impact on board independence.

Board dynamics were discussed as a possible mediator of the relationship between board gender diversity and board independence. This included information on the characteristics of the current cohort of female directors so as to understand how they might differ from their male colleagues (in ways other than gender).

The chapter also discussed institutional theory which was drawn on to explain why women are appointed to boards. Mimetic isomorphism, coercive isomorphism and normative

isomorphism were all presented as factors potentially contributing to the appointment of female directors.

The research questions were presented. Research question one centres on the nature of any link between board gender diversity and board independence. The discussion of how gender diversity may impact upon board independence through board dynamics supported the development of research question two. Finally, institutional theory underpinned research question three, which seeks to understand why companies choose to appoint women to boards of directors.

Chapter Three: Research Design and Methods

This chapter outlines the research design and mixed methods used to explore the nature of any link between gender diversity on boards of directors and board independence, the impact that board dynamics may have on this relationship (if any) and the antecedents to the appointment of women to boards. The chapter will first outline the rationale for the chosen research design, then outline the two-stage mixed method design that has been employed. For each stage, the purpose, sample frame, characteristics and instrument (where applicable) will be detailed as well as the process and method of analysis explained.

Rationale for Research Design

The objective of this research is to investigate whether a link exists between the level of gender diversity at board level and board independence and if so, to understand the nature of that link. It explores the role that board dynamics may play in the relationship and investigates the antecedents to the appointment of women to boards. The state of prior research into women's participation at board level can be classified as intermediate (Edmondson & McManus, 2007) as there are some areas where research has been significant and other areas where little research has been conducted.

With respect to board independence and gender diversity, a solid theoretical foundation exists in agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976) and in the literature supporting diversity (as cited in Daily et al., 2003 and Bilimoria, 2006), which, when considered together, suggest a link between board independence and gender diversity (Fondas & Sassalos, 2000). Although there has been some research into the connection between gender and board independence (Fondas & Sassalos, 2000), the area has not been widely studied and requires further clarification. Furthermore the few studies that have focused on this relationship have focused on the U.S. business environment rather than the Australian context.

As well as examining the link between gender diversity and board independence in the Australian setting, the research investigates another previously unexplored connection: the role that board dynamics may potentially play as a mediator between gender diversity at board level and board independence. Finally the research will also seek to understand the antecedents of female appointments to boards in Australia, which have received very little research attention to date.

In sum, although there has been some research into board independence, this research can be classified as intermediate because there are a number of features of the study that explore largely under-researched areas (Edmondson & McManus, 2007). Edmondson & McManus (2007, p.1158) define intermediate as being that which is "...positioned between mature and nascent, ...and presents provisional explanation of phenomena, often introducing a new construct and proposing relationships between it and established constructs"

The current research therefore, responds to calls to further explore the business case for women on boards and to better understand the potential impact gender diversity may have for board independence, with particular reference to the Australian business environment. It therefore aims to improve our understanding of a key issue of interest in the business community, for policy makers and for society in general, as well as addressing gaps in academic knowledge.

Given the state of current research, it is most appropriate to use a combination of qualitative and quantitative data analysis, which enables patterns to be recognised in those areas where there has been little theory or research while at the same time building on areas with most established theories and drawing connections, introducing new constructs and identifying new relationships (Edmondson & McManus, 2007). As detailed earlier, research on female participation in boards can be considered as at an intermediate stage (Edmondson & McManus, 2007) i.e. consisting of some areas where established theories are evident and some where little theory and/or research has been conducted. The use of quantitative and qualitative studies and a variety of data sources to view the issue from a range of perspectives will assist in providing both broad-brush and fine-grained analysis, both of which are useful to understand the issue of female participation on boards (Bilimoria, 2000). This was the reasoning behind conducting Study One (consisting of interviews of board members) and using the observations obtained to inform development of the questionnaire used in Study Two. This will be expanded upon in the next section. Suffice to say that using a mix of methods can offset the weaknesses of a single design approach (Creswell, 2003).

A mixed methods approach is also appropriate where the research questions cover a multi-disciplinary area as it allows diverse views of the identified issues and questions to be incorporated. This research draws on aspects of finance and management. Agency theory is based in the finance literature whereas research into diversity is based largely in the management literature, as is institutional theory. Thus, the two areas may be most effectively

combined by using a mixed method approach. For example, case studies and interviews have been a popular way to assess diversity and its impact (e.g. Pajo et al., 1997) whereas quantitative methods have frequently been used to assess board independence (e.g. Westphal & Zajac, 1997). Using a combination of survey and interview data combines the strengths of the two approaches.

Ordering of the research approach

To provide some background information about the Australian context for the main study a set of six background interviews were conducted with informant organisations that work regularly in the area of female participation on boards. The interviews were designed to provide context about the Australian setting and inform the development of the research questions. The main data collection was comprised of two studies that were undertaken in order to address the three research questions posed. The first of these studies consisted of interviews with current board members of listed companies in Australia. These interviews helped to inform the development of survey questions as well as to provide qualitative data for the response to research questions. Study Two consisted of a survey of board chairs of listed companies in Australia in order to provide quantitative data on female board participation and board independence. Table 3.1 summarises these studies.

*Table 3.1
Summary of studies*

	Type of study	Target group
Background	Interviews	Informant Australian organisations
Study One	Interviews	Current board members of publicly listed Australian companies
Study Two	Survey	Board chairs of publicly listed Australian companies

Both studies address all three research questions. The interviews were conducted first in order to better understand how the theories applied to each of the research questions. As there is an element of exploration in each of the research questions, the interviews were used to better understand and define key aspects of each question. These questions were then addressed using the quantitative research in Study Two.

Both studies included only Australian companies listed with the Australian Securities Exchange (ASX). This restriction was necessary in order to obtain contact information, as such data are available from the ASX. The interviews in Study One were conducted with board members for companies where there was at least one female board member. The reference date of the list of companies that was analysed for this purpose was May 24, 2010. It should be noted that there have been increases in the participation of women more since 2010¹. Invitations to participate in the survey were sent to all listed companies at the ASX with a reference date of July 10, 2011. The data were collected across all industries because restricting the sample further would decrease the chances of obtaining a sufficient sample size. This is largely because there are relatively few organisations with women on the board. More specifically, the data from the ASX as at May 24, 2010 indicated that, of the 2151 listed companies, 401 had at least one female director (18.6%).

In line with the intermediate nature of the research a sequential, exploratory design was selected as the most appropriate method of research design. This consisted of an initial phase of qualitative research, followed by quantitative research. The results of these two separate stages were to be combined at the analysis stage. The purpose of this sequential design was to explore the three research questions through interviews (Study One) and then use the quantitative analysis in Study Two (via a survey) to assist in explaining and testing the results of Study One. Thus, the findings of Study One can be generalised and confirmed during Study Two. In addition, this design allowed for the variables and focus of the quantitative study to be narrowed and more precisely defined which is a potential advantage of such an exploratory, sequential design (Creswell, 2003). Given that much of the research into women on boards does not focus specifically on the link between board independence and gender diversity, a research design that allowed for a broad range of elements to be considered and then for those to be distilled into the most important themes was most appropriate. As a sequential design was adopted, data collection occurred for each study in separate time periods. This is set out in Table 3.2 below.

¹ AIDC data for December 2015 indicates that 21.5% of ASX 200 directors are women and that 14.5% of ASX 200 companies do not have a woman on the board (<http://www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics>).

Table 3.2
Data collection time line

Study	Data collection type	Dates undertaken
Background interviews	Semi-structured interviews	March to November 2010
Study One: Interviews with board members	Semi-structured interviews	October 2010 to June 2011
Study Two: Survey of board chairs	Survey	Sent out November 2011 Completed surveys were received from December 2011 to April 2012

Research Protocol

Employing a mixed methods approach responds to the call for more research in the management field to draw on both qualitative and quantitative elements (Currall & Towler, 2003). The mixed method approach used a sequential exploratory strategy (Creswell, 2003) where the qualitative research was undertaken and analysed first and was used to assist in developing the quantitative research instrument as well as in the interpretation of qualitative findings. While Fondas and Salsalos (2000) have conducted a quantitative study into the link between women on boards and board independence, their research was conducted in the U.S. context and did not incorporate many aspects of board independence that other studies have found to be of relevance (such as social dissimilarity of directors to the CEO). In addition, the current study has sought to understand the link between board gender diversity and independence by looking at the role of board dynamics as a mediator and also at the antecedents of female board appointments. Neither of these areas has been explored in depth, particularly in the Australian context or with respect to the impact these factors may have on board independence. Thus, the purpose of the choice of research strategy is primarily exploratory in nature, which is appropriate given the relatively early stage of research into gender diversity and board independence, particularly in Australia. Study One has been designed to apply existing theories to female representation on boards and to use the findings

to inform the development of questions in Study Two, which will then test and potentially expand on the findings in Study One.

Background Interviews with Informant Organisations

Following Bilimoria's (2000) suggestion that it is important for research in the area of board gender diversity to consider the views of stakeholders who could potentially contribute to a greater representation of women on boards, the current study began with background interviews with representatives of key informant Australian organisations. The background interviews provided important Australian contextual information and were considered important to ensure a multifaceted view of the issue. The organisations invited to participate in these interviews included government agencies, regulators, industry or business groups and lobby or pressure groups that had all made recent public statements on board gender diversity. The use of expert informants operating outside of organisations can provide a different and useful perspective from those internal to organisations (Chen, Farh & MacMillan, 1993). The organisations included in the research were representative of key stakeholders with influence on business and community views on the issue of board gender diversity.

Overall the objective of these interviews was to obtain background information on the attitude and approach to the issue of women on boards taken by Australian business and of groups advocating more female participation on boards of directors. This provided a contextual view of the state of board gender diversity and an understanding of current trends in Australia.

Background interviews - research ethics

All stages of the interview process met the Monash University Human Ethics Research Committee requirements (see Appendix A for approval). Representatives of informant organisations were provided with explanatory statements (see Appendix B) and interviewees signed a permission letter giving consent on behalf of the organisations they represented (see Appendix C) for the interview transcripts to be used in the research. The explanatory statement clearly stated that the participating organisations would be identified, but that individual interviewees would not. Participation was voluntary.

Interview sample frame

A search of major Australian newspapers was undertaken to obtain a list of organisations that were prominent in the media and/or that had made statements regarding board gender diversity over the previous twelve months (i.e. during the calendar year of 2009). These organisations had made public statements concerning the number of women on boards of directors in Australia and/or were developing programs to try to assist women to be appointed to boards. Contact details were then obtained from the various websites of those organisations and they were invited to participate in the study. In each case the participating employee was chosen by the organisation to represent their views. These individuals ranged from managers to CEOs. In all but one case, a single employee gave the interview and in the one exception (The Victorian Government Office of Women's Policy), two employees were interviewed together. A total of nine organisations were approached and two declined to participate.

Organisational characteristics

The seven organisations that consented to be interviewed can be classified as one of the following types (i.e. government, regulator, industry or business group or lobby or advocacy group), which are set out in Table 3.3.

Table 3.3

Classification of participating informant organisations

Informant Organisation	Government	Regulator	Industry/ business group	Lobby/ pressure group
1. Australian Institute of Company Directors (AICD)			X	
2. Australian Securities Exchange (ASX)		X		
3. Victorian Government (Office of Women's Policy)	X			
4. Commonwealth Government (Office of Sex Discrimination Commissioner)	X			
5. Australian Council of Superannuation Investors (ACSI)			X	
6. Women on Boards				X
7. Business Council of Australia (BCA)			X	

Background interview instrument

A semi-structured interview provides a general picture of the views of the informant organisations on a given topic and gives the interviewer the flexibility to probe when the situation requires (Lee, 1999). This technique was therefore appropriate when gathering the broad views of the informant organisations regarding female representation on boards in Australia. It also allowed deeper exploration of the issue to understand the sometimes complex perspectives involved. Therefore, a semi-structured interview was used, with the same open interview questions asked of all participants, but with some flexibility to probe into areas of interest as the interview unfolded (see Appendix D).

The interview schedule used only open-ended questions, which are most appropriate for semi-structured interviews (Tharenou, Donohue & Cooper, 2007). The aim of the interviews was to understand current trends and activities each organisation was undertaking in the area of board gender diversity and why they believed there was not greater gender diversity on Australian boards. The questions were also designed to assist in developing an understanding of some potential antecedents for women being appointed to boards (Research Question Three), but the questions were deliberately very general in nature. This enabled these interviews to contribute to a series of possible antecedents to be developed, which could be incorporated within Studies 1 and 2.

Foddy's (1993) guidelines were used to design the interview questions. Accordingly, the interview questions were piloted with six academics and fellow PhD students, a preamble was written in order to inform the participants of the nature of the study and the reason that they were being interviewed, and questions were written to be clear in their meaning. Questions were open-ended, which is appropriate for exploratory, semi-structured interviews (Tharenou et al., 2007).

Interview procedure

Once key informant organisations were identified, a one page explanatory statement was emailed to the appropriate contact to invite participation (see Appendix B). A follow up email or telephone call was made if required. Participants were sent appropriate ethics forms to complete (see Appendix C) and they were asked to return the consent form prior to the interview. Interviewees were also sent a list of topics to be discussed (see Appendix D). Interviews were half an hour to an hour in length and were conducted either face-to-face or

via telephone (as many were interstate). With permission, each interview was tape-recorded. Notes were also taken as a back-up. In one case the tape recording did not work and a transcript was made according to the notes taken in the interview. Each taped interview was transcribed by the researcher and checked against the recorded interview. The transcripts were sent to the relevant interviewee for their information. One chose to make corrections to the transcript, which was reflected in the final transcript used for that participant. Transcriptions were analysed using the N-Vivo software.

Interview data analysis

The N-Vivo software was used to manage and organise the interview data as well as to identify themes. The interview questions were used to guide the process to identifying themes in the data, as suggested by Lindsay (2004). Themes emerged by identifying key words that were used by the interviewees and, with the assistance of N-Vivo, these were ordered into a tree and branch arrangement of key themes. Themes can be regarded as representing a patterned response or meaning within the answers (Braun & Clarke, 2006). The themes were a priori inductive although many of the comments indicated participants were well aware of key theories behind the subject areas (agency theory in particular).

After each comment was carefully placed into a theme category a frequency count was conducted for each theme to highlight the most common themes (Miles & Huberman, 1994). The themes were then classified as pertaining to general background information on board gender diversity and the prevailing attitude to the situation in Australia. Attention was also given to the work the organisation was doing to address the issue and themes relating to antecedents of female board appointments in Australia. Comments were checked to ensure that they did conform to the theme and classification in which they had been placed. This analysis was then summarised in table form for each classification, with key themes, frequency and descriptive quotes to illustrate key points and their importance among the participant organisations.

Multiple interviewees

In one case there were multiple interviewees representing the informant organisation. In this case, the transcripts were combined in order to allow analysis. The notes of the interview transcript indicate that there were no areas of conflict between the interviewees and therefore the transcript must be considered a reflection on the views of the organisation.

Study One: Interviews with Current Board Members

Study One consisted of interviews with current board members from listed Australian companies that had at least one currently serving female board member. The objective of these interviews was to obtain information pertinent to research questions 1, 2 and 3. The interviews would also inform the design of the survey, which constituted Study Two.

Only those board members who were currently serving on boards with at least one female board member were invited to be interviewed. This was because the questions to be asked were focused on the characteristics and potential impact of the presence of female board members. Therefore, only those board members who had experience serving with female directors would be in a position to answer such questions. Thus, these directors would be considered opinion leaders in this area and therefore appropriate to be chosen to constitute the potential pool of interviewees (Tharenou et al. 2007). A mix of male and female directors were invited to be interviewed as these two groups could potentially have differences of opinion with respect to board gender diversity and the views of both groups were important to include in the research in order to obtain a multi-faceted and representative perspective (Tharenou et al, 2007).

Study One: Research ethics

All stages of the interview process met the Monash University Human Ethics Research Committee requirements (see Appendix A for approval). Board members who agreed to be interviewed were provided with explanatory statements (see Appendix E) and interviewees signed a permission letter giving consent (see Appendix F) for the interview transcripts to be used in the research. The explanatory statement clearly stated that individual participants (and the companies they worked for) would not be identified and that data gathered would be de-identified. Any quotes used were to be amended such that organisations and interviewees could not be identified. Participation was voluntary.

Study One: Interview sample frame

A list of all companies listed with the Australian Securities Exchange was obtained on May 24, 2010. The total number of companies was 2148. Table 3.4 below gives an analysis of those 2148 companies based on the ASX industry classifications.

*Table 3.4**Industry classifications of all ASX companies as at May 24, 2010*

Industries according to the ASX classifications	Number of companies in sample	Percentage of total companies
Automobile and components	10	0.47
Banks	13	0.61
Capital goods	112	5.21
Commercial and professional services	59	2.75
Consumer durables and apparel	30	1.40
Consumer services	42	1.96
Diversified financials	160	7.45
Energy	225	10.47
Food and staples retailing	7	0.33
Food and beverage and tobacco	45	2.09
Health care equipment and services	69	3.21
Household and personal products	2	0.09
Insurance	10	0.47
Materials	672	31.28
Media	43	2.00
Pharmaceutical, Biotechnology & Life Sciences	83	3.85
Real Estate	115	5.35
Retailing	39	1.82
Software and Services	80	3.72
Technology Hardware & Equipment	33	1.54
Telecommunication services	30	1.40
Transportation	26	1.21
Utilities	33	1.54
Semiconductor and semiconductor equipment	2	0.09
Not classified	180	8.38
Classification pending	28	1.30
Total	2148	100.00

This list was then cross-referenced with the list of directors on the ASX website for each company to determine if there was at least one female director currently serving on the board. It should be noted that for 61 companies no director information was available on the ASX website (perhaps due to delisting) and so these were excluded. The listing of directors typically included an honorific so the gender of directors was easily identifiable. In some cases it was unclear (such as when the honorific was Prof. and the name was also unclear in terms of gender) and in these cases further investigation was done using the company website to confirm the presence of at least one female director. When this analysis was complete, the database had a total of 402 companies that had at least one female director. Table 3.5 shows an analysis of the industries of the companies found that have at least one female board member. Once again, this analysis is based on the ASX industry classifications.

*Table 3.5**Industry classifications of all ASX companies with female board members as at May 24, 2010*

Industries according to the ASX classifications	Number of companies with female directors	Percentage of the total number of companies with female directors
Automobile and components	2	0.50
Banks	9	2.24
Capital goods	9	2.24
Commercial and professional services	18	4.48
Consumer durables and apparel	6	1.49
Consumer services	14	3.48
Diversified financials	42	10.45
Energy	25	6.22
Food and staples retailing	2	0.5.
Food and beverage and tobacco	11	2.74
Health care equipment and services	16	3.98
Household and personal products	1	0.25
Insurance	8	1.99
Materials	78	19.40
Media	14	3.48
Pharmaceutical, Biotechnology & Life Sciences	21	5.22
Real Estate	33	8.21
Retailing	11	2.74
Software and Services	12	2.99
Technology Hardware & Equipment	2	0.50
Telecommunication services	5	1.24
Transportation	7	1.74
Utilities	7	1.74
Semiconductor and semiconductor equipment	0	0
Not classified	49	12.19
Classification pending	0	0
Total	402	100

Only one director was to be interviewed in each company in order to give as broad a range of insights as possible across Australian industry. This was done to ensure external validity i.e. that the data could be considered representative of the general population of company directors in the whole ASX (Tharenou et al., 2007) and not biased towards a particular industry or particular companies. In order to ensure that a balance of both male and female points of view were reflected in the interviews, half of the directors approached were men and the other half were women. This required the list of 402 companies with female directors to be split in half. This was done by alternatively labelling the sample with an 'M' indicating a male director should be invited to participate in an interview and an 'F' indicating that a female director should be invited to participate in an interview. In this way, the list was divided into two separate lists each consisting of 201 directors.

Once the lists of 201 women and 201 men to be invited for interview were finalised, the lists were checked for any duplicates (particularly with respect to female directors who often serve on several boards) and also for any foreign companies. Those companies which had a headquarters located overseas were excluded as the board were also usually outside of Australia and therefore not applicable to the research being undertaken. After this process was complete, a total of 166 female directors and 181 male directors were approached for an interview. It should be noted that there was no effort to ensure that the sample interview group was weighted by industry to reflect the general distribution of companies in the ASX. This is because there are relatively few women serving as directors in general and particularly in certain industries such that any attempt at creating a true cross section would have made it very difficult to get sufficient participation.

Study One: Interview sample characteristics

Interviews were conducted with a total of 25 serving board members. Of these 25, nine were male and 16 were women. This represents a response rate of 6.2%. Table 3.6 indicates the titles of the directors who were interviewed.

Table 3.6

Titles of board members interviewed

Title of interviewee	Number of interviewees with this title
Chairman/Chair	2
Deputy Chair	1
Managing Director	1
Executive Director	2
CEO	1
Director	18
Total	25

Study One: Organisational characteristics

As noted earlier, no effort was made to ensure that the sample interview group was a true cross-section of Australian industry due to the need to have sufficient participation. However, there were a total of 13 different industries (plus two companies that were not classified by the ASX at the reference date), which does provide some diversity in the sample. Insurance was the industry represented most strongly by interviewees, with 16% of participating directors serving on boards operating in this sector. Table 3.7 indicates the ASX classification of the companies that the participants were drawn from.

*Table 3.7**Industry of board members interviewed*

Industries according to the ASX classifications	Number of interviewees from companies in this industry	Percentage of total interviewees
Automobile and components	0	0
Banks	0	0
Capital goods	0	0
Commercial and professional services	3	12
Consumer durables and apparel	0	0
Consumer services	1	4
Diversified financials	2	8
Energy	0	0
Food and staples retailing	0	0
Food and beverage and tobacco	1	4
Health care equipment and services	2	8
Household and personal products	0	0
Insurance	4	16
Materials	2	8
Media	1	4
Pharmaceutical, biotechnology & life sciences	1	4
Real estate	2	8
Retailing	1	4
Software and services	2	8
Technology hardware & equipment	1	4
Telecommunication services	0	0
Transportation	0	0
Utilities	0	0
Semiconductor and semiconductor equipment	0	0
Not classified	2	8
Classification pending	0	0
Total	25	100

Study One: Interview instrument

As indicated earlier, given the exploratory nature of the topics discussed, a semi-structured interview was considered to be the most appropriate method for these interviews. Specifically this approach has some set interview questions, but also allows some flexibility to probe into areas of interest as the interview unfolds (Tharenou et al., 2007). The interview questions were not based on any previous research, but were designed to address the research questions and also to provide an opportunity for the board members to express their views such that further exploratory questions could be asked if it was appropriate to do so. The guidelines suggested by Tharenou et al. (2007) were used to organise the interview questions. Specifically, at the start of the interview the purpose was clearly outlined to participants and rapport was established. The interview was structured into three sections to address the three Research Questions. A funnelling technique was used; that is, broader questions were asked first, followed by more specific questions and the interviewee was given the opportunity to add any additional information throughout the interview.

There were three main areas that the interview questions were focused on:

- Board independence and how it is exercised (to address Research Question One)
- Board gender diversity and its impact upon board dynamics and upon board independence (to address Research Questions One and Two)
- Female board appointments (to address Research Question Three)

The interview topics and questions are provided in Appendix G. These interview questions provided a broad structure to the interview, but probing and additional questions were asked where the responses of interviewees required clarification or additional information or where new or novel answers were provided.

The aims of the questions dealing with the role of board members and the performance of current board members were to understand how the board members saw their own role and how they exercised managerial oversight. For example, questions included:

- What is your role as a board member?
- Describe how you would typically exercise managerial oversight.
- Do you see other board members with different views about the level of appropriate managerial oversight?

The questions then explored any differences that the board members could see in the way that female directors exercised these duties when compared to their male colleagues. More specifically they were asked if they believed there were any particular advantages to having female directors and any areas where they believed female directors offer a different view from male directors. Questions were designed to ask about the way female directors exercised managerial oversight and undertook their directorial duties, in order to understand any impact female board members might have on the independence of the board from management (which is the focus of Research Question One). Questions were also asked about board dynamics and how female directors contribute to and/or alter board dynamics (which addresses Research Question Two). These questions were seeking to directly address Research Questions One and Two as well as help to assist in the formulation of the questionnaire to be given to board chairs in Study Two.

The second series of questions sought to address Research Question Three by asking about the reasons for the recruitment of female directors. The questions were designed to understand why women had previously been recruited by the board on which the director served and whether the appointment of additional female directors was a priority for the board in the future. The question was designed to allow investigation of how board members were appointed. Directors were also asked their views on recent changes to the ASX Corporate Governance Guidelines regarding board diversity and their views on the potential use of quotas to increase the number of women on boards of directors. Questions in this section included:

- Do you believe it is a priority for the board you serve on to appoint female directors? Why or why not?
- What are the reasons you believe women have been recruited to the board you serve on?
- How does your company recruit board members (e.g. is it formal, informal, open, closed etc.)?
- What are your views on the recent changes to the ASX's Corporate Governance Guidelines requiring companies to report on board diversity policies and progress in this area?

These questions were designed to highlight any common views among current board members on these issues that could then be tested with board chairs in Study Two to understand if these opinions were widespread.

In designing the Study One interview questions, Foddy's (1993) guidelines were used. Accordingly, a pilot test was conducted with three academics and three PhD students, a preamble was written in order to inform the participants of the nature of the study and the reason that they were being interviewed, and to ensure questions were clear in their meaning.

Study One: Interview procedure

A letter containing the explanatory statement was sent by mail to each identified board member inviting them to participate in an interview (see Appendix E). Interviewees typically sent an email or called via telephone accepting the invitation to participate and at that stage they were sent (via email) a permission letter (Appendix F), which they signed and returned prior to the interview and the set of questions to be discussed (Appendix G). Interviews were half an hour to an hour in length and were conducted by telephone, as many interviewees were located interstate and the telephone provided the most convenient method. With permission, each interview was tape-recorded. Notes were also taken. Upon occasion where the tape was inaudible, notes were used to complete that segment of the transcript. Each taped interview was transcribed by the researcher or by a transcription service provider and checked against the recorded interview. The transcripts were sent to the relevant interviewee for their information. Transcriptions were analysed using the N-Vivo software.

Study One: Interview data analysis

The software N-Vivo was used to manage and organise the interview data as well as to identify themes. The interview questions were used to guide the process to identifying themes in the data, as suggested by Lindsay (2004). Themes emerged by identifying key words that were used by the interviewees and, with the assistance of N-Vivo, these were ordered into a tree and branch arrangement of key themes. Thus an inductive approach was used, in which the data were the driver of themes and there was no attempt while using the N-Vivo analysis to fit the themes into pre-existing theoretical frameworks (Braun et al., 2006), although where interviewees were aware of such theories, themes were often consistent with them.

After each comment was carefully placed into a theme category a frequency count was conducted for each theme to highlight the most common themes (Miles & Huberman, 2014).

The themes were then classified as pertaining to general background information on board gender diversity and the current attitude prevailing to the situation in Australia, specific work the organisation was doing to address the issue and themes relating specifically to antecedents of female board appointments in Australia. Comments were checked to ensure that they did conform to the theme and classification in which they had been placed. This analysis was then summarised in table form for each classification, with key themes, frequency and descriptive quotes to illustrate key points and their importance among the participant organisations.

Study Two: Survey

Study Two consisted of a questionnaire, which was sent out to currently serving chairs of boards of listed companies in Australia. The objective of the survey was to address Research Questions 1, 2 and 3.

Study Two: Survey instrument

The questionnaire consisted of 24 questions and two open-ended questions at the end. The questions were spread over three sections:

- A: The influence and functioning of the board
- B: The directors and current CEO
- C: Company and demographic information

Study Two: Research ethics approval

All stages of the survey process met the Monash University Human Ethics Research Committee requirements (see Appendix H for approval). Returning the completed survey was regarded as acceptance of the invitation to participate in the research. The explanatory statement clearly stated that individual participants (and the companies they worked for) would not be identified and that data gathered would be de-identified. Any quotes used were to be amended such that organisations and interviewees could not be identified. Participation was voluntary.

Study Two: Survey sample frame

A list of all listed companies was obtained from the ASX website as at July 10, 2011. This was then cross-referenced with the information on company directors appearing on the ASX

website under each individual company. In most cases, the website clearly identified the chairperson and therefore the name and title of this individual was entered into the database along with the mailing address information. Where the identity of the chair was unclear, a note was made and the website of the company was accessed to confirm the name and details of the chair. As this analysis was being undertaken, companies that were clearly trusts and funds (rather than trading and operational companies) were removed from the sample. In addition, those companies that had their headquarters overseas were also excluded. This left a total of 1916 companies. The breakdown of these companies by industry is set out in Table 3.8.

Table 3.8

Companies by industry where board chair was invited to participate in survey

Industries according to the ASX classifications	Number of companies where chair was sent an invitation to participate in the survey	Percentage of total companies in the sample
Automobile and components	9	0.47
Banks	14	0.73
Capital goods	114	5.95
Commercial and professional services	57	2.97
Consumer durables and apparel	27	1.41
Consumer services	42	2.19
Diversified financials	139	7.25
Energy	234	12.21
Food and staples retailing	5	0.26
Food and beverage and tobacco	37	1.93
Health care equipment and services	62	3.24
Household and personal products	2	0.10
Insurance	8	0.42
Materials	723	37.73
Media	39	2.04
Pharmaceutical, biotechnology & life sciences	74	3.86
Real estate	78	4.07
Retailing	38	1.98
Software and services	68	3.55
Technology hardware & equipment	34	1.77
Telecommunication services	25	1.30
Transportation	22	1.15
Utilities	32	1.67
Semiconductor and semiconductor equipment	3	0.16
Not classified	19	0.99
Classification pending	11	0.57
Total	1916	100.00

Each of these companies was then sent a paper copy of the questionnaire with a unique code included and a letter with an explanatory statement and an invitation to participate in the research (see Appendix I) as well as a postage paid return envelope address to Kelly Tropea at Monash University. The questionnaires were printed, compiled and sent by an external printing and data management firm. The questionnaire is included in Appendix J.

Study Two: Survey procedure

Questionnaires were sent to board chairs of the 1916 companies by mail using the contact address supplied by the ASX website for each company. Returning the completed questionnaire was regarded as acceptance of the invitation to participate in the research. Follow-up calls were made to those companies that had not indicated they did not wish to participate in order to remind them of the survey and encourage participation.

Study Two: Survey sample characteristics

Questionnaires were completed and returned by 82 Chairs. This is a response rate of 4.2%. While this is a somewhat disappointing rate of response, it is not surprising given that board chairs are very busy and their time precious. Response rates for top management are generally lower than for other staff (Anseel, Lievens, Schollaert, & Choragwicka, 2010), which may, in part reflect a kind of "survey fatigue" from senior managers who are facing a more competitive and time-pressured environment, making them less willing to participate in surveys (Baruch, 1999; Baruch & Holtom, 2008). Cycota and Harrison (2006) found an average response rate for executives of 34%. However, this does appear to vary considerably between countries. Harzing (1997) found that response rates to mailed surveys in the U.S. for example, were considerably lower (at 11.4%) than in Europe (22.9%). When it is considered that the group surveyed in this study were board chairs and often not executive managers, it could be argued that a lower response rate even than senior managers could be expected. Certainly those factors identified as important to response rates (Dillman, 1991) were adhered to. Namely, that the survey instrument was made as short and as quick to fill out as possible (the instructions indicated a 15 minute period was required). While no monetary incentive was offered for completing the survey, a summary report on the results was offered to participants. Official Monash stationery was used and a statement indicating that the research was being undertaken on behalf of the university was also included. All of these factors should have acted to increase the response rate from what it might otherwise have been.

It is likely that response bias is present in the findings as the proportion of respondents with female board members is higher than the general rate across all boards of listed companies in Australia. This is to be expected as those boards with women may feel the research is more applicable to their organisations and/or that they are more motivated to respond. The results must therefore be understood with the potential for response bias taken into account.

Table 3.9 indicates the spread of industries represented in the responding companies, classified according to the ASX industry classifications.

Table 3.9
Industries of participating board chairs

Industries according to the ASX classifications	Number of Chairs participating	Percentage of participating companies
Automobile and components	0	0.00
Banks	0	0.00
Capital goods	1	1.22
Commercial and professional services	4	4.88
Consumer durables and apparel	0	0.00
Consumer services	0	0.00
Diversified financials	5	6.10
Energy	11	13.41
Food and staples retailing	0	0.00
Food and beverage and tobacco	3	0.00
Health care equipment and services	5	6.10
Household and personal products	0	0.00
Insurance	1	1.22
Materials	29	35.37
Media	0	0.00
Pharmaceutical, biotechnology & life sciences	4	4.88
Real estate	5	6.10
Retailing	2	2.44
Software and services	3	3.66
Technology hardware & equipment	2	2.44
Telecommunication services	1	1.22
Transportation	1	1.22
Utilities	4	4.88
Semiconductor and semiconductor equipment	0	0.00
Not classified	1	1.22
Classification pending	0	0.00
Total	82	100.00

Instruments

Reliability and validity

Reliability can be defined as "how much random error there is in the measurement of a variable" (Tharenou et al., 2007: 24). Reliability is reported as Cronbach alpha coefficient and this is presented for each scale in this research. A value of .7 is acceptable, although above .8 is preferable (Pallant, 2010).

In order to maximise the reliability of the survey, existing scales were used wherever possible. Validity can be defined as "whether the researcher is measuring the construct he or she purports to be measuring" (Tharenou et al., 2007: 54). One way to test this is by factor analysis. Exploratory factor analysis (EFA) was used to test multi-item measures developed for this research and confirmatory factor analysis (CFA) used to confirm that a multi-item measure, which has already been developed, is supported by the data and hence is an appropriate way to measure the variable it has been designed to measure. In order to maximise the validity of the survey, existing scales were used wherever possible.

Variables for Research Questions One and Two: Regression A

It should be noted that two separate regression analyses were undertaken. The first (regression A) related to Research Questions One and Two. This regression used board independence as the dependent variable, regressed against variables known to impact upon this variable (including women on boards and board dynamics). The second (regression B) related to Research Question Three, where the dependent variable was women on boards and the independent variables possible antecedents to female appointments. The following section relates to regression A.

Dependent variable

The dependent variable relating to board independence was measured using a scale developed by the National Association of Corporate Directors (U.S.A) and utilised by Fondas and Salsalos (2000) to measure board independence. This scale has nine items and respondents were asked to provide a rating on nine areas of board influence over management (selection of senior executives, compensation of top management, long-range planning, capital expenditures, mergers and acquisitions, day-to-day operations, management succession, counselling top management, and corporate organisational structure). The response options

were 0=no influence, 1=small influence, 2=moderate influence, 3=strong influence and 4=very strong influence. These ratings were then summed, giving a range of scores from 0 to 36. Cronbach's alpha for this variable was not reported by Fondas and Salsallos (2000). Cronbach's alpha for this scale in this study was $\alpha = .82$.

Independent variables

As indicated above, in order to test for a relationship between board gender diversity and board independence, the dependent variable (board independence) was regressed against each of the independent variables.

1. Women on boards.
2. Board dynamics (mediator).

Independent variable: Women on boards

The survey questionnaire collected data on the number of women on each board using a single question. However, due to the small level of variation in the responses (there were no boards identified with more than three female directors), these responses were converted into dummy variable with 1=at least one female director and 0= no female directors.

Independent variable: Board dynamics (mediator)

An intermediate variable was also constructed to reflect the mediator effect that board dynamics could possibly have on the relationship between the presence of women on the board and board independence. This was defined as:

Board dynamics (mediator) = Board dynamics x Women on boards (dummy variable).

The board dynamics data was collected using a scale developed in this study based on Sellevoll et al. (2007) and the results of Study One. It's measures and Cronbach Alpha are displayed in Table 3.10 below.

Table 3.10

Board Dynamics measure

Authors	Scale	Response anchors	Cronbach's alpha and score range
Scale developed for this study based on Sellevoll et al. (2007) and results of Study One	Four items: Thinking about board dynamics in the past three years, indicate the frequency of the following matters: a) Our board meetings are dominated by the CEO b) Our board meetings are dominated by the board chair c) Our board meetings are dominated by certain board members d) At our board meetings all board members contribute actively	Never = 1 to Always = 5	$\alpha = .73$ Score range = 4 to 20

Control Variables

There were also 11 control variables, which were included:

1. Percentage of external directors
2. CEO tenure
3. Percentage shareholding by external directors
4. Percentage shareholding by institutional investors
5. Return on assets
6. Chief executive influence over the director nomination process
7. Similarity of the CEO to the directors
8. Similarity of the female board members to other directors
9. Perceived market performance
10. Perceived organisational performance
11. Market dynamism

Control Variables

Control variables 1 to 6 were single item measures. Control variables 7 to 11 were additive variables. These are explained in greater detail in the following sections.

Single item variables

Variables 1 to 5 were absolute values (see Table 3.11). These variables are commonly held to directly impact upon board independence. Variables 1, 3, 4 and 5 were used in the Fondas and Sassalos study (2000). It should be noted that organisational performance (here in the form of return on assets) could be regarded as an outcome of board independence. However, it could also be considered an input into independence (as it was considered to be by Fondas & Sassalos, 2000). Such complex interaction of variables is likened to that between HRM and performance (Wall & Wood, 2005; Shin & Konrad, 2014) and Return on Assets (as a measure of performance) has therefore has been included as a control variable.

Variable 2 (CEO tenure) has also been linked with board independence (Westphal & Zajac, 1995), As discussed in Chapter 2, this would be expected to be a negative relationship because those CEOs who have been in the position for longer would generally be more powerful relative to the board (Westphal & Zajac, 1995).

Variable 6 (chief executive influence over the director nomination process) was adapted from Fondas and Sassalos (2000). Their study used a dummy variable as to whether the top executives or the CEO were the source of new directors. In order to obtain a more detailed response from participants, this was converted into a single item question asking the extent to which the CEO influences the board recruitment process. It was not appropriate to use a multi-item measure here as this had not been used in any existing study and there was no theoretical basis for doing so. A six-point Likert-type scale (where 1= not at all, 5=To a very large extent, 6= Not applicable) was used. A six-point scale was chosen in order to avoid an acquiescence response set (Tharenou et al., 2007).

Table 3.11

Definition and measures for single item variables (Variables 1 to 5)

Variable	Definition	Measure used
Percentage of external directors	Number of external directors/Total number of directors	Percentage
CEO tenure	Number of years in CEO position	Number of years
Percentage of shareholding by external directors	Percentage of shareholding by external directors /total company shares.	Percentage
Percentage of shareholding by institutional investors	Percentage of shareholding by institutional investors / totally company shares	Percentage
Return on Assets	Return on assets for last financial year (company's annual net income divided by total assets)	Percentage

Additive variables

The additive (multi-item) variables (variables 7 to 11 above) were drawn from established measures where possible and all had Likert-type response scales. In some cases there were no established measures for the variable, although the theoretical basis for the link with board independence had been established in the literature (as discussed in Chapter 2). In these cases, the measure was created for this study.

The social dissimilarity of directors to the CEO in terms of age, functional background and educational background was found by Westphal and Zajac (1995) to have an impact upon board independence (as detailed in Chapter 2). That study used a complex trichotomous measure of each area (i.e. age, functional background and educational background). However, in order to ensure that the survey was sufficiently brief to maximise participation, this was condensed into one measure covering the similarity to the CEO across functional background, educational background, industry background and age. The social dissimilarity of any female director(s) to other board members is consistent with the similarity-attraction

principal developed by Byrne (1971) as a measure of diversity. This was built on by Zhu, Shen and Hillman (2014) subsequent to this study. However, at the time of development of this research, no previous study has used such a measure. Therefore, the same anchors and measures were used as for the question regarding the social dissimilarity of the CEO to directors in order to maintain consistency.

Perceived organisational performance was used as a proxy for actual organisational performance and perceived market performance as a proxy for market performance (taken from Delaney & Huselid, 1996). These were used because it is the perception of performance (particularly in comparison to competitors) that is likely to impact upon the board's behaviour. This was supported by comments made during the interviews conducted in Study One. Such measures have been found to have a positive correlation with actual performance (Dollinger & Golden, 1992). These are commonly used constructs and their validity confirmed despite the potential for improvement (Shea, Cooper, De Cieri & Sheehan, 2012). A six-point Likert-type scale (where 1= not at all, 5=To a very large extent, 6= Not applicable) was used. Delaney & Huselid (1996) originally used a four-point scale. A six-point scale was chosen for this study in order to avoid an acquiescence response set (Tharenou et al., 2007). This is explained in greater detail below.

The interviewees in Study One also indicated that the volatility of the market would be an important factor in the level of independence they exercised from management. Thus, the Market dynamism variable was used. This was developed by Jansen Vera, & Crossan. (2009) using a six-point scale.

Likert-type scales were used throughout the questionnaire. These are widely used in social science research (De Vellis, 2012). As indicated as desirable by De Vellis (2012), these scales stated the anchors in clear terms and provided opportunities for gradation of answers. The number of response options in each case was determined with reference to the variability required to given the necessary detail to the researchers with respect to a particular question. Usually five or seven options are sufficient (Tharenou et. al., 2007), and these were varied so as to avoid fatigue and to avoid an acquiescence response set when completing the questionnaire. It is also a way to reduce common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2004). Table 3.12 indicates the measures, the Likert-type scale used in the survey questionnaire and Cronbach's alpha for each additive variable. Where scales were

developed for this study, the process described by De Vellis (2012) and Tharenou et al. (2007) was followed.

Table 3.12

Additive variables

Additive Variable	Authors	Scale	Response anchors	Cronbach's alpha and score range
Similarity of the CEO to the directors	Scale developed for this study based on Westphal & Zajac (1995)	Four items: Please indicate the degree of similarity between the CEO and other board members in the following areas: a) Functional background (.e.g. sales, finance, marketing) b) Industrial background (e.g. different industries) c) Educational background (i.e. different educational levels) d) Age	Very different =1 to Very similar = 4	$\alpha = .48$ Score range = 4 to 16
Similarity of female board members to other directors	Scale developed for this study based on Byrne (1971) and Sellevoll et al. (2007)	Four items: Please indicate the degree of similarity between female board members(s) and other board members in the following areas: a) Functional background (e.g. sales, finance, marketing) b) Industrial background (e.g. different industries) c) Educational background (i.e. different educational levels) d) Age	Very different =1 to Very similar = 4	$\alpha = .76$ Score range = 4 to 16
Perceived market performance	Delaney & Huselid (1996)	Four items: How would you compare your organisation's performance over the past three years to that of your competitors or comparable companies in your industry in the following areas: a) Marketing b) Growth in Sales c) Profitability d) Market Share	Much worse = 1 to much better = 5	$\alpha = .86$ (Delaney & Huselid, 1996) Score range = 4 to 20

Perceived organisational performance	Delaney & Huselid (1996)	<p>Seven items:</p> <p>How would you compare your organisation's performance over the past three years to that of your competitors or comparable companies in your industry in the following areas:</p> <ul style="list-style-type: none"> a) Quality of products, services or programs b) Development of new products, services or programs c) Ability to attract essential employees d) Ability to retain essential employees e) Satisfaction of customers or clients f) Relations between management and other employees g) Relations among employees in general 	Much worse = 1 to much better = 5	$\alpha = .85$ (Delaney & Huselid, 1996) Score range = 7 to 35
Market dynamism	Jansen et al. (2009)	<p>Five items:</p> <p>Thinking about the level of volatility experienced by your organisation in the past twelve months, please indicate to what extent do you agree or disagree with each of the following statements:</p> <ul style="list-style-type: none"> a) Changes in our local market are intense b) Our clients regularly ask for new products and services c) In our local market, changes are taking place continuously d) In a year, nothing has changed in our market [REVERSED] e) In our market, the volumes of products and service to be delivered change fast and often 	Strongly Disagree = 1 to Strongly Agree = 7	$\alpha = .91$ (Jansen et al. 2009) Score range = 5 to 35

Variables for Research Question Three

Five single item questions were asked regarding intentions to appoint women in the future. These were developed in response to the interviews conducted with current directors in Study One and the background interviews. As these relate to potential actions, no regression analysis was possible but descriptive statistics were obtained so that an understanding of the factors potentially contributing to the appointment of female directors in the future might be better understood. One question asked if it was a priority to appoint a woman when making new appointments to the board in the future. Each of the remaining four questions related to one identified potential antecedent to the appointment of women to boards. No existing measures were found for the purposes required so single-item measures for each of the antecedents were generated with reference to institutional theory and the interview findings from Study One. A five-point Likert-type response scale was used. The single-item measures are reproduced in Table 3.13.

Table 3.13

Potential antecedents to future appointments of female directors

Antecedent addressed	Questionnaire Item	Response Anchors
Reputation of the firm	The desire to enhance the reputation of the firm will be a factor contribution to any decision to recruit (additional) female directors in the future	Strongly Disagree = 1 to Strongly Agree = 5
Isomorphism	The desire to act in a manner consistent with other listed companies will be a factor contributing to any decision to recruit (additional) female directors in the future	Strongly Disagree = 1 to Strongly Agree = 5
External pressure	External pressure (either from government, the ASX, shareholders or other parties external to the firm) will be a factor contributing to any decision to recruit (additional) female directors in the future	Strongly Disagree = 1 to Strongly Agree = 5
Desire to increase diversity	The desire to increase board diversity will be a factor contributing to any decision to recruit (additional) female directors in the future	Strongly Disagree = 1 to Strongly Agree = 5

Variables for Research Question Three – Regression B

Some of the survey questions related specifically to Research Question Three and covered the motivation behind past female board appointments and also the antecedents to potential appointments in the future. It should be noted that regression was only performed on the variables relating to past appointments (Regression B). Details of these variables are outlined in the following section.

Dependent variable

The dependent variable was the actual number of women on boards as reported by survey participants. This was measured by a single item dummy variable; Women on boards. As outlined above, the survey questionnaire collected data on the number of women on each board using a single question. However, due to the small level of variation in the responses (there were no boards identified with more than three female directors), these responses were converted into dummy variable with 1=at least one female director and 0= no female directors.

Independent variables

Five independent variables were regressed against the dependent variable.

The five independent variables were as follows:

1. Board independence
2. Corporate reputation
3. Isomorphism
4. External pressure
5. Diversity

The measure for board independence was the nine-item scale (adopted from Fondas & Salsalos, 2000), which was used as a dependent variable in the previous regression. The scale has nine items and respondents were asked to provide a rating on nine areas of board influence over management (selection of senior executives, compensation of top management, long-range planning, capital expenditures, mergers and acquisitions, day-to-day operations, management succession, counselling top management, and corporate organisational structure). The response options were 0=no influence, 1=small influence, 2=moderate influence, 3=strong influence and 4=very strong influence. These ratings were

then summed, giving a range of scores from 0 to 36. Cronbach's alpha for this variable was not reported by Fondas and Salsallos (2000). Cronbach's alpha for this scale in this study was $\alpha = .82$.

The remaining four independent variables were operationalised in single item questions with a 5-point Likert-type response scale. No existing measures were found for the purposes required so the items were generated with reference to literature based in institutional theory and the interview findings from Study One as well as the background interviews. It should be noted that only those companies with a female board member were invited to answer these four questions. The questionnaire items are detailed in Table 3.14.

Table 3.14

Potential antecedents to past appointments of female directors

Antecedent addressed	Questionnaire Item	Response Anchors
Reputation of the firm	The enhancement of corporate reputation was a factor contributing to the decision to appoint a female board member	Strongly Disagree = 1 to Strongly Agree = 5
Isomorphism	The desire to act in a manner consistent with other listed companies was a factor contributing to the decision to appoint a female board member	Strongly Disagree = 1 to Strongly Agree = 5
External pressure	External pressure (either from government, the ASX, shareholders or other parties external to the firm) was a factor contributing to the decision to appoint a female board member	Strongly Disagree = 1 to Strongly Agree = 5
Desire to increase diversity	The desire to increase board diversity was a factor contributing to the decision to appoint a female board member	Strongly Disagree = 1 to Strongly Agree = 5

Survey data analysis

Analysis of the survey data was performed in two stages. First, preliminary analysis of survey responses was conducted. This included calculation of descriptive statistics and testing of statistical assumptions such as normality, linearity, heteroscedasticity and multicollinearity. These tests will inform decisions related to manipulation of the data so as to reduce the number of variables to achieve the most robust regression analysis possible (Tharenou et al., 2007). The main stage of analyses comprised the two multiple regression analyses.

Descriptive statistics

Means, frequencies, standard deviations and percentages were calculated for all variables.

Missing data

Pairwise deletion was used throughout the SPSS analysis. This is generally seen as a more accurate approach than listwise deletion (Roth, 1994) and is also likely to produce a higher sample size (Tharenou et al., 2007).

Outliers

Outliers are data points which are extremely different from the rest of the sample (Tharenou et al., 2007). In multivariate regression, outliers may be identified by observing the Mahalanobis distance and Cook's distance (Tharenou et al., 2007). Both of these techniques were utilised in the data analysis reported in Chapter 6. Alternatively, the scatterplot can be used to detect outliers (Pallant, 2010). When inspecting the scatterplot it is suggested that standardised residual values between -3.3 and +3.3 are not considered outliers (Tabachnick & Fidell, 2007). In this analysis scatterplots were generated and inspected to insure the standardised residual values fell within this range.

Normality

There is an assumption in multiple regression analysis that the distribution of a data set will be normally distributed (Tharenou et al., 2007). To test this assumption, measures of skewness and kurtosis were used. Although there is some disagreement as to the appropriate levels of skewness and kurtosis, Tharenou et al. (2007) indicate that skewness should have an absolute value of less than two and kurtosis should have an absolute value of less than five. These levels have been used as guides for assessing normality in this research. Using SPSS

analysis it is also possible to check for normality using the normal probability plot of the regression standardised residuals and the scatterplot (Pallant, 2010). If the assumption of normality holds, then the points on the normal probability plot should lie in a reasonably straight diagonal line from bottom to top. In the scatterplot, the residuals should lie in a rectangular area with more concentrated in the centre (along the 0 point) (Pallant, 2010). Inspections of the normal probability plot and the scatterplot were used in this research to check for normality.

Linearity and homoscedasticity

Linearity is the "assumption that there is a straight-line relationship between two variables" (Tharenou et al., 2007: 201). Violations of the assumption of linearity can be detected by inspection of the scatterplot between variables or it can be tested using the residuals, which are plotted against the predicted values of the dependent variable. If the assumption of linearity is violated, this weakens the explanatory power of the regression (Tharenou et al., 2007).

Homoscedasticity is "the assumption that the variability in scores for one variable is approximately the same at all values of another variable" (Tharenou et al., 2007; 202). Bivariate scatterplots are used to detect a violation of the assumption of homoscedasticity.

Multicollinearity

Multicollinearity occurs when independent variables are correlated with each other (Tabachnick & Fidell, 2007). Pearson's r can be used to detect if two independent variables are significantly correlated with each other. If Pearson's r is zero this indicates there is no relationship between the variables, whereas if it is ± 1 , there is a perfect correlation between the two variables (Tharenou et al., 2007). Generally, it is considered that where Pearson's r is above $\pm .7$, there is multicollinearity between the relevant variables such that both of the variables should not be included in the same regression analysis (Pallant, 2010; Tabachnick & Fidell, 2007). This has been applied when inspecting the correlations between independent variables in this research. If multicollinearity is found to be present, then one of variables may be removed from the analysis (based on relevant theory) or the variables may be combined into a composite variable (Pallant, 2010).

Non-response bias

Non-response bias "occurs when non-respondents differ in some way from those who do respond" (Tharenou et al., 2007 p.67). The presence of non-response bias can be detected by testing if the group of respondents varies from those that did not respond. In this research it is likely that there is non-response bias present in the results because the proportion of companies with women on boards that responded to the survey (30/82 or 37%) was significantly higher than the proportion of listed companies in Australia with at least one female director (18.6%). Unfortunately it was very difficult to alleviate this bias, and the results should be read in the context that some non-response bias is present.

Common method variance

Common method variance is "the extent of the erroneous relationship that is measured between two or more variables that are measured in the same way (e.g. at the same time, on the same questionnaire, using the same rating scales" (Tharenou et al., 2007 p.62). In other words it is the "variance attributable to the measurement method rather than to the constructs the measures represent" Podsakoff et al. (2003 p.1). It is a common problem in behavioural research.

Given that many of the survey questions require a self-rating, there is potential for common method variance in the results. However, several steps were taken to minimise the potential for common method variance:

- The survey was anonymous, which should lead to responses free from evaluation apprehension and enhance the honesty of the answers;
- Some independent variables were not self-ratings, but were from observed data;
- The questions were ordered so as to encourage each to be answered separately and without reference to the previous question;
- Scales used different numbers of measures so as to reduce participant fatigue and response set.

Reliability and validity of measures

The reliability of a scale can be tested using Cronbach's alpha coefficient. It should be noted that where questions were negatively worded on the survey questionnaire, these were

reversed on the data file before checking for reliability. As stated previously, a value of .7 are acceptable, although above .8 is preferable (Pallant, 2010).

Factor analysis

Factor analysis is a technique for testing the stability of a multi-item measure, which has been developed for a particular variable. There are two types of factor analysis: confirmatory factor analysis (CFA) and exploratory factor analysis (EFA) (Tharenou et al., 2007). EFA is undertaken as part of developing a multi-item measure (to see which factors are best included). A good solution requires: a minimum of 50% explanatory variance and good communalities (ideally >0.6) Each factor should be represented by at least three items with each item displaying significant loadings (>0.4) on one factor only and ideally no more than 5% of the residual correlations should be greater than 0.05 (Tabachnick & Fidell, 2000). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, Bartlett's test of sphericity and Cattell's scree test were utilised.

Confirmatory factor analysis is used to confirm that a multi-item measure, which has already been developed, is supported by the data and hence is an appropriate way to measure the variable it has been designed to measure.

Regression analysis

After preliminary analysis was completed, two separate regression analyses were conducted. Regression A addressed Research Questions One and Two where independent and control variables were regressed against the Board independence variable. Regression B addressed Research Question Three and it regressed five independent variables against the Women on boards variable.

Chapter Conclusion

This chapter outlines and discusses a mixed-method approach to exploring gender diversity on boards of directors in Australia and its relationship to board independence, the role of board dynamics in this relationship and the antecedents to the appointment of women to boards. The semi-structured interviews in Study One and background interviews reflect the exploratory nature of the research and the state of current intermediate level of research in the area. Study Two consisted of a survey, of board chairs. These two studies combined allow for the Research Questions to be addressed from several perspectives, thus providing a more

comprehensive overview of the issues than a single method would allow. The next two chapters present findings of the two studies.

Chapter Four: Study One Findings

The objective of this chapter is to present and analyse the findings from Background Interviews and Study One interviews. First, the findings are presented for the background interviews conducted with informant organisations that were actively campaigning to try to encourage more female participation on boards in Australia. The purpose of these interviews was to provide an overview of current activity connected with women on boards of directors in Australia, reasons for current levels of female representation and factors that would encourage female board representation. Second, the interview data collected in Study One with individual board members are presented and analysed. The purpose of Study One was to gather qualitative information to be used to inform the quantitative survey design adopted in Study Two. The results of Study Two will be analysed in Chapter 5. Study One and Study Two both address the three research questions outlined in Chapter 2. The research questions explore the nature of the link between board independence and board gender diversity, the extent to which board dynamics act as a mediator of the relationship between board independence and board gender diversity and finally, the antecedents to female board appointments.²

Background Interviews

As indicated in Chapter 3, a series of seven background interviews were conducted with representatives of organisations regularly engaged in the area of board gender diversity. The interview questions centred around the current activities of these organisations with respect to understanding the issue and/or encouraging an increase in the number of women on boards. These interviews were conducted in order to obtain background information on current developments in Australia regarding women on boards of directors. The information obtained was used to guide the questions asked in Study One (i.e. the interviews of current board members), which in turn informed the development of questions used in Study Two (i.e. the survey of board chairs). All of the organisations consented to participation (through written consent given by a representative with appropriate authority) and were actively campaigning to try to encourage more female participation on boards in Australia. These campaigns took different forms depending on the nature of the organisation. Representatives of seven

¹ Throughout this chapter, questions in the Study Two survey are referred to by their designation in the questionnaire, a copy of which can be found in Appendix J. Section A (and question designations beginning with A) contained questions relating to the influence and functioning of the board, section B on the directors and the current CEO and section C on company and demographic information.

organisations took part in these interviews and their activities could be categorised as advocating for change (four organisations), raising awareness within their own membership (two organisations), helping to develop the talent of women in the pipeline through things such as mentoring and training programs (three organisations), assisting boards to recruit women (one organisation) and providing networking opportunities for aspiring board members (one organisation). Note that some organisations were engaged in multiple activities.

For each participating organisation, a representative took part in the interviews on behalf of the organisation. All of the interviewees expressed the view that there was recent increasing interest in the issue and there was a range of reasons as to why this may be occurring. Three interviewees suggested greater awareness of the business case for having women on boards was generating interest in the issue.

As discussed in Chapter 2, changes to the ASX Corporate Governance Guidelines in 2007 (with 2010 amendments) require organisations to report on the number of women on boards and in senior management as well as to explain, if there are no women, why this is the case. The ASX representative indicated that it has received widespread support for the move. Consistent with this, all of the participant organisations were generally supportive of the guidelines. Some interviewees expressed the view that this aspirational approach was far preferable to a system of quotas or other government-imposed mandates and therefore their organisations (and their members) were supporting the ASX guidelines in an effort to avoid such an outcome. In addition, several organisations were undertaking their own activities geared towards increasing the number of women on boards, such as setting up mentoring programs and conducting awareness campaigns.

Three interviewees pointed to the ASX guidelines as an important factor in raising interest and three believed concern about the possibility of quotas being imposed was a significant factor. Both of these responses offer some support for the notion of coercive isomorphism influencing the decision to recruit women to boards.

Two interviewees felt there was greater political pressure being asserted as the government at the time of the interviews had prioritised the issue. Prominent individuals (e.g. CEOs) discussing the issue publicly were seen by one participant as being significant as was a realisation that Australia was lagging behind much of the rest of the developed world and was not meeting community expectations on the issue.

Interestingly, of the five interviewees directly addressing the question of quotas, four expressed the view that their organisations would be prepared to consider advocating for such a solution only if it was absolutely necessary. In other words, in the medium term if the ASX guidelines had not increased the number of women on boards sufficiently, then quotas might be necessary. One interviewee expressed the view that quotas were very unlikely ever to be imposed in Australia. The interviewees understandably touched on the issue of quotas given the significant interest in this measure in the media, particularly given that many European countries have imposed them (Fichtel, 2013; *New York Times*, March 6, 2015; ft.com, June 5, 2014). However, the merits or otherwise of quotas were not the focus of this research.

The interviewees were asked what factors would assist in getting more women on boards. The four that answered this question suggested a range of actions that might be useful including the following:

- More qualified women in the pipeline (two organisations) i.e. ensuring that more women obtained the necessary experience to be ready to take up a board position.
- More flexibility in recruitment and in terms of the attributes a director needs (two organisations).
- More women on boards, which would create a snowball effect, encouraging others (two organisations).
- A reduction in barriers within organisations to women taking up senior management roles.
- An increase in family friendly practices in the workplace and;
- Social change, for example, a more active role for fathers in child rearing.

In summary, three key themes emerged from these background interviews. First, there was a growing awareness of the relatively low representation of women on boards within the business community (and among members of the participating organisations, where applicable). Second, there was a willingness to try to increase the number of women on boards as momentum had been created in part by the changes to the ASX Corporate Governance Guidelines (which may indicate a level of coercive isomorphism influencing recruitment decisions). The third theme to emerge was that there was support for the changes to the Guidelines as they were seen as preferable to the imposition of quotas.

Study One: Interviews of Board Members

As indicated in Chapter 3, interviews were conducted with a total of 25 serving board members. Of these 25, nine were male and 16 were women. The interview questions for board members were designed to address the three research questions.

Research Question One: What is the nature of the link between board gender diversity and board independence?

Research Question Two: To what extent do board dynamics act as a mediator of the relationship between board gender diversity and board independence?.

Research Question Three: What are the antecedents to female board appointments?

As outlined in Chapter 3, the interview questions were designed to be open and semi-structured. In order to address the three research questions, interview questions were focused on the following topics, which were *a priori* taken from the literature and the answers were not predetermined:

- Board independence and how it is exercised (to address Research Question One)
- Board gender diversity and its impact upon board dynamics and upon board independence (to address Research Questions One and Two)
- Female board appointments (to address Research Question Three)

Table 4.1 below outlines the interview questions asked divided into these three broad areas. It also outlines which research questions were addressed by each question asked.

Table 4.1

Interview questions

Area of focus	Question	Research Question addressed
Board independence	What is your role as a board member?	1
	How would you typically exercise managerial oversight?	1
	Do you see other board members with different views about the level of appropriate managerial oversight?	1
	What do you think are the key factors that make a board more likely to exercise more intensive managerial oversight?	1
Board gender diversity and board dynamics	Do you believe there are any particular advantages to having female directors?	1 and 2
	Do they offer a diverse view to their male colleagues?	1 and 2
	Do you see any significant differences in the way the female director(s) exercises their duties?	2
Female board appointments	How did you get appointed to this board (and your first board)	3
	How does your company recruit board members (e.g. is it formal, informal, open, closed)	3
	Do you believe it is a priority for the board you serve on to appoint female directors? Why or why not?	3
	What are the reasons you believe women have been recruited to the board you serve on?	3
	What are your views on the recent changes to the ASX's Corporate Governance Guidelines requiring companies to report on board diversity policies and progress in this area?	3

Each interview question was crafted with reference to literature and information obtained in the background interviews. However, as indicated in Chapter 3, these were open-ended questions, which gave interviewees wide latitude to focus on those areas of greatest importance to them. For each interview question the key themes were identified in the answers given and therefore, the process was primarily inductive, even though the original questions were driven by theory and by the background interviews. The number of respondents for each of these key themes has been outlined and a representative quotation provided along with the number of the respondent who gave that quote (each interviewee was assigned a number in order to protect their anonymity). This is consistent with the approach taken by Graebner (2009) in presenting and analysing qualitative data.

It should be noted that themes were considered to be those responses where more than one interviewee held that particular view. Those interview responses that were frequently given or required further investigation were included in Study Two, the quantitative survey of board chairs (to be discussed in Chapter 5). The specific survey questions derived from interview responses are indicated throughout.

Board independence and how it is exercised

Questions related to board independence were designed to address Research Question One. As indicated in Chapter 2, according to agency theory, boards should be striving to be robustly independent of management in order to best represent the interests of shareholders (Van der Walt & Ingley, 2003). Given the relevance of this theory within academia and industry, it is likely that board members would see their role in terms of enhancing independence (Terjeson et al., 2009). It can also be expected that board members define their role as representing the interests of shareholders and aspiring to robust managerial oversight. It is important to understand if the board sees asserting its independence as a key part of its role and if so, how that independence is typically exercised. The questions were formulated with respect to agency theory, but were broad in nature (i.e. open-ended) to give participants the opportunity to focus their answers on factors that they believed to be most important.

Table 4.2

Responses to questions on board independence

Questions	Number of interviewees responding to this question	% interviewees responding
What is your role as a board member?	25	100%
How would you typically exercise managerial oversight?	22	88%
Do you see other board members with different views about the level of appropriate managerial oversight?	23	92%
What do you think are the key factors that make a board more likely to exercise more intensive managerial oversight?	18	72%

The first question "What is your role as a board member?" sought to reflect on the key elements of the board's role so as to understand those areas where the board would seek independence and assert influence over management. Eight key themes emerged: setting strategy, monitoring compliance and risk, hiring/firing the CEO, monitoring company performance, representing the interests of shareholders, mentoring the CEO, focussing on board papers and representing the interests of staff or other stakeholders. These themes were identified using an inductive process i.e. were driven by the data and the answers given to each of the questions.

Most respondents (14) indicated that setting the strategy and direction of the organisation was a primary role of the board. However there were some different views on the extent of board responsibility for strategy. Four respondents indicated that the strategy was primarily the responsibility of management, but with the ultimate signoff provided by the board. Whereas, five respondents indicated that setting the strategy was a task that needed to be completed by both the board and the CEO/Executive team in combination.

In terms of other key roles of a board member, eight respondents indicated hiring the right CEO (and senior staff) and firing them (where required) were of crucial importance. Ten respondents pointed to the monitoring of compliance and risk as a key responsibility. Seven respondents indicated that monitoring company performance was very important. Five interviewees identified that representing shareholder interests was a key focus of their role. Five respondents also indicated that offering guidance and mentoring to the CEO was an important part of serving on the board. Two interviewees highlighted focusing on board

papers. The responses to this question with relevant quotations are summarised in the table 4.3 below.

Table 4.3

Responses to "What is your role as a board member"?

Key Theme	Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
1. Setting strategy	To set strategy and direction for the organisation	"But the board role is strategy and direction, where the executive role is very much action and delivery" (#1)	14	56%
	To sign off on the strategy which is formulated (at least in part) by the executive management	"[responsibility for the strategy]...is shared, but at the end of the day it is the board that signs off on the strategy. (#6)	4	16%
	Set the strategic direction of the organisation in conjunction/combination with the executive management	"...It's working on the strategy with the executive team..." (#13)	5	20%
2. Monitoring compliance and risk	Focussing on compliance and risk	"My role is to make sure that they comply with all of the obligations the company or the organisation actually have" (#16)	10	40%
3. Hiring/firing CEO	Hiring and firing the CEO (and top executives)	"Hiring and firing the CEO is the first part and the second part is to oversee strategy" (#3)	8	32%
4. Monitoring company performance	Focusing on key economic drivers and company performance	"I think it's asking good questions and it's monitoring the performance of the company" (#19)	7	28%
5. Representing interests of shareholders	Representing the interests of shareholders	"The role of the board is to govern the performance of the company on behalf of shareholders" (#13)	5	20%
6. Mentoring CEO	Offering guidance/mentoring the CEO/senior executives	"I guess another issue would be trying to work out where the organisation, particularly the senior executives need a bit of help" (#9) And "in the business that I'm a chairman of, I would mentor the Chief Executive on an active basis" (#10)	5	20%
7. Focus on matters that come to the board as agenda items board papers	Focussing on matters that come to the board as agenda items board papers	"The important thing involves the board papers - focused on the key economic drivers from the company and on compliance" (#3)	2	8%
8. Representing interest of staff/other stakeholders	Representing the interests of staff (or other stakeholders)	"My prime role, my responsibility is to shareholders of course. I also believe I have an equal responsibility back down to the line of staff and allied or associated people..." (#17)	2	8%

As noted above, the question "What is your role as a board member?" sought to elicit the key elements of the board's role so as to understand those areas that the board would be likely to wish to assert influence over management. In other words, it sought to focus on the areas where board independence is most important. The responses of the interviewees are consistent with those nine areas identified in Fondas & Sasslos (2000) describing board influence over management (the operationalisation of board independence). These nine areas were used in question A1 in the survey questionnaire as a multi-item measure of board independence. The nine areas of management decision-making as set out in question A1 are:

- Selection of senior executives
- Compensation of top management
- Long-range planning
- Capital expenditures
- Mergers and acquisitions
- Day-to-day operations
- Management succession
- Counselling top management
- Corporate organisational structure

The strongest six themes emerging from the interviewee responses were consistent with these nine areas of management decision-making, as identified by Fondas and Sassalos (2000). Specifically, setting strategy is consistent with the elements of long-range planning, capital expenditures and mergers and acquisitions. Monitoring compliance and risk is reflected in elements of day-to-day operations, long-range planning, and capital expenditure. Hiring/firing the CEO is reflected in the elements of selection of senior executives (and to a lesser extent in the compensation of top management and management succession). Monitoring company performance is reflected in the day-to-day operation (and potentially corporate organisational structure. Representing the interests of shareholders is encompassed in all of the elements and indeed in the entire concept of board independence being desirable (as outlined by agency theory). The theme of mentoring the CEO is reflected in the counselling top management element in Fondas and Sassalos' (2000) measure of board independence.

The question "How would you typically exercise managerial oversight?" sought to address the way in which the board asserted its influence over management. This question helps us

gain an insight into how board independence might be related to diversity, so that we can better understand how board members go about their oversight of management.

The highest frequency response (10) to this question was to keep “an ear to the ground” internally, including meeting with key staff to ensure that the board is receiving the right information from the right people. Some directors indicated this should also extend to any external regulators. Nine interviewees indicated being prepared for board meetings with questions to ask. Having read the board papers was another important method of exercising managerial oversight. Seven directors indicated that using board meetings effectively was very important. This should involve such measures as ensuring that key points are covered, an agenda is set and that time is not wasted during the meetings. Five interviewees identified engaging and evaluating the CEO as an important way for them to exercise managerial oversight. Similarly, three indicated that appraising the company's performance was important and one indicated using the internal control structures such as the audit and risk management processes enabled them to carry out effective managerial oversight. These results are summarised in the following table.

Table 4.4
Responses to "Describe how you would typically exercise managerial oversight"

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Keeping an ear to the ground and meeting with key staff to obtain reliable information.	"The other part is really taking to the auditors and keeping your ear to the ground about what's going on around the place, and also what's going on in the external environment" (#5)	10	45%
Being prepared for board meetings.	"Being able to come prepared with questions and being able to have an open access to management" (#4)	9	41%
Using board meetings effectively.	"Getting the detail out of the board meetings has been a focus for us, taking our board meetings from being an all day event to one or two hours of the points that need to discuss in terms of strategy, compliance and the other areas the board looks after" (#1)	7	32%
Engaging with and evaluating the CEO.	"Firstly, your assessment of the chief executive and their management team" (#13)	5	23%
Appraising the company's performance	"Well, having to step back and you look at the report, you look at how the company is performing and make sure you are objective" (#15)	3	14%

The third question was "Do you see other board members with different views about the level of appropriate managerial oversight. If so, how so?" This question was designed to ascertain if demographic factors (and gender in particular) were relevant to directors' views about the appropriate level of board independence. While there is a suggestion in some literature (e.g. Simpson et al., 2010; Conger et al., 1998) that the presence of a female director may improve corporate governance in several ways, there is no indication that women have a different view on the level of appropriate managerial oversight that the board should exercise. The probing nature of this question sought to explore this issue in more depth.

Seventeen respondents answered that there were different views among board members and six participants indicated there were not significant differences between board members on this issue. It should be noted, however, that some directors indicated that these differences should be regarded as healthy and that a balance of views was desirable. Interestingly, it was clear that many board members found these differences were related to the appropriate level of detail which the board should go into when questioning management (10 responses).

In terms of the factors that had an impact on the differences of opinion by directors regarding the level of managerial oversight, seven respondents indicated that the professional background of directors (and the type of business they operated in) was seen as a major determinant of their attitude to managerial oversight. Five respondents also considered the personality of directors to be a key factor. Two respondents viewed the background of a director in terms of whether they had worked in large or small businesses as a key factor in their view of the appropriate level of managerial oversight. Interestingly demographic factors were not mentioned by any of the respondents as being important in terms of the view of managerial oversight that directors took. In fact, two respondents specifically made the point that age was not a factor likely to have any impact on a director's view.

Factors that directors believed contributed to differences of opinion about the appropriate level of managerial oversight are summarised in the following table.

Table 4.5

Key factors contributing to differences of opinion about the appropriate level of managerial oversight.

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Professional background	"...you draw on your own experience in any question, and that's why we have those people there, because of the kinds of experience that they have." (#18)	7	30%
Personality	"It's about the control imperative of the individual character" (#10)	5	22%
Small business v. big business background	"So I think the issue that are there are more to do with the fact that they've come from a small business and worked their way up into a medium sized ...but it's a big business for them where for me it's a very small business. So out thinking is very different and out experiences are very different in businesses prior to coming together there." (#1)	2	9%

The fourth question was "What do you think are the key factors that make a board more likely to exercise more intensive managerial oversight?" This question was primarily designed to assist in the formation of the survey for board chairs. In order to isolate the impact of board gender diversity on independence, there must be a thorough understanding of those factors that contribute to board independence. While the literature provides many of these factors, an interview question was also used to obtain the views of board members as to factors that would be important in compelling them to exercise managerial oversight.

There was a wide range of responses to this question. The majority of board members (ten) indicated that if the company was underperforming this would encourage greater managerial oversight. Underperformance was identified as being poorer financial results or a projected downturn in results as well as a loss of market share. Five respondents indicated that leadership issues and/or new management would lead them to scrutinise management more intensively three board members also indicated that a crisis situation (e.g. the global financial crisis of 2007-2008, the Queensland floods of 2010-2011) or significant changes in the external environment would be a reason for greater managerial oversight. Three board members also indicated that staff problems (such are high turnover) would be a cause for concern leading to them exercising greater scrutiny of management. Two board members indicated a failure to achieve according to the strategy could also lead them to wish to exercise greater oversight. Respondents also indicated that if the board was not a good quality

board (in terms of the business acumen, personal integrity of track record in industry of the other board members) then they would be more likely to scrutinise management more intensively as they were not confident that other board members were doing so.

Table 4.6

What do you think are the key factors that make a board more likely to exercise more intensive managerial oversight?"

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Underperformance of the company	"If the company has been underperforming then clearly that's a signal that something is wrong" (#8)	10	56%
Leadership issues or new management	"I think with the CEO - if they appear not to be in control of strategy and performance - obviously you would get involved more..." (#11)	5	28%
Crisis situation or significant changes in external environment	"There are occasions of course when it's all hands to the wheel for example with the global financial crisis when it was total concentration on our future and how we're going to maintain it and how we're going to survive" (#17)	3	17%
Staff problems	"When there is significant turnover" (#19)	3	18%
Failure to achieve according to the strategy	"So it's when your strategy isn't being delivered and then there are issues about reputation risk and stakeholder shareholder management" (#21)	2	11%
If the board was not a good quality board	"...and the second would be if it not a good quality board. Again, I keep going back to business acumen and professional integrity - there's nothing more important than those things around that board table." (#8)	2	11%

The four themes that emerged most strongly from the answers to this question were incorporated into the survey questionnaire in Study two. The themes were identified in an inductive manner, where patterns were identified in the responses provided by the interviewees. Underperformance of the company was covered in survey questions C8 and C9 using a range of measurements for organisational performance. The leadership issues were covered in question B3 which asked how long the CEO had been in their current position. In the survey conducted in Study two, the external environment and crisis situations were assessed by using Delaney and Huselid's (1996) measure of market dynamism (survey question C10). Staff problems (expressed as the ability to attract and retain staff and the quality of relations among employees) were included in survey question C9 as areas of organisational performance.

Summary of findings related to board independence and how it is exercised.

As indicated earlier, the questions related to board independence were designed to address Research Question One. Key themes to emerge from the answers provided by interviewees regarding board independence are that the directors see strategy setting (either in conjunction with management or simply signing off on it), monitoring compliance and risk, hiring and firing the CEO, monitoring company performance and representing the interests of shareholders as key elements of the role of a director. As discussed in Chapter 2, agency theory suggests that directors should be regarded as agents of shareholders, ensuring the company is managed in the interest of those shareholders (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). Thus, the most common themes emerging from the answers given are consistent with agency theory, as they highlight the importance of factors that enhance board independence from management. The questions were broadly formulated with reference to the literature and agency theory; however, they were open-ended and gave interviewees latitude to discuss aspects of the topic which they felt were pertinent. Key themes were identified using inductive methods.

Interviewees indicated that the role of director was undertaken by not just using board meetings effectively and being prepared for them but also by seeking out information from key staff in the organisation. This is consistent with the board wanting to exercise effective managerial oversight and maintain an independent overview of organisational performance.

Interestingly, most interviewees did see differences of opinion between directors in terms of the appropriate level of managerial oversight. However none saw these differences as related to personal characteristics such as gender or age. Rather, any differences were more likely to stem from different professional backgrounds or personality.

Board gender diversity, board dynamics and board independence

Interview questions related to the relationship between board gender diversity, board dynamics and independence were designed to address Research Questions One and Two. The literature supporting diversity predicts a more diverse board will be more influential over management and therefore be more independent either because diverse perspectives provide for more robust debate ((Fondas & Sassalos, 2000) or because women may be outsiders and therefore not part of the "in-group" which makes them more independent (Fondas, 2000).

Some scholars also suggest that women may make a contribution to independence through board processes (Adams & Ferreira, 2008; Nielsen & Huse, 2010a).

A more diverse board, when considered alongside agency theory, would lead us to expect a more independent board. Three key questions, which were derived from the literature, were asked in order to better understand the perceived benefits of board gender diversity and if these benefits may contribute to a more independent board, either directly or via a contribution to board dynamics.

It should be noted that questions were not directly asked regarding the impact of diversity on independence as this would be likely to lead the interviewees to give certain responses. Rather, more general questions were posed regarding how women exercised their duties, giving the interviewees the opportunity to discuss any impact upon the way the board asserts its independence. As with all of the interview questions, key themes were identified in an inductive manner, to allow the responses to emerge in the interviews.

As indicated in Chapter 3, some scholars (such as Bilimoria & Huse, 1997; Bilimoria & Wheeler, 2000; Huse & Solberg, 2006; Letendre, 2004; Nielsen & Huse, 2010a; Pearce & Zahra, 1991) have highlighted particular advantages female directors may offer both directly and via an impact on board dynamics. However, there have been few studies in this area and the findings are not consistent. The purpose of the interview questions was to investigate the contribution that female directors make as perceived by serving directors (both male and female). The response rates for the two questions asked are outlined in Table 4.7.

Table 4.7

Response rates to questions regarding board gender diversity and board dynamics

Questions	Number of interviewees responding to this question	% interviewees responding
Do you believe there are any particular advantages to having female directors? If so, what are they?	24	96%
Do they offer a diverse view to their male colleagues? If so, how so?	23	92%
Do you see any significant differences in the way the female director(s) exercises their duties? If so, how so?	25	100%

In response to the question "Do you believe there are any particular advantages to having female directors? If so, how so?" all 24 respondents indicated that they believed there were advantages to having female directors. Sixteen indicated that the benefit was that female directors brought a diverse perspective to the board. Many of these mentioned that such a benefit was also to be found with directors from a diverse cultural background, for example, so it was not necessarily the case that there were particular tasks that female directors did differently.

Nonetheless, many did outline specific attributes that they believed female board members provided. For example, seven respondents indicated that the general behaviour and dynamics of the board were improved (e.g. by elements such as more formal language, more listening, more focus on the issues at hand) by the presence of women, six respondents indicated women gave boards a greater focus on consumers (particularly in businesses with many female customers) and five respondents indicated women were more aware of human issues. Four respondents felt that having the right balance on the board is what matters and that having women on the board might contribute to that. Four interviewees also thought that having women on the board provided a better representation of the general population and four interviewees also thought that the presence of female directors has the potential to make female staff feel that their interests are being better represented, so that it has a positive impact inside the organisation. Three respondents felt that female directors brought different ideas to the table (and therefore worked against conformity) and were generally better prepared and conscientious. Two interviewees indicated that women were more risk averse than men (which could be seen as a positive).

Table 4.8

What are the particular advantages to having female directors?

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Diversity	"I think there are advantages to having diversity on the board and I'm a strong believer in that diversity. Diversity whether it's racial, gender, experience and frankly I think it's absolutely vital" (#10)	16	67%
Improved board dynamics	"I think it just improves the quality of the decision making around the table" (#6)	8	33%
Greater focus on consumers	"In most of the businesses that I am really passionate about, our customers are both male and female and it seems to me that it's profoundly necessary that I have directors that can understand, for example, in insurance firms, what the needs of females might be and how that might differ to males." (#10)	6	25%
Greater awareness of human issues	"I believe females have good intuition particularly with people and in relation to HR issues" (#17)	5	21%
Provide balance	"I think it's really important to create a balance to the groupthink" (#6)	4	17%
Better representation of population	"I think it comes back to the representation - when you think about the population and representation" (#2)	4	17%
Impact on female staff	"Female board members demonstrate their impact internally - that is very powerful" (#8)	4	17%
Better prepared and conscientious	"Women are particularly conscientious I think. They've had to be through their career to get into the boardroom in the first place" (#24)	3	13%
Were more risk averse	"And I would say that men will take slightly more risks" (#13)	2	8%

The most frequent three responses were incorporated into the survey questionnaire in Study two (question A2) relating to board dynamics. This investigated whether the perceived advantages of female directors were factors that contributed to the independence of the board.

Respondents were also asked "Are there advantages to female directors. If so, what are they?" Most of the interviewees had been generally supportive of the idea of diversity. However, this was typically expressed as being diversity in terms of it being desirable that the board should have diverse in terms of a range of criteria including ethnic background, age and gender. A further question was asked to see if board members believed that women offered a diverse perspective when compared with their male colleagues. Of the 23 respondents, 19 thought that women did offer a different perspective when compared with their male colleagues and four thought they did not. Eight interviewees mentioned that women typically have women have a different perspective or world-view (due to different experiences). Two respondents mentioned specifically that women have a different view of the obstacles that have faced (e.g. discrimination). Interestingly, two interviewees specifically mentioned that it was difficult to say exactly what it was that made female directors have a different perspective to male directors, as there was also significant diversity among male directors. Similarly, 21 interviewees believed it was more a question of individual character rather than gender difference that contributed to any different perspective that a particular board members might have. Responses to the question of how female directors might offer a different view from their male colleagues is set out in table 4.9 below.

Table 4.9

How women offer a different view to their male colleagues

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
They have a different world view due to different experiences	"Women bring very different experience and ...they definitely bring a different perspective on things" (#8)	8	56%
They have a different perspective on obstacles e.g. discrimination	"...being a female there's a level of whether it may be discrimination of whether it may just being a female...that diversity means that when problems are discussed you often vet views that ...I have never even considered" (#1)	2	9%
Difficult to say how this is so	It would be very hard to peg because I think if you look at the men around the table they tend to come from very different perspectives" (#5)	2	9%
It is more a question of individual character than gender	"...it's all about the abilities and what you have really all boils down to someone's character and their make-up that allows them to do the job of their choice effectively" (#17)	2	9%

These findings indicate that most respondents did see women as being different to their male colleagues which reinforces the *prima-facie* case for board gender diversity having an impact on the way boards work, which is suggested by much of the diversity literature. As outlined previously, the suggested benefits of diversity propose that the presence of female board members should provide a wider range of views and perspectives.

When asked in general if there were differences in the way female directors exercised their duties compared to men, 17 respondents answered in the affirmative and seven in the negative. In terms of what those differences were, seven indicated women were more conscientious and six that women asked tougher questions (or were more likely to ask questions). Three respondents felt that female directors had more intuition, which they brought to the role and two indicated they were not as assertive or self-confident. There was a range of differences that were identified by only one interviewee. These were that, compared to men, women are viewed as:

- Different thinking around strategy
- More likely to ask for help
- Not as willing to hold CEOs to account
- Less risk averse
- More obsessive or showed greater attention to detail
- More ethical
- Quieter and listened more
- More frank, without as much of a hidden agenda
- Tried to create harmony more readily
- Found it more difficult to be heard

The key themes to emerge from the interviews with respect to this question are set out in Table 4.10 below. As detailed earlier, the themes were identified using an inductive method, dictated by the responses of the interviewees. These responses indicate the ways in which those 17 respondents who did see a significant difference in the way female directors exercised their duties felt that those differences were manifested.

Table 4.10

Ways in which female director(s) exercise their duties differently to male directors.

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Women more conscientious	"I think the only real difference that I can see is that they tend to be more diligent...because there were fewer of them and they have to work hard to be noticed and heard." (#25)	7	28%
Women asked tougher questions	"I think that women clearly, you know, ask tougher questions - the question everyone want to ask, but doesn't." (#4)	6	24%
Women had more intuition	I think that's more intuition that they bring - that's not saying they are more emotional, I think it's an insight perhaps to think about sometimes the impact that certain decision might make." (#2)	3	12%
Women were not as assertive or self-confident	"They haven't been as self-confident or assertive" (#3)	2	8%

These responses enable an understanding of the way in which board gender diversity may impact upon independence through the mediator of board dynamics. The responses provide

relating to board dynamics are explored further in the survey questionnaire in Study Two by question A2.

Summary of findings related to board gender diversity and board dynamics and board independence.

In summary, the interviewees indicated that there were significant benefits to having board gender diversity. In particular, bringing a different perspective in general (and specifically because of different experience and different views on obstacles that women face), bringing a greater focus on customers and on human issues and providing balance were all identified as key advantages of having women on boards. This is consistent with the literature supporting diversity (e.g. Nielsen & Huse, 2010b; Selby, 2000; Terjesen et al., 2009; Tuggle et al., 2009) and indicates a different perspective offered by female directors can provide better board performance.

The interview findings also indicated female directors contribute to board dynamics as they are more conscientious and have more intuition. These factors may be expected to create a positive effect on board dynamics, which in turn may lead to more robust board discussion and therefore more effective managerial oversight. This gives some support to the notion that the presence of female directors may positively impact on board independence via board dynamics and are particularly applicable to Research Question Two.

Female board appointments

The interview questions relating to female board appointments seek to address Research Question Three “What are the antecedents to female board appointments?” As indicated in Chapter 2, there is relatively little research into the reasons why women are appointed to boards, particularly in Australia. Institutional theory suggests that coercive isomorphism (i.e. stemming from external pressure), normative isomorphism (i.e. stemming from professionalism) and mimetic isomorphism (i.e., stemming from a desire to model the organisation on successful organisations) may all be relevant to explaining the recruitment of female directors. The 2007 / 2010 changes to the ASX Corporate Governance Guidelines have potentially provided external pressure (or at least momentum) and therefore it might be expected that evidence of coercive isomorphism can be found in the interview responses (Elgart, 1983).

Table 4.11

Response rates to questions on female board appointments

Question	No. of responses	% of responses
How did you get appointed to this board (and your first board)	24	96%
How does your company recruit board members (e.g. is it formal, informal, open, closed etc.)	22	88%
Do you believe it is a priority for the board you serve on to appoint female directors? Why or why not?	22	88%
What are the reasons you believe women have been recruited to the board you serve on?	23	92%
What are your views on the recent changes to the ASX's Corporate Governance Guidelines requiring companies to report on board diversity policies and progress in this area?	24	96%
Would you be in favour of further government intervention (such as quotas) in order to boost the number of women on boards?	24	96%

The interviewees were asked how they were appointed to their first private sector board and to the current board, in order to get an understanding of how these directors had come to take up a board position. Of the 24 respondents, 14 indicated that their professional backgrounds have been significant in obtaining board roles and 12 indicated their network was also a significant factor. Eight interviewees indicated that they had been appointed to a board role due to the executive position that they held in the company at the time. For four interviewees, search consultants play a significant role in their appointments. For three interviewees their reputation in the industry, they considered to be an important factor in obtaining board positions. Interestingly, only one (female) interviewee believed that she had been appointed partly because of her gender.

Table 4.12

How did you get appointed to this board (and your first private sector board)

Response	Typical quotation (# = interviewee ID number)	Number of responses	% of responses
Professional background	"So that's really to do with my background more than anything else" (#9)	14	58%
Network	"...but there was an introduction there through the network I guess, which tends to be the way that board appointments tend to happen with big companies" (#5)	12	50%
Executive position	"I was...{an executive} on the same publicly listed company at the time and as a result of that role I was appointed as an executive director on that board" (#1)	8	33%
Search consultants	"I was approached by one of the top head-hunters" (#11)	4	17%
Reputation	"I had a certain reputation for being, I guess, a technocrat...and at that stage of the game I would say that would have made me attractive to boards" (#10)	3	13%
Gender	"Thanks to the first woman who said one was not enough" (#6)	1	4%

The interviewees were also asked about how their current companies recruit board members. More specifically, they were asked to describe the process and categorise it as formal, informal, open or closed and whether search consultants were used. The results indicated that networks and search consultants are both used extensively and often in combination. In total 22 interviewees responded to this question. Of these, 14 interviewees indicated their companies used networks (particularly to formulate a short-list for board appointments) and 13 interviewees indicated their companies used search consultants. Nine interviewees described the recruitment process as formal, three described it as informal and five described it as sometimes formal and sometimes informal. Four interviewees said the processes for recruiting board members at their companies were open (i.e. transparent to other board members). The comments generally indicated that the process is becoming more formal and the use of search consultants is increasing.

Table 4.13

How does your company recruit board members?

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Via networks	"...the old boys' network is used to add some names to the short list" (#11)	14	64%
Via search consultants	"We do use head-hunters because success is more likely but we mainly approach people the directors know and the head-hunter knows" (#17)	13	59%
Formal process	"So there might be a variety of recruitment vehicles being used but the process is still a formal and quite an open process" (#23)	9	41%
Informal process	"It's a very informal process. If we are approaching the right person with a serious reputation we don't say we are talking to others. We have a chat to them about the job and see if they are interested" (#3)	3	14%
Formal and informal process	"I think it's a mix...a formal and an informal one" (#8)	5	23%
Open (among board members)	"I think transparency is the key" (#1)	4	18%

Taken together, the answers to these two questions indicate the use of networks continues to be critical in obtaining a board position. Search consultants are also relatively important in the recruitment process, but it is quite a formal process that companies undertake to fill their board vacancies.

The interviewees were asked whether it was a priority for their boards to appoint female directors and if so, why this was the case. 22 interviewees responded to this question. Five directors indicated that it was a priority, 14 indicated it was not a priority and three indicated that the board had given it some thought. Six of those who had indicated that the board they serve on was not planning to recruit women as a matter of priority explained that this was the case because they already had women on the board at a level that compared favourably with other companies and industry standards. Four companies in total indicated that external factors were an important consideration in their decision to appoint women as a priority. Two of these companies indicated that public relations considerations were a key external factor, one indicated that what other boards were doing was important, and one indicated the ASX guidelines were important. Interestingly, one interviewee made the point that "their priority is to have one, but not necessarily to have more than one."

In terms of past appointments of female directors, a total of 23 interviewees responded. Overwhelmingly, interviewees indicated that the skills and experience of the board members was a key factor in their recruitment (14 respondents). This implies that normative isomorphism (i.e. the pressure to conform to professional norms) is a factor in the recruitment of directors. However, the skills and experience of female directors were seen as being the same as male directors (by the interviewees) and therefore it cannot be concluded that this was a factor behind female appointments to boards specifically. Eight interviewees indicated that wanting to capture the benefits of diversity was also a key factor in the appointment. Three indicated that women were recruited specifically because of their gender and four indicated that public relations were a factor in the recruitment decision. In three cases, the female directors were in executive roles in the relevant organisations and this was also a factor in their recruitment.

Therefore, in terms of future appointments, very few companies were willing to identify that such appointments would be made because of external factors, but significantly more indicated this had been a consideration in past recruitment of female board members. This may indicate an unwillingness to admit such external pressure is still a factor. In order to more fully test this notion, questions were formulated for the survey questionnaire (B8 and B9) designed to confirm whether it is a priority to appointment female directors and whether external factors (e.g. public relations, the actions of other companies or diversity) are likely to be important factors in future appointments or have been in past appointments.

In total 24 interviewees responded to the question asking for their views on changes to the ASX's Corporate Governance Guidelines. Generally the interviewees were very positive about changes to the ASX Corporate Governance Guidelines, with 20 of the 24 expressing this view. three were negative about the changes and one was unsure at this stage. The negative comments were generally centred on the changes simply being to "tick the boxes" or an attempt to be politically correct (four interviewees indicated they felt this was the case). There was also some concern about any move away from merit not being the central selection criteria for board members (three interviewees) and that the guidelines created a reporting burden (three interviewees). However, 10 respondents indicated they felt the changes to the guidelines had encouraged discussion of the issue (both in the community and within companies), it had created some momentum and had encouraged businesses to examine their practices with respect to diversity. These findings and representative comments are included in table 16 below.

Table 4.14

Views of recent changes to the ASX Corporate Governance Guidelines

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
They have encouraged discussion, examination of current practices and put the issue on the agenda	"It's really put the issue on the agenda...I think those guidelines now made people look at their targets and why they haven't achieved those targets" (#15)	10	42%
They are just to tick boxes and display political correctness	"I don't think it's done any good whatsoever in terms of corporate governance. It's about companies ticking the box" (#9)	4	17%
Concern about merit not being the central selection criteria	"I don't like the idea of it. I think that it should really be based on merit" (#14)	3	13%
Concern about the reporting burden	"I'm no fan of the reporting, because it just becomes more paperwork, more things that have to happen to run your business; having a team of people hat sit aside your business, but don't actually generate revenue, but just keep the government happy, carry a financial burden all the same" (#1)	3	13%

Interestingly, board members were much less supportive of the idea of quotas than they were of the ASX guidelines. Of the 24 that gave an answer to this question, 12 respondents were negative or unsupportive towards the notion of a government-imposed quota and six were generally positive. Two were unsure and four were prepared to support it, but only if change was not happening through other measures or if it was the only way to obtain more women on boards.

In order to investigate these responses in greater details, two questions in the survey questionnaire (B8 and B9) were formulated to investigate if the ASX guidelines (or other external pressures) had contributed to a decision to recruit female directors or would be likely to do so in the future.

Table 4.15

Would you be in favour of further government intervention (such as quotas) in order to boost the number of women on boards?

Response	Typical quotation (# = interviewee ID number)	No. of responses	% of responses
Negative or unsupportive	"It would be appalling. It would be worse than appalling and I don't think women would support it either, the women on boards that I know would hate to think their status was devalued by being part of a quota system. I just think it's entirely the wrong way to go. I mean if we don't work on a meritocracy basis, then what have we got"? (#5)	12	50%
Positive or supportive	"If quotas can give us a better perspective on the capability and skill sets, they would actually build more people with more experience and be able to actually coach and mentor then further down the organisation we might get better outcomes" (#16)	6	25%
Unsure	"I don't know to be honest" (#1)	2	8%
Supportive but only if other measures unsuccessful	"...in my view if that's the only way that we can get a change in certain entrenched behaviours then I would consider it" (#2)	4	17%

Summary of findings related to female board appointments

In summary, organisations typically undertake a formal recruitment process for board positions. They utilise networks and search consultants to find suitable candidates. Relatively few interviewees indicated recruiting female board members was a priority for their companies and very few indicated that external pressure of any kind was likely to be a factor in any such decision. However a small, but more significant number did indicate that external pressure was a factor in past appointments.

Half of the interviewees were supportive of the recent changes to the ASX Corporate Governance Guidelines (12 of the 24 interviewees responding to this question). The other half was concerned about political correctness, loss of merit as the central selection criteria and concerned about the reporting burden that the changes may create. Half of the interviewees were unsupportive of quotas. 25% were supportive and 17% were supportive if there were no other options or others had failed to increase the number of women on boards. A combined total of 42% of interviewees were supportive of quotas in the right circumstances. Eight percent were undecided.

Summary of findings relating to Research Question One

Study One indicated that directors viewed their role in a manner consistent with agency theory, where acting to represent the interests of shareholders and thus exercise appropriate managerial oversight on behalf of those shareholders was very important. Having independence from management was therefore crucial to undertaking the role of director effectively.

However, among directors, there was an acknowledgement that different views were apparent in terms of the appropriate level of managerial oversight. Nonetheless these differences were not seen as stemming from personal characteristics of the directors (including gender), but were more likely to be found due to differences in personality or professional background.

Prima facie, this finding is not supportive of a direct connection between the presence of female directors and board independence. However, when asked about the benefits of board gender diversity, directors were able to identify several concrete ways in which female directors make a unique contribution. In particular, they bring a different perspective, a greater focus on customers and human issues and provide balance. These factors are consistent with the literature supporting diversity, which indicates that through providing a different perspective, female directors will enhance independence.

Thus, the interviews in Study One provide mixed findings in terms of a potential link between board gender diversity and board independence.

Summary of findings related to Research Question Two.

The interviews in Study One give some support to the notion that the presence of female directors may have a positive effect on board dynamics (and therefore board independence). More specifically, interviewees gave an indication that female directors were more contentious and more intuitive as well as bring more likely to ask tougher questions. Such factors could be expected to have a positive impact on board dynamics. The notion that female directors brought different views and perspectives to the table was also a strong theme to emerge. Consistent with this, women were seen by some as offering a balance, which was important in order for the board to have a range of points of view to draw upon.

Summary of findings related to Research Question Three.

When asked about the reasons female directors had been appointed in the past, interviewees indicated external pressure (i.e. coercive isomorphism) had been a factor. This is consistent with the background interviews, which strongly suggested external pressure on organisations (such as ASX requirements and public relations) had been a significant factor in the growth in female appointments.

However, when asked about the likelihood of further female appointments in future, the interviewees in Study One generally indicated they did not believe external pressure would be a significant factor. Interestingly, 42% of interviewees were supportive of the notion of quotas being imposed by an external body (e.g. government), albeit in specific circumstances in some cases.

The interviewees did not give support to mimetic or normative isomorphism being factors in past appointments of female directors. Nor were these forms of pressure identified as likely to be factors in future appointments of women to boards. This was consistent with the findings of the background interviews. A small proportion of those interviewees indicated that mimetic isomorphism was an important factor in the recruitment of women to boards, whereas normative isomorphism was not highlighted as an important factor in the recruitment of female directors by the interviewees.

Chapter Conclusion

Overall, the findings of Study One show that directors see their role as being to effectively oversee management in the interests of shareholders and to undertake duties that enhance the independence of the board, which is consistent with agency theory. Board members identified several key direct benefits of board diversity as well as indirect benefits stemming from improved board dynamics. These findings give some support (although this support was limited) for the link between board independence and board gender diversity contained in Research Question One and for board dynamics being a mediator in that relationship (as posed by Research Question Two).

Interviewees indicated the recruitment of women was generally not a priority for their organisations, but that external pressure (i.e. coercive isomorphism) has been a factor in some past appointments of female directors. Thus external pressure may therefore be an antecedent to female board appointments (as suggested by Research Question Three).

This finding is in contrast to some extent with the findings of the background interviews, which indicated that there is growing awareness of the need to appoint more women to boards in the future among the business community, although this could be the result of coercive or normative pressure. Coercive isomorphism was also identified during these interviews as being an important factor in boosting the number of women appointed to boards, which highlights the need for further investigation of this issue.

Chapter Five: Study Two Results

Introduction

This chapter presents the analysis of the survey data (Study Two) beginning with a discussion of the characteristics of the respondent group and followed by preliminary analysis of the data. The discussion includes the data screening results and factor analysis to validate the measures used. The main analysis is then presented which outlines the regression results for the three research questions.

Characteristics of the Responding Companies

As indicated in Chapter 3, a total of 82 surveys were completed and returned, which represents a response rate of 4.2%. In the following section details are provided about the number of employees and the characteristics of the boards and executives of the companies that participated in the survey. Information is also provided about the survey respondents.

Table 5.1 outlines the size of the 82 companies that participated in the survey in terms of the workforce size.

Table 5.1

Workforce size (number of employees) in responding companies

Number of Employees	Frequency	%
1-4	10	12.2
5-9	27	32.9
10-199	15	18.3
200-499	12	14.6
500-999	5	6.1
1000-4999	7	8.5
5000-9999	1	1.2
10000 +	4	4.9
Not Answered	1	1.2
Total	82	100

Interestingly, the majority of companies that responded to the survey were small or medium sized firms. The group with the most frequent response included those companies that employed between five and nine employees. That group was followed by those that employed between 10 and 199 employees. However, there were four respondent companies that had more than 10,000 staff. This is broadly reflective of the companies listed on the ASX, as there are many more public companies that are small and medium sized than large ones in Australia.

Characteristics of the boards and executives of responding companies

The total number of directors on the boards of responding companies was typically five, with a minimum of three and a maximum of nine. This is reflective of the general trend for Australian boards to be smaller than U.S. boards (Hillman et al., 2002), as discussed in Chapter 2. Similarly, in the sample there were typically around four external or independent directors. These statistics are set out in Table 5.2 below.

Table 5.2

Characteristics of board and executives of responding companies

	No. of companies responding	Mean	S.D	Minimum value	Maximum value
Total number of directors on the board	82	5.32	1.77	3	9
Number of external/independent directors	82	3.94	1.84	1	8
CEO tenure (years)	81	4.77	5.58	0.5	35

As set out in Table 5.3, most responding companies (63.4% of the sample) had no female directors. The remaining 36.6% of boards had at least one woman. Analysis conducted in order to identify appropriate companies to invite to participate in the interviews for this study (as outlined in chapter 4) indicated that as at May 24, 2010, 18.6% of all listed companies in the had at least one woman on the board. The reference date for the companies that were sent this survey was July 10, 2011. However, it may still be observed that a higher proportion of companies responding in the survey had at least one female director than is apparent in the

total population of listed companies. The stronger representation of companies with female directors in the sample will be discussed in greater detail in the data screening section of this chapter.

Table 5.3
Number of female directors at responding companies

Number of female directors	Frequency	%
0	52	63.4
1	17	20.7
2	12	14.6
3	1	1.2
Total	82	100

Characteristics of individual respondents

The survey was sent to board chairs as it was determined that the holders of this position would be the people best placed to answer questions related to the independence of the board. However, in some cases it was not in fact the board chair that completed the survey. As set out in Table 5.4, in 13 cases it was unclear whether the executive was a board member as they did not identify themselves as a board member. In all cases however input from a board member or CEO or an executive present at board meetings would have been required to complete the survey as many of the questions were not able to be answered without such input. In three cases a director (not identified as the board chair) completed the survey. In most cases (80.5%), the responses were provided by the board chair.

Table 5.4

Position title of individual respondents

Title of person filling out survey	Frequency	%
Business Development Manager	1	1.2
Company Secretary	1	1.2
Financial Director	1	1.2
Secretary	1	1.2
CEO	4	4.9
CFO	5	6.1
Chair	4	4.9
Chairman	51	62.2
Chairperson	1	1.2
Director	3	3.7
Executive Chairman	7	8.5
Executive Chairman and MD	1	1.2
Managing Director	1	1.2
Non-executive Chairman	1	1.2
Total	14	100

As Table 5.5 indicates, overwhelmingly the survey was completed by a male (in 91.5% of cases). We would expect this to be the case as the vast majority of chairs of boards in Australia are male (the EOWA Australian Census of Women in Leadership 2012 indicates there were six female board chairs among the ASX 200 companies at the time of the survey).

Table 5.5
Gender of individual respondents

	Frequency	%
Male	75	91.5
Female	7	8.5
Total	82	100

Table 5.6 indicates that the average tenure of the person completing the survey with the company was 6.33 years and 3.69 years in the current role within that company. There were clearly some significant differences in tenure however, with a large difference between the minimum and maximum tenure in both cases.

Table 5.6
Tenure of individual respondents

	Number of responses	S.D.	Minimum tenure	Maximum tenure	Mean tenure
Years working in this company	82	6.33	0.25	36	6.43
Years working in current role	82	3.69	0.25	18	3.97

Preliminary Analysis

Data screening for all variables

The following section outlines the data screening completed for all of the variables. It includes an analysis of missing data and descriptive statistics.

Missing data

Table 5.7 outlines the number of responses to each survey question where all responding companies were requested to answer, regardless of whether they had a woman on the board.

*Table 5.7**Percentage of missing data for single item variables*

Survey question	Number of responses	% of total responses	% missing data
Percentage of external directors	82	100	0
CEO tenure	81	99	1
Percentage of shareholding by external directors	79	96	4
Percentage of shareholding by institutional investors	77	94	6
CEO Influence over the director nomination process	82	100	0
Return on assets	53	65	35 ³
Number of women on the board	82	100	0
Extent of priority to appoint female directors	81	99	1
Extent to which enhancement of corporate reputation will be a factor in future female directors	81	99	1
Extent to which isomorphism will be a factor in future female directors	81	99	1
Extent to which external pressure will be a factor in future female directors	81	99	1
Extent to which the desire to increase board diversity will be a factor in future female directors	81	99	1

The response rate was lower for multi-item variables, which used responses from several questions.

³ It should be noted that of the 53 responses to this question, 21 indicated they had zero ROA and one had negative ROA. This is generally because of the nature of the business. Typically it involved minerals exploration and therefore did not expect to have positive ROA.

Table 5.8

Percentage of missing data for multi-item variables.

Survey question	No. of responses	% of total responses	% missing data
Board independence	80	98	2
Similarity of the CEO to the directors	81	99	1
Board dynamics	79	96	4
Perceived market performance	65	79	21
Perceived organisational performance	67	82	18
Market dynamism	63	77	23

There are a variety of views as to the reasonable level of missing data for any given sample. Some suggest as much as 50% missing data can be used (Hair, Anderson, Tatham & Black, 2010) whereas others indicate that anything greater than 10% presents a problem which must be addressed (Tharenou et al., 2007). As indicated in Chapter 3, this was dealt with using pairwise deletion to minimise the impact of missing data. This is generally seen as a more accurate approach (Roth, 1994) than the alternatives such as listwise deletion or mean substitution (Tharenou et al., 2007), but is also likely to produce a higher sample size (Tharenou et al., 2007).

Some questions were only applicable to those companies that had a woman serving on the board. Therefore, the number of responses for these questions was significantly lower. As indicated earlier, there were 30 companies responding in the survey that had currently serving female directors. There were no missing data for questions related to female directors specifically i.e. questions on the following:

- Similarity of female board members to other directors
- Extent to which enhancement of corporate reputation was a factor in past appointments of female directors
- Extent to which mimetic isomorphism was a factor in past appointments of female directors
- Extent to which coercive isomorphism (i.e.) external pressure was a factor in past appointments of female directors

- Extent to which the desire to increase board diversity was a factor in past appointments of female directors

Descriptive statistics for all variables

Table 5.9 outlines the mean and standard deviations for each of the variables as well as the correlations used in Regression A, where board independence was the dependent (which addressed Research Questions One and Two). Table 5.10 sets out the mean and standard deviations for each of the variables as well as the correlations used in Regression B, where women on boards was the dependent variable (which addressed Research Question Three). Each of the multi-item measures used for the first time in this study was tested for reliability. As set out in Table 3.11 all of the multi-item variables can be considered reliable (as the Cronbach alpha was more than 0.7), except for CEO similarity to directors (alpha = 0.48).

Table 5.9

Descriptive statistics for variables predicting board independence i.e. Research Questions One and Two (Regression A)

Variable	Mean	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Board independence	25.26	4.82														
2. Percentage of external directors	0.72	0.18	-0.13													
3. Chief executive influence over the director nomination process	2.59	1.44	-0.09	-0.17												
4. Percentage shareholding by external directors	0.11	0.35	-0.23	0.10	0.10											
5. Percentage shareholding by institutional investors	0.34	0.28	-0.13	0.17	-0.13	-0.20										
6. Similarity of the CEO to other directors	9.26	2.30	-0.12	-0.03	0.09	0.18	-0.06									
7. Similarity of the female board members to other directors	9.73	2.69	-0.35	0.12	0.09	0.28	0.30	0.22								
8. CEO tenure	4.77	5.58	-0.05	-0.25	0.24	.04	0.19	-0.13	-0.24							
9. Perceived organisational performance	26.57	3.20	0.14	-0.9	0.21	0.10	0.03	-0.20	-0.33	0.42						
10. Perceived market performance	13.25	2.96	0.29	0.04	-0.04	-0.01	0.26	0.02	-0.15	0.32	0.51					
11. Market Dynamism	23.57	5.54	0.03	-0.07	0.13	0.06	-0.12	0.06	-0.08	0.05	0.04	0.07				
12. Return on Assets	0.09	0.12	-0.13	0.16	-0.14	0.56	0.08	0.25	0.33	-0.03	0.14	0.35	0.04			
13. Women on boards (Independent Variable)	0.54	0.79	-0.17	0.24	-0.11	0.18	0.26	-0.04	0.11	-0.00	0.11	0.01	0.13	0.40		
14. Board dynamics (Mediator Variable)	4.23	6.30	-0.20	0.24	-0.08	0.23	0.16	0.01	0.09	-0.04	0.03	-0.09	0.14	0.43	0.95	

Table 5.10

Descriptive statistics for variables predicting antecedents to board appointments i.e Research Question Three (Regression B)

Variable	Mean	Standard Deviation	1	2	3	4
1. Women on boards	0.54	0.52				
2. Extent to which corporate reputation was factor in past appointments of female directors	2.97	1.13	.13			
3. Extent to which mimetic isomorphism was a factor in past appointments of female directors	2.73	1.08	-.13	.81		
4. Extent to which coercive isomorphism (external pressure) was a factor in past appointments of female directors	2.47	1.22	-.27	-.01	.15	
5. Extent to which the desire to increase board diversity was a factor in past appointments of female directors	3.30	1.24	.28	.55	.42	-.28
6. Extent of priority to appoint female directors in future	3.06	1.00				
7. Extent to which enhancement of corporate reputation will be a factor in appointment of future female directors	2.83	0.99				
8. Extent to which mimetic isomorphism will be a factor in appointment of future female directors	2.81	0.88				
9. Extent to which coercive isomorphism (external pressure) will be a factor in appointment of future female directors	3.01	1.08				
10. Extent to which the desire to increase board diversity will be a factor in future female directors	3.48	1.04				

Factor analysis

Exploratory factor analysis (EFA) was undertaken for the multi-item measures that had not previously been used in other studies and confirmatory factor analysis (CFA) was undertaken on existing multi-item measures.

Exploratory factor analysis

Exploratory factor analysis was undertaken for the three variables which were multi-item measures developed for this research:

- Similarity of CEO to the directors
- Similarity of the female directors to the other directors
- Board dynamics

Note that board dynamics was not an independent or control variable, but the data collected by this measure was used to construct the independent mediator variable for board dynamics.

In order to determine the appropriate number of factors to use for a given measure two key methods are applied. These are the Kaiser criterion (or Kaiser-Meyer-Olkin criterion) (Tharenou et al., 2007) and the Bartlett test of Sphericity (Pallant, 2011). The Kaiser-Meyer-Olkin (KMO) measure should ideally be more than 0.6 (Kaiser, 1974). In addition, the Bartlett's Test of Sphericity value should be significant (i.e. <0.05). This information for each of the relevant measures is outlined in Table 5.11 below.

Table 5.11

Exploratory factor analysis KMO and Bartlett's test results

Measure	KMO measure	Bartlett's Test of Sphericity
Similarity of CEO to the directors	0.598	0.003
Similarity of the female directors to the other directors	0.674	0.000
Board dynamics	0.726	0.000

The combination of tests confirms that the data was suitable for factor analysis.

In order to determine if each variable is made up of only one factor Cattell's scree test (Cattell, 1966) is used. This involves inspecting the scree plot to ensure that the data from each question is contributing to the variance in the data set (i.e. the line is not horizontal). In addition, the component matrix should indicate only one component is evident and if any of the questions are not contributing to the variable.

Cattell scree tests revealed that all measures except one, Board dynamics, met the required contribution to variance. In the case of the Similarity of CEO to other directors variable, oblimin rotation was used as there was an assumption that the measures might be correlated. For the other two variables this assumption was not made and so varimax rotation was used (and therefore a component matrix rather than a pattern matrix was generated). Each of the relevant measures will now be discussed in greater detail:

Similarity of CEO to other directors

Initial inspection of the results showed that the eigenvalues and scree plot suggested a one-factor structure that was supported by the parallel analysis. The pattern matrix in Table 5.12 shows a clean one-factor structure with all items loading significantly on one factor and explaining 65% of the variance in the underlying construct.

Table 5.12

Pattern Matrix for similarity of CEO to other directors

Item	Loading	
	Factor 1	Factor 2
Functional background (e.g. sales, finance, marketing)	0.76	
Industrial background (e.g. different industries)	0.75	
Educational background (i.e. different educational levels)	0.61	-0.53
Age		0.83

Similarity of female directors to other directors

Initial inspection of the results showed that the eigenvalues and scree plot suggested a one-factor structure that was supported by the parallel analysis. The component matrix in Table 5.13 shows a clean one-factor structure with all items loading significantly on one factor and explaining 58% of the variance in the underlying construct.

Table 5.13

Component matrix for similarity of female directors to other directors

Items	Loadings
Functional background (e.g. sales, finance, marketing)	0.85
Industrial background (e.g. different industries)	0.81
Educational background (i.e. different educational levels)	0.74
Age	0.65

Board dynamics

Initial inspection of the results showed that the eigenvalues and scree plot suggested a one-factor structure that was supported by the parallel analysis. The component matrix in Table 5.14 shows a clean one-factor structure with all items loading significantly on one factor and explaining 56% of the variance in the underlying construct.

Table 5.14

Component matrix for board dynamics

Items	Loadings
Our board meetings are dominated by the CEO	0.85
Our board meetings are dominated by the board chair	0.87
Our board meetings are dominated by certain board members	0.85
Our board members all contribute actively	

The Board dynamics measure was modified as it was clear from the scree plot and the component matrix that the last question (i.e. A2 (d)) did not contribute to the variable so it was removed.

Confirmatory factor analysis

Confirmatory factor analysis used the Harman single factor test (Podsakof et al., 2003) and utilised IBM AMOS software to analyse the multi-item measures that had been developed for other studies. These were:

1. Perceived Market Performance
2. Perceived Organisation Performance
3. Market Dynamism
4. Board Independence

The analysis confirmed all variables as significant.

Main Analysis

This section presents regression analysis and statistical analysis, which seek to address the three research questions. The results are presented for each of the questions in turn. As outlined earlier, two regression analyses were undertaken. Regression A addressed Research Questions One and Two and Regression B addressed Research Question Three. Each has been outlined in turn below.

Regression analysis predicting board independence - Regression A

Selection of appropriate model

In order to answer Research Questions One and Two, a model with board independence as a dependent variable was required. The Board Independence construct had been used previously (Fondas & Sassalos, 2000) and the interviews in Study One also reinforced that the components captured in the Board Independence variable were a comprehensive view of the areas where the board sought to have influence over management.

The sample size of the survey was too small to include all of the control variables and provide meaningful results. Therefore, a process of reduction was undertaken. In the first instance this involved removing those variables that had a particularly large proportion of missing data or where the level of responses was small due to there being a small sample available (less than 75 responses out a possible 82). The following variables were removed based on this criterion:

- Similarity of female board members to other directors (30 responses)
- Market dynamism (63 responses)

As indicated earlier, “Return on assets” had a total of 53 responses, but of these 22 were either responses of zero or a negative and therefore this variable was not particularly useful and was excluded. Similarly, while 79 responses were received for “Percentage shareholding

by external directors”, a further six responses were zero. For “Percentage shareholding by institutional investors” six responses were also zero, out of a total of 77 responses. Therefore these three variables did not have high responses that were greater than zero and were therefore excluded on that basis. As stated earlier, those variables which had less than 75 responses of a possible 82 were removed in order to improve the predictive value of the model.

The board diversity variable was also removed as the model was found to be more robust without this variable (the R^2 value improved once the variable was removed). “Perceived market performance” was retained because this variable improved the significance of the equation. However, this variable was highly correlated with “Perceived organisational performance” (0.51). Therefore, “Perceived organisational performance” was removed. These decisions were largely data-driven in an attempt to obtain meaningful results from the regression analysis. All of the variables were initially included because of their theoretical impact on board independence. However, the model had too many variables given the sample size and so the weaker variables were removed.

Data screening for selected model

The data included in the selected model are presented along with results of tests for outliers and screened for normality, linearity, homoscedasticity and multicollinearity.

Outliers

In multivariate regression, outliers may be identified by observing the Mahalanobis distance and Cook's distance (Tharenou et al., 2007). For seven independent variables (which was the number in the model) the Mahalanobis distance should be no more than 24.32. However, tests indicate that it is 38.027 for this model. However, Cook's distance should be less than 1, which it is for this model (0.185) indicating there is unlikely to be a problem with outliers. A third test, observation of the scatterplot of the standard residuals, can also be used to detect outliers. It is suggested that standardised residual values between -3.3 and +3.3 are not considered outliers (Tabachnick & Fidell, 2007). The standardised residual values for the model fell within this range.

Normality

As stated in chapter 4, skewness should have an absolute value of less than 2 and kurtosis should have an absolute value of less than five (Tharenou et al., 2007) if the assumption of normality is to hold. SPSS analysis for normality revealed that both skewness and kurtosis fell within these levels. The points on the normal probability plot and the scatterplot of the residuals suggest no major deviation from normality. That is, the points on the normal probability plot lay in a reasonably straight diagonal line from bottom to top and in the scatterplot, the residuals lay in a rectangular area with higher concentration in the centre.

Linearity and homoscedasticity

As stated in chapter 4, violations of the assumption of linearity can be detected by inspection of the scatterplot between variables or it can be tested using the residuals, which are plotted against the predicted values of the dependent variable. In such a regression, if the t-value is <0.05 this suggests the assumption of homoscedasticity may be present. The t-value for this model was 0.333, which suggests non-linearity is not a problem in a model.

Multicollinearity

When variables are highly correlated (i.e. >0.85) multicollinearity is present (Tharenou et al., 2007). Tabachnick and Fidell (2007) suggest a high correlation is one that is greater than 0.7. As Table 5.12 indicates, there are no variables that are highly correlated in the model apart from the mediator variable and the dummy variable. The correlations indicate that there is multicollinearity between the dummy variable and the mediator variable (Pearson's r of 0.943). This is to be expected because the mediator has been calculated using the dummy variable. However, removing either of these variables reduced the significance of the overall model.

Correlations of variables for predictors of board independence (Regression A).

Table 5.12 below outlines the Pearson correlations for the variables included in the regression analysis (Regression A).

Table 5.12
Correlations

		Correlations						
		1.	2.	3.	4.	5.	6.	7.
1.	Board Independence							
2.	Chief executive influence over the director nomination process	-.087						
3.	CEO tenure	-.045	.240					
4.	Percentage of external directors	-.134	-.166	-.250				
5.	Similarity of CEO to the directors	-.118	.093	-.127	-.028			
6.	Women on board (dummy variable)	-.107	-.116	-.061	.254	-.020		
7.	Mediator Variable-Board dynamics	-.127	-.071	-.088	.232	.031	.943	
8.	Perceived Market Performance	.292	-.035	.318	.041	.019	.012	-.110

Research Question One: What is the nature of the link between board gender diversity and board independence?

As indicated earlier, Regression A was undertaken in order to address Research Questions One and Two. The chosen model consisted of a dependent variable of Board Independence and the following variables:

Control variables:

- CEO control over nomination process
- CEO tenure
- Perceived market performance
- Percentage of external directors
- Similarity of CEO to other directors

Independent variables:

- Women on boards (dummy variable)
- Board dynamics (mediator variable)

Before discussing the regression analysis in detail it should be noted that the model presented is not to be considered a strong model due to several significant data problems, which will be discussed in some detail. It may provide some tentative findings, which may be used for assisting future research, but is not generalisable.

There were no significant correlations or multicollinearity evident in the final regression analysis. For each variable descriptive statistics are provided (i.e. mean, median, f-stat). along with the results of the regression analysis in Table 5.13. As is shown in the table, only four variables were significant. Three were at the 10% confidence level (CEO tenure, Percentage of external directors and Similarity of CEO to other directors). One was significant at the 5% confidence level (Perceived market performance).

Table 5.13

Regression results for board independence (Regression A)

	β	SE	t-test	p-value
(Constant)		4.50	5.66	.00
<i>Control Variables</i>				
Chief executive influence over the director nomination process	-.054	.43	-.42	.68
CEO tenure	-.23	.12	-1.65	.11**
Perceived Market Performance	.40	.23	2.88	.01*
Percentage of external directors	-.20	3.53	-1.51	.14**
Similarity of CEO to the directors	-.17	.26	-1.33	.19**
<i>Independent Variables</i>				
Women on boards (dummy variable)	-.29	4.00	-.73	.47
Mediator Variable	.22	.47	.55	.59

Standardised coefficients are presented *p<.05, **p<.10

The results for CEO tenure reflect a significant negative relationship between the independence of the board and the tenure of the CEO. As discussed in Chapter 2, this would be expected because those CEOs who have been in the position for longer would generally be more powerful relative to the board (Westphal & Zajac, 1995). Conversely, it might be expected that a board would be more active in its monitoring activities for a relatively new CEO. The result for perceived market performance is somewhat unexpected. It indicates significant positive relationship between board independence and the environment in which the organisation operates. As indicated in Chapter 2, it might be expected that as market performance improves, the board would reduce their monitoring activities and conversely, if business conditions were poor, they would be more active (Fondas & Salsalos, 2000). Certainly this was strongly indicated to be the case during interviews in Study One.

However, another interpretation is also possible. As some of the interviewees indicated (as detailed in Chapter 4), when business conditions deteriorate it is often a case of "all hands on deck" which may reflect an active board, but not necessarily an independent one. It may be that in a crisis situation the CEO and board are more united in the immediate action that needs to be taken. Conversely, it may be that as business conditions improve and more strategic opportunities are apparent, this is when the board will more actively question management decisions. Given the weakness of the model presented here it is not possible to regard these findings as robust, but they do indicate further investigation on the impact of business conditions on board independence would be useful. As noted in Chapter 2, it is also the case that organisational performance could be regarded as an outcome of board independence and is often regarded as such (Deaney & Huselid, 1996). It may also be the case that there is a complex interaction between the two variables, which could be likened to that between HRM and performance (Wall & Wood, 2005; Shin & Konrad, 2014) and that both have an impact upon each other.

The negative relationship between the percentage of external directors and the level of independence of the board is not supported by the literature. This relationship is expected to be positive, as we would assume that as more independent or external directors came on to the board, the board would be more independent from management in the exercising of its duties. The negative relationship reported points to problems in the self-rating of board independence.

Unfortunately, the model is not able to give an insight into the impact of female directors on board independence, as the relationship is not significant. This should not, however, be interpreted as meaning that such a relationship does not exist. The small sample size has unfortunately meant that this model is not able to provide certainty in results and therefore, this question still requires further investigation.

Research Question Two: To what extent do board dynamics act as a mediator of the relationship between board gender diversity and board independence?

As we can see from Table 5.13, the mediator variable, board dynamics, is not significantly related to board independence. Given the weakness of the model it is not possible to determine if board dynamics acts as a mediator in any relationship between board gender diversity and board independence using this model. This will be discussed in greater detail in Chapter 6.

**Regression analysis predicting antecedents to female board appointments -
Regression B**

Research Question Three: What are the antecedents to female board appointments?

As indicated earlier, a second regression analysis (Regression B) was undertaken to address Research Question Three. In order to complete this analysis, respondents were asked to answer a series of single items, which sought to explore the antecedents to female board appointments.

The four survey items were as follows:

- B9a: The enhancement of corporate reputation was a factor contribution to the decision to appoint a female board member
- B9b: The desire to act in a manner consistent with other listed companies was a factor contributing to the decision to appoint a female board member
- B9c: External pressure (either from government, the ASX, shareholders or other parties external to the firm) was a factor contributing to the decision to appoint a female board member
- B9d: The desire to increase board diversity was a factor contributing to the decision to appoint a female board member

Table 5.14 outlines the results of the regression of these variables against the dependent variable of women on boards. This analysis had a significance level (R^2) of 0.171. However only 30 respondents answered these questions, which makes the results inherently weak.

Table 5.14

Regression results for antecedents of female board appointments (Regression B)

	β	SE	t-test	p-value
(Constant)		.412	3.317	.003
Extent to which enhancement of corporate reputation was a factor in past appointments of female directors	.501	.165	1.537	.137**
Extent to which mimetic isomorphism was a factor in past appointments of female directors	-.619	.164	-1.992	.057*
Extent to which external pressure was a factor in past appointments of female directors (i.e. coercive isomorphism)	-.107	.089	-.559	.581
Extent to which the desire to increase board diversity was a factor in past appointments of female directors	.239	.102	1.084	.289

Standardised regression coefficients are shown. *p<0.5 **p<.10

Interestingly, this regression found that the desire to act in a manner consistent with other companies was significant in explaining the past appointment of female directors. A further insight can be gained when we consider that the result indicates a significant negative relationship between this variable and women on boards. If we consider that only those companies with female directors responded to this item, the interpretation of this result may be that those with a small number of women (i.e. one) were more strongly concerned with what other companies had done and this was a contributing factor to their decision to appoint a female director. This is consistent with the idea of a single woman on a board being a token appointment in many cases. However, those companies with more women (i.e. two or three) had been less concerned with the actions of other companies when making those additional appointments.

The enhancement of corporate reputation was also a significant factor in the past appointment of women to boards (at the 10% significance level). In this case, there was a positive relationship, indicating that enhancement of reputation and the appointment of female directors both grew together. External pressure (B9c) and the desire to increase board diversity (B9d) were not significant predictors of the past appointment of women to boards.

Question B10 in the survey sought to understand the future intentions of all of the companies surveyed in terms of female board appointments. The following items were presented in the survey:

- B10a: It is a priority to seek out female directors when making new appointments to the board
- B10b: The desire to enhance the reputation of the firm will be a factor contributing to any decision to recruit (additional) female directors in the future.
- B10c: The desire to act in a manner consistent with other listed companies will be a factor contributing to any decision to recruit (additional) female directors in the future (mimetic isomorphism).

- B10d: External pressure (either from government, the ASX, shareholders or other parties external to the firm) will be a factor contributing to any decision to recruit (additional) female directors in the future (coercive isomorphism).
- B10e: The desire to increase board diversity will be a factor contributing to any decision to recruit (additional) female directors in the future

While it is not possible to use these variables in a regression analysis, it is possible to observe the descriptive statistics draw some preliminary conclusions about the likelihood of future female appointments. Table 5.15 details the descriptive statistics for these variables.

Table 5.15

Descriptive statistics for future intentions regarding female board appointments

	Number of responses	Mean	Standard deviation
Women on boards	81	.54	.791
Extent of priority to appoint female directors	81	3.06	1.004
Extent to which enhancement of corporate reputation will be a factor in appointment of future female directors	81	2.83	.985
Extent to which mimetic isomorphism will be a factor in appointment of future female directors	81	2.81	.882
Extent to which external pressure, coercive isomorphism will be a factor in appointment of future female directors	81	3.01	1.078
Extent to which the desire to increase board diversity will be a factor in appointment of future female directors	81	3.48	1.038

The mean levels are generally clustered around a neutral response. However, the mean response to the item ‘extent to which the desire to increase board diversity will be a factor in appointment of future female directors’ (question B10e) is slightly higher than the others. Interestingly, the mean response for the item ‘extent to which external pressure, coercive isomorphism, will be a factor in appointment of future female directors’ was near to a neutral response, which may indicate that the companies in survey were not particularly concerned with external pressure regarding female board appointments. This is somewhat surprising given the recent momentum gathered by changes to the ASX Corporate Governance Guidelines and the additional media that the issue of women on boards has been receiving.

Chapter Conclusion

This chapter discussed the results of the preliminary data analysis and survey data analysis based on the theoretical bases discussed in Chapter 2 and the research methods outlined in Chapter 3. Measures were checked for validity and reliability and exploratory factor analysis was conducted on additive (multi-item) measures that were developed for the current research. Confirmatory factor analysis was undertaken for those additive (multi-item measures used in prior research.

This chapter presented the results of descriptive statistics and regression analyses as they applied to the three research questions relevant to this study. Unfortunately the response rate and inherent problems with the data made the models produced weak and lacking in predictive power. They were able to provide some insight on an exploratory basis, but the results are not generalisable. Further quantitative research is required to obtain more robust conclusions to the key questions posed. Nonetheless, these results complement the qualitative results presented in Chapter 4. A discussion of the implications of the research will be presented in Chapter 6.

Chapter Six: Discussion and Conclusion

Chapter Introduction

The objectives of this chapter are to discuss the findings of this research. The research objective is briefly revisited, and then the research questions are discussed in light of the background interviews and the results of Study One and Study Two. The chapter will then discuss the implications for theory, research and policy and practice and establish the contribution of the research. The limitations of the research will also be addressed. The chapter ends with concluding remarks.

Research Objective

Corporate governance and more specifically, board independence has received much attention in recent years, particularly in light of various corporate scandals (Adams, 2012; Chapple & Humphrey 2014; Marlin & Geiger, 2011). Similarly, board composition and particularly female representation on boards has been the subject of legislation and/or strengthened regulatory requirements in many European countries such as Norway, Belgium, France, Iceland and Spain (Chapple & Humphrey, 2014; Fichtel, 2013; Terjesen et al., 2014). In Australia, the ASX has acted to strengthen its Corporate Governance Guidelines in this area to encourage greater female representation on boards of listed companies (Blaga, 2011; Christensen et al., 2010).

Many studies have investigated board independence and its potential link to performance (Johnson et al., 2013). These studies typically reference agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976), which emphasises the importance of an independent board to act on behalf of shareholders (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976; Muth & Donaldson, 1998; Van der Walt & Ingley, 2003).

Many other studies have examined board diversity, its potential advantages and disadvantages (Ali et al., 2014; Conger et al., 1998;; Forbes & Milliken, 1999; Rose, 2007; Selby, 2000) and its impact on firm performance (Adams & Ferreira, 2009; Bonn et al., 2004; Carter et al., 2003; Erhardt et al., 2003; Shrader et al., 1997;

Simpson et al., 2010; Yap et al., 2004). This research has typically referenced research (as cited in Daily et al., 2003 and Bilimoria, 2006) that proposes that a more diverse board will render it more effective and that it will perform better in terms of creativity (Hoffman & Marrier, 1961) and the quality of decision-making (Forbes & Milliken, 1999). Very few studies have focussed on the impact board diversity might have on corporate governance including board independence (Burke & Mattis, 2000; Nielsen & Huse, 2010a). Notable exceptions to this include studies conducted by Adams and Ferreira (2009) and Fondas and Salsalos (2000). This research seeks to address that gap in an Australian context while seeking to better understand how women contribute to board independence and board functioning. This has particular relevance given the recent attention board gender diversity and board independence have received by governments, regulators and academics both in Australia and abroad.

A review of relevant theoretical and empirical literature has indicated that board gender diversity may impact upon the independence of the board directly (Fondas & Salsalos, 2000) or indirectly through board dynamics (Adams & Ferreira, 2009). The presence of female directors may impact upon board dynamics in a variety of ways (Adams & Ferreira, 2009; Bilimoria, 2000; Bradshaw & Wicks, 2000; Huse & Solberg, 2006; McInerney-Lacombe et al., 2009; Nielsen & Huse, 2010a; Pearce & Zahra, 1991), but there has been little research into how this might affect board independence (Adams & Ferreira, 2009). The primary objective of this research is therefore to enhance understanding of the impact that the presence of female directors may have on board independence and board dynamics (as addressed by Research Questions One and Two).

A second objective of the research is to understand the perceived benefits of board gender diversity and more specifically, why companies appoint female directors (Knippen & Shen, 2009; Withers et al., 2012). These issues are addressed by Research Question Three. A review of current literature indicates that institutional pressure may be a key factor motivating the appointment of women (Hillman, 2007, 2015; Knippen & Shen, 2009). This is consistent with institutional theory (Di Maggio & Powell,

1983), which contends that structural change in organisations occurs in an effort to obtain legitimacy and therefore adapt to what other leading companies or other external forces require. Thus, women may be recruited at least partly in order to conform to institutional norms (Dunn, 2012; Perriton, 2009; Yang & Konrad, 2012). While there has been some investigation of this issue in the U.S.A. Knippen & Shen, 2009), there have been few studies in this area in the Australian context. This research seeks to address this further gap in the literature.

Three research questions were addressed:

Research Question One: What is the nature of the link between board gender diversity and board independence?

Research Question Two: To what extent do board dynamics act as a mediator of the relationship between board gender diversity and board independence?

Research Question Three: What are the antecedents to female board appointments?

The research draws on agency theory and the literature supporting diversity, which are used to argue that a more gender diverse board should exercise more independence from management. Token theory, which identifies the inclusion of minority groups as a perfunctory gesture, is used as a possible explanation for the lack of impact that diversity may have on independence when there is a very low representation of a women. Finally, institutional theory explains why women are appointed to boards.

Research Design

A mixed methods approach was the most appropriate method to use as it allowed for building on existing theory, which enables patterns to be recognised in areas where there is little research (Edmondson & MacManus, 2007).

A solid theoretical foundation is evident in literature that applies agency theory to explain the importance of board independence (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976). The dominant approach that has been taken in research applying

agency theory to board independence has utilised quantitative research methods (Westphal & Zajac, 1997).

There is some research into the benefits of diversity (as cited in Daily et al, 2003 and Bilimoria, 2006), but these studies tend to use a qualitative approach (e.g. Pajo et a. 1997). However, there has been very little research into a connection between board gender diversity and board independence (Fondas & Sassalos, 2000 being a notable exception). Moreover, very little research in any of these areas has focused on an Australian context. Similarly, there has been little consideration in the research for the reasons for the appointment of women to boards. Therefore, we may conclude that research covered by the research questions in this study can be classified as intermediate (Edmondson & McManus 2007) as it incorporates established theoretical relationships along with as yet unexplored connections. It was therefore deemed appropriate to use a mix of qualitative and quantitative methods. Three research questions were formulated. These are discussed in the following section.

Research Question One

What is the nature of the link between board gender diversity and board independence?

The results of Study One and Study Two will be discussed, drawing on relevant theory, before addressing the answer to Research Question One in summary.

As indicated in Chapter 2, according to agency theory (Fama, 1980; Jensen & Meckling, 1976) the board should strive to provide oversight, which is independent of management in order to best represent the interests of shareholders (Eisenhardt, 1989). Given the dominant position that agency theory has in both the finance literature (Terjesen et. al., 2009) and in industry (Andersen, 2007) we would expect directors to define their roles in terms of exercising managerial oversight. According to agency theory, board independence is particularly desirable and is a defining feature of good corporate governance (Bonn et al., 2004; Christensen et al., 2010; Fama, 1980 Jermais & Gani, 2014; Johanson & Ostergren, 2010). Therefore, the

composition of the board and the extent to which this enhances or detracts from its independence is also of great importance (Van der Walt & Ingley, 2003).

As indicated in Chapter 4, the interview findings (Study One) indicate that board members generally subscribe to the view that board independence from management is desirable. This is consistent with previous research (Westphal, 1989) and agency theory. Agency theory (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976) suggests board independence is of central importance as it is through the monitoring of management that boards act to ensure that an organisation is managed in the interest of shareholders (Anderson et al., 2007). Consequently, the aspects of the role of director, which were identified as most important such as setting strategy (either in conjunction with management or as a key responsibility of the board alone), monitoring compliance and risk and hiring and firing the CEO, are those which emphasise the monitoring and oversight duties of a director. Similarly, the way that board members described how they exercised their duties indicated that independence was a desirable attribute. They often sought sources of information separate to the presentations made to the board and prepared for and used the board meetings effectively. Thus we can conclude that the directors participating in the interviews saw independence from management as a desirable attribute for a board member and they sought to exercise their duties in a robust fashion, consistent with this view.

There were differences between directors in terms of the appropriate level of managerial oversight to exercise. Agency theory dictates the monitoring and control of management to ensure the interests of shareholders are maximised (Anderson et al., 2007), but is not specific regarding how much the board should delve into operational matters (as opposed to strategic matters) in seeking to ensure that a company is being run appropriately. Around a third of the sample indicated that the professional background of a given director was likely to impact upon their views about the appropriate level of managerial oversight, whereas none of the respondents indicated that demographic factors (including gender) were relevant.

This implies that the directors believed that female directors do not have a discernably different attitude to board independence from their male colleagues. Thus we might conclude that the interviews showed that directors felt board independence was a key factor in effective corporate governance, but that gender diversity was not a relevant factor impacting upon the level of independence that individual board members wished to exercise.

The literature supporting diversity indicates that those boards with a more diverse composition should have more influence over management decisions because they offer a wider range of views, more robust debate and stronger decision-making capacity (Dobbin & Jung, 2011; Fondas & Salsalos, 2000; Sonnenfeld, 2004). When taken together, agency theory and the literature supporting diversity (e.g. Selby, 2000; Terjesen et al., 2009), suggest that boards with greater gender diversity should be more independent from management (Fondas & Salsalos, 2000). It should be noted that when used together these approaches imply two mechanisms by which female directors could influence management and therefore contribute to board independence from management. The first, as captured by RQ 1, is that female directors may influence board independence directly through the provision of more diverse views and different perspectives, which enable greater influence over management and therefore more independence. It is this possibility that will be discussed in the following section. The second is that the presence of female directors impacts on board dynamics that in turn impact board independence. This connection is covered by Research Question Two and will be discussed in a subsequent section.

As indicated in Chapter 4, the majority of directors (67%) who participated in Study One noted that female directors provided diversity. Many went further, indicating that in their perception women were specifically more customer focused, which is consistent with prior research (e.g. Arfken et al., 2004; Brammer et al., 2007; Fernandez, 1993; Kang et al., 2007; Mattis, 2000) and were more aware of human issues, which is also consistent with prior research (e.g. Stevenson, 2004). A more risk-averse perspective was also identified (albeit by only two interviewees), which is consistent with some prior literature (e.g. Smith, 2007). Therefore, from these

interviews we might conclude that while the directors did not see gender diversity as being directly relevant to the level of independence, they did see it as providing a diverse perspective, which was seen as a positive factor for the board when seeking to exercise its duties. This is consistent with the literature supporting diversity (e.g. Arken et al., 2004; Pollack, 2000; Van der Walt & Ingley, 2003). It should be noted, however, that other research (e.g. Fine, 2005) refutes that contention, proposing that such perceived differences between female and male directors are the result of gender stereotyping.

However, when the potential relationship between board independence and board gender diversity was tested using survey data (Study Two) no conclusion could be made. Unfortunately the poor quality of the data made the model inherently unstable. As discussed in Chapter 5, this may have been due to a bias in the completion of the questionnaire, as the respondents answered in favour of being independent when asked directly, because of the dominant view that independence is a positive attribute for a board. However, when asked about the level of independence of the board in a more indirect fashion, they answered without this bias towards independence and therefore, the data were inherently inconsistent and therefore weak. This is consistent with Broome et al. (2015) in their recent qualitative study of board diversity. They found that respondents were very clear when interviewed regarding the positive nature of board gender diversity, but when asked to give specific examples of ways in which this diversity provides benefits, they were unable to do so. This will be discussed more fully in the limitations section.

It must therefore be noted that the results of the survey are not able to support or refute those found by Fondas and Salsalos (2000) in the U.S.A. This may be because the American study used a much larger sample size and therefore was able to obtain more robust quantitative data upon which to base the analysis or it may be that the proportionately higher representation of women on boards of directors in the U.S.A. enables the impact of board gender diversity to be measured more effectively. It could be argued that the proportion of women on boards in the U.S.A. is high enough to have had some impact upon board functioning (and therefore the level of

independence which is exercised) whereas in Australia, where there is female representation on the board, there is typically only one woman, which is too small to have any impact on boardroom culture (and therefore on board dynamics). It should be noted that this continues to improve, with the most recent EOWA data (2012) indicating that there has been a significant increase in the number of female directors and more women with multiple board appointments (BlackRock, 2015). Consistent with this, comments were made by several of the interviewees in the background interviews, that Australia was lagging behind much of the developed world in terms of female recruitment to boards. Certainly critical mass theory (Dahlerup 1988) and token theory (Kanter, 1977; Singh & Vinnicombe, 2004), which were discussed in Chapter 2 both suggest that as long as women are represented in small numbers on the board, that they will not threaten the dominance of the majority and will have little effect on the culture of the board (Elstad & Ladegard 2010; Singh & Vinnicombe, 2004).

Prior research (Burgess & Tharenou, 2000; Ross-Smith & Bridge, 2009) and recent EOWA data have indicated that women appointed to boards in Australia are often tokens. A critical mass of women is suggested by the literature (Jocks et al., 2012; Johnson et al., 2013; Kang et al., 2007; Konrad et al., 2008; Post et al., 2011) as being at least one third of the total board membership or three women. There was only one respondent company in this sample that met that criterion, and only seven companies in the ASX 200 (according to EOWA 2012 data) that met that criterion in Australia.

In conclusion, the findings of Study One give support to the notion that the presence of female directors provides a diverse perspective to their male colleagues. However, Study One did not indicate that this had a direct impact on the independence of the board.

Research Question Two

To what extent do board dynamics act as a mediator of the relationship between board gender diversity and board independence?

As reported in Chapter 4, there were a number of advantages identified by the interviewees of having female directors. Several of these imply improvements to the dynamics of a board, specifically through the promotion of effort-norms and cognitive conflict (Choudhury, 2014). For example, women were seen as providing improved board dynamics and providing balance to the groupthink, or board members' ability to interact, and the level of engagement (Maharajah, 2008). This is consistent with prior literature (Choudhury, 2014; Sonnenfeld, 2004; Terjesen, Sealy & Singh, 2009) even though there are few studies in this area (Puglese et al., 2009).

The existing literature identifies several specific areas in which women impact upon board dynamics. The first of these is through encouraging more open debate (Nielsen & Huse, 2010a; Simons, Pelled & Smith, 1999). Some support was given to this notion, with interviewees indicating that female directors often asked tougher questions. This is consistent with similar findings by Bilimoria & Huse (1997) and Huse and Solberg (2006). It should be noted, however, that there may be a tendency to offer answers to gender-related questions which stereotype women (Broome et al., 2011). For example that female directors are not risk averse, which is one of the persistent negative stereotypes associated with women in leadership (Adams & Funk, 2012).

The literature also indicates that female directors have been found to have more sensitivity when dealing with others (Bradshaw & Wicks, 2000; Bilimoria, 2000), which is similar to the idea of women having a more participatory management style (Eagley & Johnson, 1990; Pearce & Zahra, 1991). However, the interviewees in Study One did not provide support for this notion.

Some prior studies have indicated that female directors are more conscientious than their male colleagues particularly in terms of preparation for board meetings (Adams & Ferreira, 2009; Huse & Solberg, 2006; McInerney-Larcombe et al. 2009). This was given support by the results of the interviews in Study One thus reinforcing the existing research indicating that female directors are more likely to be better prepared for board meetings.

Previous literature also suggests women may have different values to their male colleagues (Adams & Funk, 2012; Bertrand et al. 2004; Beutel & Marini, 1995; Eagley et al. 2004; Nielsen & Huse, 2010a). However, this was not referred to by the interviewees in Study One as an observable difference in female directors. Therefore, the notion that women have different values was not supported by this study as an avenue through which women influence board dynamics.

Study One indicated that women might influence board dynamics through using more intuition and also (negatively) through being not as assertive or self-confident as their male colleagues. Having more intuition may provide insight, which enhances the quality of decision-making. For example, one interviewee commented, "I think that's more intuition that they bring - that's not saying they are more emotional, I think it's an insight perhaps to think about sometimes the impact that certain decision might make." In contrast, being less self-confident may hamper the ability to women to exercise their duties as effectively as they otherwise could. These findings are not reflected in the literature, but may present areas for further investigation.

Study Two sought to test the notion that board dynamics acted as a mediator between board independence and board gender diversity. Unfortunately, the model did not provide sufficient data to be able to conclude whether this was the case or not. Board dynamics was an insignificant variable, but given the inherent instability of the model it would be unwise to conclude that board dynamics does not act as a mediator in this instance, simply that the results are inconclusive.

In summary, the interview data (Study One) suggest that female directors do make a positive contribution to board dynamics, although it is unclear if this acts as a mediator between board independence and board gender diversity. Therefore, Research Question Two cannot be answered from the data available. The tentative support provided by Study One to the notion of female directors having an impact on board dynamics invites further study, particularly if a more robust dataset is available. It is also to be noted that, as indicated in the discussion relating to Research Question

One, the lack of boards with a critical mass of three or more female directors may mean that any potential impact they may have on board dynamics is understated.

Research Question Three

What are the antecedents to female board appointments?

As outlined in Chapter 2, institutional theory contends that companies tend to act in a manner consistent with other leading companies or in response to external pressure as this enables them to obtain legitimacy (Di Maggio & Powell, 1983; Dunn, 2012; Yang & Konrad, 2012). This process of isomorphism may take several forms (Di Maggio & Powell, 1983):

- Mimetic isomorphism, where an organisation seeks to model itself on other leading organisations (Di Maggio & Powell, 1983; Hillman et al. 2007; Yang & Konrad, 2012).
- Coercive isomorphism, where an organisation responds to external pressure exerted by government or society (Elgart, 1983; Singh, 2005; Miller & Triana, 2009; Cook & Glass, 2011).
- Normative isomorphism, where an organisation seeks to appoint individuals to any given role, in this case, to a directorship, who are similar to those in that role at other organisations. In effect this predicts the opposite to the diversity literature, which details the benefit in difference. Normative isomorphism predicts organisations will see benefits in similarity (Di Maggio & Powell, 1983; Knippen & Shen, 2012).

Research Question Three seeks to better understand the antecedents to board appointments and more specifically, if these forms of isomorphism are relevant to the appointment of female directors, as institutional theory would predict.

The background interviews indicated that external pressure (i.e. coercive isomorphism) was a key factor in the increasing numbers of women being appointed to boards. This finding was followed up through a series of questions in Study One. As a preliminary question, current board members were asked about their own

recruitment to board positions. Only one board member believed gender had been a significant factor in her appointment. Professional background and network were identified as the most prevalent reasons for the board appointments. This is consistent with the literature on typical reasons board members are appointed in Australia (Sheridan, 2002). This is also consistent with normative isomorphism, where board directors are appointed for the same skills across all organisations (Knippen & Shen, 2012). However, this supports the notion that normative isomorphism contributes to the selection of certain individuals (with an appropriate skill base) to director positions. It does not imply this is relevant for female appointments specifically.

Study One asked questions of current board members relating to the reasons why women have been appointed to boards in the past and why they may seek to appoint women in the future. Not surprisingly, interviewees indicated that the skills and experience of candidates was a key factor in their recruitment as was a desire to capture the benefits of diversity. This may indicate that gender is seen as a significant factor in bringing a different point of view to the board table, particularly when the interviewees were usually quick to point out that the female candidates possessed skills and experience which was similar to their male colleagues.

Study Two sought to confirm that a desire to increase board diversity was a significant factor in past appointments of female directors. However, this was not the case. It should be noted, however, that given the small sample size of the survey, the quantitative results presented here cannot be considered sufficiently robust to form any firm conclusions on the extent to which the desire for diversity might impact upon board recruitment decisions. Certainly, it may be the case that a desire to respond to the question in a politically correct manner may have led to responses to interview questions that are not reflected in actual recruitment decisions.

External pressure (consistent with coercive isomorphism) was not identified as a key factor by the interviewees, which has impacted upon past appointments of female directors, nor was it seen as likely to influence future appointments. This was also found to be insignificant in Study Two as a factor contributing to the past recruitment

of female directors. This result is somewhat surprising given the strong indications provided by the organisations participating in the background interviews, that there was an increasing groundswell of support for increasing female participation within industry and among the general public. It is also surprising given that the majority (20 of the 24 respondents) in Study One expressed positive views of the recent changes to the ASX Corporate Governance Guidelines, which seek to encourage companies to increase the number of women appointed to their boards (ASX Corporate Governance Council, 2007).

One of the key forms of external pressure for organisations to recruit women to boards is identified in the literature as stemming from enhanced public relations, which can be considered mimetic isomorphism (Bear et al., 2010, Bernardi et al., 2009; Bilimoria, 2000; Brammer et al., 2009). Public relations were identified in only four interviews (of a total of 23 interviews) as being a relevant consideration. Interestingly, when these notions were tested using survey data, the enhancement of corporate reputation was a significant factor in past appointments (at the 10% confidence level). This could potentially be because it is perhaps not seen as appropriate to appoint women for this reason so respondents were more likely to give more honest answers in the form of an anonymous survey than when being interviewed. Certainly, this result is consistent with the literature (e.g. Bernardi et al. 2000) which identifies the appointment of female directors as potentially offering enhanced public relations, but also literature which has found that enhancing corporate reputation has significant potential benefits for companies (Albinger & Freeman, 2000; Coreldiro & Sambharya, 1997; Dowling, 2006; Sabate & Puente, 2003; Turban & Greening, 1997).

A desire to act in a manner consistent with other companies (i.e. mimetic isomorphism) was not identified by any of the interviewees as a significant factor in past decisions to recruit female directors. However, the survey results indicate that there was a significant negative relationship between the number of women on boards and the desire to act in a manner consistent with other companies (as a factor in recruitment). This indicates potentially that those companies with a small number of

women (i.e. 1) in particular were more concerned with what other companies had done (and this was a significant factor in their past appointment of a female director). This is in contrast to those companies with a larger number of women, which were typically less concerned with the actions of other companies when considering board appointments. This is consistent with the view that appointments of female directors in Australia are typically tokenistic (Sheridan, 2002). Once again, it may be that in an interview situation, respondents are reticent to be honest about the extent to which concern with the actions of other companies has influenced their board recruitment decisions, whereas in an anonymous survey that is less likely to be the case. The low response rate to the survey makes any results obtained unreliable and therefore further quantitative research is necessary to confirm this result.

Study Two also sought to find out what the motivation for future board appointments might be. The mean scores for each question indicated mild support for the suggestion that the desire to increase board diversity will be a motivating factor in any future appointment of female directors. The results also indicated that although external pressure (coercive isomorphism) had been a factor in past appointments, they generally did not believe this would be the case for future appointments. Furthermore the desire to enhance corporate reputation is not likely to have an impact. Similarly, the desire to act in a similar fashion to other companies (mimetic isomorphism) is also unlikely to have an impact. Given the recent changes to the ASX guidelines (Christensen et al., 2010) and the level of publicity that the issue of women on boards has been receiving in the media, this result is surprising.

Implications of this Research

The following section outlines the implications of this research for theory, for research and for policy and practice. It will first outline the implications for agency theory, the theoretical benefits of board diversity and institutional theory. It will then outline the limitations of the research and the opportunities for future study. Finally, it will outline the relevance of the research for policy and practice.

Implications for theory

Agency theory

The interview data in particular (i.e. Study One), supported agency theory (Fama, 1980; Jensen & Meckling, 1976) in that board members aspired to provide governance that was independent of management and saw this as a key focus of their role. More specifically, directors saw their role broadly as representing the interests of shareholders while they set strategy, monitor management (including compliance with legal requirements) and hire and fire the CEO. These elements are all consistent with agency theory. Interestingly, however, there were several areas where a range of views was evident. For example, the degree to which directors should be involved in formulating strategy displayed many viewpoints, as did the responses to outlining the appropriate level of managerial oversight. This assortment of views is still consistent with agency theory in broad terms as the theory is not prescriptive in these areas. However, it is notable that the interpretation of the theory differed between directors. When asked why such different views might exist, many pointed to company performance issues which might encourage directors to be more active in monitoring under certain circumstances. Others pointed to individual differences between directors, but these focused on human capital (e.g. differences in professional background) and personality rather than gender.

None of the responses contradicted the underlying assumptions contained in agency theory regarding the role of the board, thereby reinforcing that the theory is widely accepted among directors and is therefore an appropriate basis for research into board independence.

However, the survey data (i.e. Study Two) was not able to provide support for many of those variables which agency theory tells us should impact upon board independence. However, it did not contradict the theory, it was merely inconclusive due to the inherent weakness of the data.

Diversity

The interview data indicated that there was strong support for diversity among board directors, consistent with the literature supporting diversity (e.g. Arken et al., 2004; Pollack, 2000; Van der Walt & Ingley, 2003). The background interviews indicated a large and growing groundswell of support for the notion that more women should be appointed to boards. While some interviewees saw this as recognition of the business case for greater female participation, others expressed the view that Australia was not meeting community expectations on the issue and lagging behind comparable nations. This last point implies that a broader political agenda was playing a part in the interest and support for more women on boards.

The general level of support for the appointment of female directors was also mirrored in the results of Study One, where all of the interviewees indicated they believed there were advantages to having female directors. Certainly, those benefits which the diversity literature indicates flow from the inclusion of people with a range of backgrounds (including women) were believed to be tangible by the directors. However, the suggestion that greater gender diversity on the board would lead to more open, robust discussion which should in turn lead to a more influential, independent board was not directly supported by interviewees, who did not identify demographic factors (such as gender) as having an impact upon the level of board independence.

The interviewees did identify aspects of board dynamics that they believed were enhanced by the presence of female directors such as more listening and more formal language, that women were more conscientious, asked tougher questions and had more intuition. However, the responses generally indicated vague notions of a 'different perspective' that women offered, without offering many specific ways in which this manifested itself in a board setting. Some directors identified that women had a different perspective on discrimination issues and a greater focus on consumer and human issues, however, some found nominating specific ways women were different quite difficult. This is itself, an interesting finding as it begs the further

question of whether reasons other than the direct impact upon the workings of the board i.e. the political dimension, was prompting the directors to be in favour of including female appointments (at least in part). Certainly, some interviewees expressed the notion that having women on the board provided a better representation of society. This is outside of the role of the board suggested by agency theory and indicated by the interviewees in the questions about their role as directors.

The survey results did not allow for a direct test of diversity, or the benefits that might accrue from a diverse board, and were inconclusive with respect to the impact that gender diversity might have upon board independence. Therefore, we can surmise, particularly given the results of Study One that there was some support for those benefits that diversity proposes, in general terms.

Institutional theory

Institutional theory contends that because organisations wish to obtain legitimacy and therefore adapt to certain norms, such as what other leading companies or other external forces require (DiMaggio & Powell, 1983; Dunn, 2012; Meyer & Rowan, 1977; Perriton, 2009; Yang & Konrad, 2012). The results with respect to Research Question Three give some support to institutional theory (Di Maggio & Powell, 1983),

Institutional theory predicts that companies will be motivated to recruit women to boards as the result of mimetic isomorphism i.e. the desire to act in a way which is consistent with what other companies do. While the participants in Study One did not indicate that this was a factor in past board appointments, the survey data in Study Two supported the notion that mimetic isomorphism and coercive isomorphism (in the form of concern for corporate image/public relations) were likely to have been factors contributing to past appointments of women to boards.

The regression analysis related to Research Question Three (Regression B) found a significant negative relationship between the desire to act in a manner consistent with other companies and the number of women on boards (i.e. past appointments to boards). This result suggests that the desire to mimic other companies may be stronger

for companies with no women on boards than for those that already have one female director. This is consistent with the notion that female appointments to board in Australia are made as tokens (Kanter, 1977) and, while mimetic isomorphism may encourage companies to have one female director, that pressure is felt much less keenly regarding additional female appointments. This implies that it will be difficult for boards to reach the “critical mass” i.e. the point at which the number of women in senior positions becomes great enough to effect a cultural change (Chesterman & Ross-Smith, 2006; Dahlerup 1988; Martin et al., 1998).

As indicated in Chapter 4, the enhancement of corporate reputation was also a significant factor in past board appointments, which also indicates mimetic isomorphism may be a factor in female board appointments. Interestingly, external pressure and the desire to increase diversity were not significant factors in past board appointments.

The finding that companies did not appoint women to board because of external pressure may be seen as contradicting the background interviews, which found measures such as the recent changes to the ASX guidelines were applying pressure. Such pressure was one of the reasons for the groundswell of recent support. Study One also reinforced this, with interviewees generally very supportive of the changes to the guidelines and the impact they were having in terms of putting the issue on the agenda.

Notably, interviewees in Study One generally did not believe the government was likely to intervene to boost the number of women on boards. This partly explains why the results of Study Two indicate that companies have been much more concerned with being like other companies (i.e. mimetic isomorphism) and their reputations than they have about any external pressure, whether applied by the ASX or potentially by government.

Implications for research

Limitations and opportunities for future research

This research attempted to capture the views of a range of stakeholders when examining board gender diversity. The background interviews in particular captured views of those stakeholders that, although not directly appointing women to boards, were important in understand industry and wider societal views on the issue. This could be taken a step further in any future research by focussing particularly on institutional investors. This group are becoming more important in terms of corporate governance and obtaining their views on board gender diversity would further enhance our knowledge of the complexities of the issue.

One of the interesting points to emerge from the findings was the apparent implication that interviewees in both the background interviews and Study One were, at times, hampered by the desire to reflect the prevailing view (whether this related to the independence of the board or the reasons why female directors had been appointed). However, the survey results revealed slightly different opinions leading to a conclusion that perhaps an anonymous research method would lead to more honest information being provided.

The small sample size for the survey provided significant challenges in terms of being able to make meaningful conclusions from the results. It may be inferred that research which requires data to be gathered from those in executive or board roles may need to be designed to offer incentives in order to increase the participation rate, given that response rates for top management are generally lower than for other staff, who may typically face greater time pressure (Anseel et al., 2010; Baruch, 1999; Baruch & Holtom, 2008).

The quantitative analysis presented as part of this research (i.e. Study Two) suffered from a small sample size. The data are also inconsistent, pointing to problems with the manner in which the questions were answered, which may be the result of poor survey design or due to other factors, such as bias on the part of participants. The use of self-

ratings may have contributed to this. In areas which have a level of political correctness (such as diversity) this can be of particular concern (Broome et al., 2015). Further research into board independence should consider survey designs that will minimise any bias respondents might have. Having said this, the mix methods approach assisted in the data analysis considerably, as alternative sources of data were available. This ameliorated, in part, the problems presented by a low sample size in Study Two.

The tentative support provided by Study One to the notion of female directors having an impact on board dynamics invites further study, particularly if a more robust dataset is available. Consistent with this any future research into the impact of gender diversity on corporate governance should focus on those boards with at least two female members (even though they are very few in number) as these are more likely to provide some evidence of the impact of board gender diversity. It must be understood, however, that until there are a larger number of boards with 30% - 40% of female directors (as suggested by Singh & Vinnicombe, 2004), or more than three female directors (Jocks et al., 2002) we may not be able to understand the true impact of board gender diversity on Australian corporate governance.

The results of this research give some support to institutional theory when explaining the reason for female appointments to boards. In particular, it has detailed the relatively high importance given to corporate reputation and the desire to be like other companies, as key drivers of female appointments. In contrast, external pressure (i.e. coercive isomorphism) was not found to be particularly important to recruitment decisions regarding female directors. This finding has particular implications for policy and is a key area for further research. The small sample size for the survey requires further quantitative research to confirm this result.

Implications for policy and practice

Several key points emerged from this research in terms of policy and practice. The first is that there was no conclusive support for a link between board gender diversity and board independence. Given the low response rate, it is difficult to make

conclusions with confidence, but it may be the case that the potential benefits of female board members are not being felt due to the fact that on most Australian boards, there is only one woman. The literature on the notion of a critical mass (Chesterman & Ross-Smith, 2006; Dahlerup 1988) tells us that at least 30-40% of the board would need to be female in order to create a cultural change (Martin, et al. 1998). Therefore, any impact upon board independence may not be felt in the current environment. Given that the Fondas and Salsalos (2000) study found a link between board independence and board gender diversity in the U.S.A., where corporate boards typically have a higher proportion of women, there is some indication that this could possibly be the case in Australia.

There was some evidence for improved board dynamics and general support for the benefits of diversity among interviewees. More specifically, Study One found that support for the notions that female directors are more conscientious, asked tougher questions and had more intuition. They also enhanced board dynamics through more listening. They brought a different perspective to board meetings than their male colleagues, specifically in the areas of discrimination, consumer issues and human issues. These finds may present opportunities for those encouraging more female appointments to boards, as it may be possible to highlight these areas in particular when making a case for additional female directorships. The results of this research will be made available to participating companies (including those taking part in the background interviews) so that it may be reviewed when companies consider their practices regarding board gender diversity.

Similarly, there is evidence to support the notion that female appointments to boards are tokenistic (Kanter, 1977). The survey results in Study Two indicated that the desire to follow other companies has been a significant antecedent of female board appointments in the past (i.e. mimetic isomorphism) (DiMaggio & Powell, 1983). However, it appears that this pressure is less evident as more women are appointed. Therefore, it may be concluded that it will be difficult for boards to reach the “critical mass” of women (Chesterman & Ross-Smith, 2006; Dahlerup 1988; Martin et al., 1998) because the mimetic pressure after the first woman is appointed is felt less

keenly. It is difficult to draw firm conclusions due to the low sample size in the survey, however, if tokenism is evident then if Australia is to have a significant increase in the number of women on boards, there would need to be a cultural shift among current directors and a move away from the view that one woman on a board is sufficient.

This finding also has important implications for those institutions (e.g. governments, employers, industry groups) attempting to increase the number of women on boards. It implies that any programs which are successful in encouraging more female appointments to boards are likely to have a snowball effect as those companies with few female directors seek to mimic those companies that have made additional appointments of women. However, as discussed, the mimetic effect (DiMaggio & Powell, 1983) appears to be reduced after one woman has been appointed. Therefore this effect may not be sufficient to boost female directors beyond a token level (Kanter, 1977).

Also significant for policy and practice in this area is that Study Two did not find that external pressure was a significant factor in past female board appointments, but public relations was a factor. This has implications for organisations and governments attempting to encourage female board appointments.

Contributions of this research

This research has confirmed the view among Australian directors that board independence (and agency theory that underpins it) is considered a desirable quality. While there were differing views as to the appropriate level of managerial oversight (which were not related to gender), board members described their role in a manner consistent with agency theory.

It has also demonstrated that board directors in Australia are generally of the view that female directors offer a diverse perspective and that this is advantageous for boards in a number of ways. For example, there was some support for the notion that women are more customer-focused and more aware of human issues (which are also

supported by prior studies) and brought a different view of discrimination issues. However, many board members were not able to articulate how the diverse perspective that female directors brought was specifically manifested.

The research could not support the notion of a link between board gender diversity and board independence. This demonstrates that research into gender diversity at board level in Australia does not necessarily yield similar results to research conducted in the U.S. (in particular Fondas & Sassalos, 2000), indicating that the corporate governance environment here cannot necessarily be regarded as similar to other economies which have similarities to Australia. This research has also pointed to several areas where future research is needed in order to confirm or contradict the findings of this study.

This research has enhanced our understanding of the ways in which female directors may contribute to boards in Australia through board dynamics. Board directors suggested that the presence of female directors enhanced board dynamics. They offered some support for attributes found in previous research such as women being more conscientious, asking tougher questions and showing more intuition than male colleagues. Unfortunately this study could not confirm if board dynamics is a mediator between board independence and board diversity, but it has identified several areas for further investigation.

This research has enhanced our knowledge of the motivating factors behind decisions to recruit female board directors. Specifically, it has highlighted mimetic isomorphism and concern for public relations as the key factors which has motivated past board appointments. Interestingly, it is only through the survey results that this was apparent. During interviews with board members, these were not seen as important inputs into past recruitment decisions. During background interviews and Study One, the responses of the interviewees identified coercive isomorphism as one of the key drivers of greater awareness of the issue of women on boards, whereas Study Two did not support this as a driver of past recruitment decisions.

This is one example of many in this research where the results of the interviews (background interviews and Study One) and the survey (Study Two) were not always consistent, and highlights the role that perception and potentially political correctness might play in the issue of women on boards and the contribution they make. This is an important consideration for future research into this issue.

This research also gives support to the notion that female board appointments in Australia are tokenistic in nature. The results of Study Two suggest, as indicated above, that mimetic isomorphism is a key driver in female board appointments. However, this diminishes with each female appointment. Therefore, it is implied that there is significant motivation to recruit one woman to the board, but that this motivation is insufficient to encourage companies to have a critical mass of women (considered in the literature to be 30% or three women). The low sample size in the survey in Study Two make any firm conclusions difficult, but the findings provide a prima-facie case for further investigation.

Chapter Conclusion

In this chapter, the research objectives, i.e. to address the knowledge gap regarding the relationship between board gender diversity and board independence in Australia and to examine the reasons for the appointment of women directors have been discussed. The main findings of the current research have also been considered. This research has utilised the findings of background interviews, interviews with board members (Study One) and a survey of board chairs (Study Two) of listed companies in Australia to address three research questions:

Research Question One: What is the nature of the link between board gender diversity and board independence?

Research Question Two: To what extent do board dynamics act as a mediator in the relationship between board gender diversity and board independence?

Research Question Three: What are the antecedents to female board appointments?

The implications of these findings for theory, specifically agency theory, and institutional theory and in light of the literature supporting diversity, has been discussed. The implications of the findings for research, particularly the limitations of the study and opportunities for further research have also been considered. The implications for policy and practice has been outlined as has the contribution of the research.

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Appendices

Appendix A - Background and Study One Interviews Ethics Approval



Monash University Human Research Ethics Committee (MUHREC)
Research Office

Human Ethics Certificate of Approval

Date: 24 February 2010
Project Number: CF10/0341 - 2010000130
Project Title: Female directors in Australia: The link to board independence
Chief Investigator: Professor Helen De Cieri
Approved: From: 24 February 2010 To: 24 February 2015

Terms of approval

1. The Chief investigator is responsible for ensuring that permission letters are obtained, if relevant, and a copy forwarded to MUHREC before any data collection can occur at the specified organisation. **Failure to provide permission letters to MUHREC before data collection commences is in breach of the National Statement on Ethical Conduct in Human Research and the Australian Code for the Responsible Conduct of Research.**
2. Approval is only valid whilst you hold a position at Monash University.
3. It is the responsibility of the Chief Investigator to ensure that all investigators are aware of the terms of approval and to ensure the project is conducted as approved by MUHREC.
4. You should notify MUHREC immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.
5. The Explanatory Statement must be on Monash University letterhead and the Monash University complaints clause must contain your project number.
6. **Amendments to the approved project (including changes in personnel):** Requires the submission of a Request for Amendment form to MUHREC and must not begin without written approval from MUHREC. Substantial variations may require a new application.
7. **Future correspondence:** Please quote the project number and project title above in any further correspondence.
8. **Annual reports:** Continued approval of this project is dependent on the submission of an Annual Report. This is determined by the date of your letter of approval.
9. **Final report:** A Final Report should be provided at the conclusion of the project. MUHREC should be notified if the project is discontinued before the expected date of completion.
10. **Monitoring:** Projects may be subject to an audit or any other form of monitoring by MUHREC at any time.
11. **Retention and storage of data:** The Chief Investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.



Professor Ben Canny
Chair, MUHREC

cc: Dr Cathy Sheehan, Ms Kelly Tropea

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ABN 12 377 614 012 CRICOS Provider #00008C

Appendix B – Explanatory Statement for Background Interviews



March 1, 2010

Explanatory Statement

Title: **Female directors in Australia: the link to board independence**

This information sheet is for you to keep.

My name is Kelly Tropea and I am conducting a research project with Prof. Helen De Cieri and Dr Cathy Sheehan from the Department of Management towards a PhD at Monash University. The research will investigate the link (if any) between board independence and the presence of female directors in Australia. I am approaching a small number of key public and private sector organisations to obtain some background information on current developments with respect to the issue of female representation on boards.

The level of female representation on boards is a pertinent one at this time in Australia and this research will help our understanding of the way boards function and the way female directors conduct their duties. Your assistance is of vital importance to completing the research.

The interview should take no longer than half an hour. It will consist of questions relating to the approach your organisation is taking to this issue and any current activities or campaigns you are running.

Your time in participating in an interview would be greatly appreciated and, of course, participation is entirely voluntary. However, if you do consent to participate, you may withdraw at any time prior to publication. If you wish, the interview transcript will be sent to you for review as soon as it is available after the interview has taken place and not longer than three months after the interview has occurred. A report of the study may be submitted for publication, but individual interview participants will not be identifiable (unless the individual participant requests it) in any such report. The information from the interviews may be identified by organisation.

If you would like to be informed of the aggregate research findings, please contact Kelly Tropea at [REDACTED]

If you would like to contact the researchers about any aspect of this study, please contact the Chief Investigator: Professor Helen De Cieri	If you have a complaint concerning the manner in which this research CF10/0341 – 2010000130 is being conducted, please contact:
Director, Australian Centre for Research in Employment and Work Department of Management Monash University Victoria 3800 Australia [REDACTED] http://www.buseco.monash.edu.au/mgt/research/acrew	Executive Officer Monash University Human Research Ethics Committee (MUHREC) Building 3e Room 111 Research Office Monash University VIC 3800 [REDACTED]

Thank you.

Kelly Tropea
PhD Candidate
Monash University

Appendix C – Consent Letter for Background Interviews

<ON ORGANISATION'S LETTERHEAD>

Permission Letter for "Female directors in Australia: the link to board independence"

March 1, 2010

Kelly Tropea
Department of Management
Faculty of Economics and Commerce
MONASH UNIVERSITY VIC 3800

Dear Kelly,

Thank you for your request for a representative of <insert company/organisation name> to participate in an interview for the above-named research.

I have read and understood the Explanatory Statement regarding the research **CF10/0341 – 2010000130** and hereby give permission for this research to be conducted. The person nominated to be interviewed is <insert name>.

I understand that the interview material will be used for the purposes of this research only and that the name of the organisation may be disclosed as part of the publication of such research. I also understand that the organisation may withdraw from participation at any time prior to publication.

I understand that I may request a transcript of my interview for review as soon as it is available and not longer than three months after the interview has occurred.

I understand that the interviewee will not be identified in any publication, unless he/she requests to be identified.

Yours Sincerely,

<insert signature of CEO/Manager/Principal etc>

<insert name of the above signatory>

<insert above signatory's position>

Appendix D – Interview Topics for Background Interviews

Interview Topics – Informant Organisations

This is a semi-structured interview with the following set questions to be asked. Appropriate exploratory and probing questions will follow each of the set questions in order to have a deeper understanding of the responses given.

1. Please describe the current work or campaigning you are doing on the issue of women on boards
2. Why is your organisation taking an interest in this issue?
3. Do you think there is significant interest in the issue in the business community? Why/why not?
4. What does your organisation believe is driving the calls for more women on boards?
5. What is the aim of your campaigning in on this issue?
6. What response are you hoping for to the campaign?
7. What has the response been so far?
8. What other factors (perhaps outside of the control of your organisation) do you think are essential in increasing the number of women on boards?

Appendix E – Explanatory Statement – Study One Interviews



November 19, 2010

«Name_of_target_director»
«Position»
«Company_name»
«Address»
«Address_2»
«City», «State», «Postcode»

Dear «Title» «Surname»,

Explanatory Statement for

Female directors in Australia: the link to board independence

My name is Kelly Tropea and I am conducting a research project with Prof. Helen De Cieri and Dr Cathy Sheehan from the Department of Management towards a PhD at Monash University. The research will investigate the link (if any) between board independence and the presence of female directors in Australia. I am approaching board members of listed companies to participate in a brief interview in order to gather appropriate data for this research. Your contact information was obtained from the ASX website.

The issue of board composition and more specifically, female representation on boards is a pertinent one at this time in Australia and this research will help our understanding of the way boards function and the way female directors conduct their duties. **Your assistance is of vital importance to completing this research.**

The interview should take no longer than an hour and will be conducted via telephone. It will consist of questions relating to your views on how you, as a director, exercise managerial oversight and how you approach your role. It will also explore any observations you have in terms of differences in the way male and female board members undertake their directorial duties (if any). The interview will also briefly discuss your views on initiatives designed to boost the number of women on boards.

Participation in an interview is entirely voluntary and you may withdraw at any time prior to publication. If you wish, the interview transcript will be sent to you for review as soon as it is available after the interview has taken place and not longer than three months after the interview has occurred.

A report of the study may be submitted for publication, but individual participants will not be identifiable in any such report (unless the participant requests to be identified). The data submitted will be entirely confidential and will be used without company names. Storage of the data collected will adhere to the University regulations and kept on University premises in a locked cupboard/filing cabinet for 5 years. All participants will be informed of the aggregate research findings upon request.

To indicate your willingness to participate in this study please contact me via email [redacted] and I will then set up a mutually agreeable time to conduct the interview.

Should you have any questions about participation in this study please contact me directly on

Faculty of Business and Economics
PO Box 197 Caulfield East, VIC 3145, Australia
Building N, Caulfield Campus
900 Dandenong Road, Caulfield East
[redacted]
www.monash.edu
ABN 12 377 614 012 CRICOS Provider #00008C



MONASH University

[REDACTED] hope you will consider participating in this study and I look forward to hearing from you.

If you would like to contact the researchers about any aspect of this study, please contact the Chief Investigator:

Professor Helen De Cieri:
Director, Australian Centre for Research in Employment and Work
Department of Management
Monash University Victoria 3800 Australia

[REDACTED]
<http://www.buseco.monash.edu.au/mgt/research/acrew>

If you have a complaint concerning the manner in which this research (CF10/0341 – 2010000130) is being conducted, please contact:

Executive Officer
Monash University Human Research Ethics Committee (MUHRC)
Building 3e Room 111
Research Office
Monash University VIC 3800

[REDACTED]
Sincerely,

Kelly Tropea
PhD Candidate
Monash University

[REDACTED]

Faculty of Business and Economics
PO Box 197 Caulfield East, VIC 3145, Australia
Building N, Caulfield Campus
900 Dandenong Road, Caulfield East

[REDACTED]
www.monash.edu
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Appendix F – Consent Form Study One



Consent to participate in research

Female directors in Australia: the link to board independence

NOTE: This consent form will remain with the Monash University researcher for their records

I agree to take part in the Monash University research project on *Female directors in Australia: the link to board independence*. I have had the project explained to me, and I have read the Explanatory Statement, which I keep for my records. I understand that agreeing to take part means that:

- I agree to be interviewed by the researcher Yes No
I agree to allow the interview to be audio-taped Yes No

I understand that my participation is voluntary and that I can withdraw at any time prior to publication. I understand that I may request a transcript of my interview for review as soon as it is available and not longer than three months after the interview has occurred.

I understand that any data that the researcher extracts from the interview for use in reports or published findings will not contain names or identifying characteristics unless the participant has specifically requested to be identified.

I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party (unless the participant has specifically requested to be identified).

I understand that transcript from the interview will be kept in a secure storage and accessible to the research team. I also understand that the data will be destroyed after a 5 year period unless I consent to it being used in future research.

Name of Participant

Organisation

Signature

Date

Contact email

Contact telephone

Please return this consent form by email to [REDACTED]

Faculty of Business and Economics
PO Box 197 Caulfield East, VIC 3145, Australia
Building N, Caulfield Campus
246 Dandenong Road, Caulfield East

ABN 12 377 614 012 CRICOS Provider #00008C

Appendix G – Interview Topics Study One

Interview Topics – Board members

This is a semi-structured interview with the following set questions to be asked. Appropriate exploratory and probing questions will follow each of the set questions in order to have a deeper understanding of the responses given.

The role of a board member and performance of female board members

1. How did you get appointed to this board? (and your first board)?
2. What is your role as a board member?
3. Describe how you would typically exercise managerial oversight?
4. Do you see other board members with different views about the level of appropriate managerial oversight?
5. Do you see any significant differences in the way the female director(s) exercises their duties?
6. What do you think are the key factors that make a board more likely to exercise more intensive managerial oversight?
7. Do you believe there are any particular advantages to having female directors?
8. Do they offer a diverse view to their male colleagues?

Reflections on appointing female directors

9. Do you believe it is a priority for the board you serve on to appoint female directors? Why or why not?
10. What are the reasons you believe women have been recruited to the board you serve on?
11. How does your company recruit board members (e.g. is it formal, informal, open, closed etc.)
12. What are your views on the recent changes to the ASX's Corporate Governance Guidelines requiring companies to report on board diversity policies and progress in this area?
13. Would you be in favour of further government intervention (such as quotas) in order to boost the number of women on boards?

Appendix H – Ethics Approval Study Two



Monash University Human Research Ethics Committee (MUHREC)
Research Office

Human Ethics Certificate of Approval

Date: 28 July 2011
Project Number: CF11/2154 – 2011001199
Title: Director Diversity in Australia: the link to board independence
Chief Investigator: Prof Helen De Cieri
Approved: From: 28 July 2011 To: 28 July 2016

Terms of approval

1. The Chief investigator is responsible for ensuring that permission letters are obtained, if relevant, and a copy forwarded to MUHREC before any data collection can occur at the specified organisation. **Failure to provide permission letters to MUHREC before data collection commences is in breach of the National Statement on Ethical Conduct in Human Research and the Australian Code for the Responsible Conduct of Research.**
2. Approval is only valid whilst you hold a position at Monash University.
3. It is the responsibility of the Chief Investigator to ensure that all investigators are aware of the terms of approval and to ensure the project is conducted as approved by MUHREC.
4. You should notify MUHREC immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.
5. The Explanatory Statement must be on Monash University letterhead and the Monash University complaints clause must contain your project number.
6. **Amendments to the approved project (including changes in personnel):** Requires the submission of a Request for Amendment form to MUHREC and must not begin without written approval from MUHREC. Substantial variations may require a new application.
7. **Future correspondence:** Please quote the project number and project title above in any further correspondence.
8. **Annual reports:** Continued approval of this project is dependent on the submission of an Annual Report. This is determined by the date of your letter of approval.
9. **Final report:** A Final Report should be provided at the conclusion of the project. MUHREC should be notified if the project is discontinued before the expected date of completion.
10. **Monitoring:** Projects may be subject to an audit or any other form of monitoring by MUHREC at any time.
11. **Retention and storage of data:** The Chief Investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.



Professor Ben Canny
Chair, MUHREC

cc: Dr Cathy Sheehan, Ms Kelly Tropea

Postal – Monash University, Vic 3800, Australia
Building 3E, Room 111, Clayton Campus, Wellington Road, Clayton

www.monash.edu/research/ethics/human/index/html
ABN 12 377 614 012 CRICOS Provider #00008C

Appendix I - Explanatory Statement Study Two



October 31, 2011

«Name_of_Chair»
«Position»
«Company_name»
«Address»
«Address_2»

Dear «Title» «Surname»,

Director diversity in Australia: the link to board independence

My name is Kelly Tropea and I am conducting a research project with Prof. Helen De Cieri and Dr Cathy Sheehan in the Department of Management towards a PhD at Monash University. The research will investigate the link (if any) between board independence and director diversity in Australia. I am inviting chairpersons of listed companies in Australia to complete a brief survey (which is enclosed along with this letter) in order to gather appropriate data for this research. Your contact information was obtained from the ASX website.

The issue of board composition and more specifically, director diversity is a pertinent one at this time in Australia and this research will help our understanding of the way boards function and the way directors conduct their duties. **Your assistance is of vital importance to completing this research.**

Completing the questionnaire should take no longer than 15 minutes. It consists of questions on the influence and functioning of the board, information on the company and information on the directors and the CEO. Participation in this study is voluntary and returning the survey will be taken as consent to participate. Please note that it will not be possible to withdraw participation once the survey has been returned.

The survey will be coded so that participating organisations are only identifiable to the researchers. Other publicly available information may be used by the researchers for participating companies. A report of the study may be submitted for publication, but all collected data will appear only in aggregate form and no company or individual will be identified. Storage of the data collected will adhere to the University regulations and kept on University premises in a locked cupboard for 5 years.

Participants who would like to be informed of aggregate research findings are asked to attach a business card to the survey or send an email to [redacted] and the findings will be forwarded to you. Should you have any questions please contact me directly [redacted]. I hope you will consider participating in this study. Details of the return information are included at the end of the survey questionnaire.

Sincerely,

Kelly Tropea
PhD Candidate, Monash University

If you would like to contact the researchers about any aspect of this study, please contact the Chief Investigator:	If you have a complaint concerning the manner in which this research (CF10/0341 – 2010000130) is being conducted, please contact:
Professor Helen De Cieri Director, Australian Centre for Research in Employment and Work Department of Management Monash University Victoria 3800 Australia E-mail: helen.decier@monash.edu http://www.buseco.monash.edu.au/mgt/research/acrew	Executive Officer Monash University Human Research Ethics Committee (MUHRC) Building 3e Room 111 Monash University VIC 3800

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Appendix J - Questionnaire Study Two

Invitation to Participate in Research

Director diversity in Australia: The link to board independence

Our research will investigate board independence and board diversity in Australia. The issue of board composition is a pertinent one at this time in Australia and this research will help our understanding of the way that boards function and directors conduct their duties. **Your assistance is of vital importance to completing this research.**

This survey is divided into the following sections:

- The influence and functioning of the board
- Profile of the CEO and current board members
- Company and demographic information

Directions

- Please indicate your responses by circling the most appropriate option
- We expect the survey will take approximately 15 minutes

Please take the time to complete and return this survey. Your responses are confidential. Your participation is highly valued, as it will provide essential feedback to you and your organisation about **the way that boards function and directors conduct their duties.**

Please use the reply paid envelope to return the completed survey:

Kelly Tropea
Director Diversity in Australia Survey
Monash University
Department of Management
P.O. Box 197 Caulfield East VIC 3145



Section A: The influence and functioning of the board

A1. Thinking the influence of your board over management in the past three years, indicate the frequency of the following:

Areas of management decision	No influence	Small influence	Moderate influence	Strong influence	Very strong influence
a. Selection of senior executives	0	1	2	3	4
b. Compensation of top management	0	1	2	3	4
c. Long-range planning	0	1	2	3	4
d. Capital expenditures	0	1	2	3	4
e. Mergers and acquisitions	0	1	2	3	4
f. Day-to-day operations	0	1	2	3	4
g. Management succession	0	1	2	3	4
h. Counselling top management	0	1	2	3	4
i. Corporate organisational structure	0	1	2	3	4

A2. Thinking about board dynamics in the past three years, indicate the frequency of the following matters:

Board dynamics	Never	Rarely	Sometimes	Frequently	Always
a. Our board meetings are dominated by the CEO	1	2	3	4	5
b. Our board meetings are dominated by the board chairperson	1	2	3	4	5
c. Our board meetings are dominated by certain board members	1	2	3	4	5
d. At our board meetings all board members contribute actively	1	2	3	4	5

Section B: The directors and current CEO

- B1. How many directors currently sit on the board? _____**
- B2. How many of these directors are external to the company (i.e. do not serve as executive directors)? _____**
- B3. How many years has the current CEO served in that position? _____**
- B4. Please indicate to what extent the CEO has influenced the selection of new directors in the past three years:**

	Not at all	To a small extent	To some extent	To a large extent	To a very large extent	Not applicable
To what extent has the CEO influenced the selection of new directors	1	2	3	4	5	6

- B5. Please indicate the degree of similarity between the CEO and other board members in the following areas:**

CEO similarity to directors	Very different	Somewhat different	Somewhat similar	Very similar
a. Functional background (e.g. sales, finance, marketing)	1	2	3	4
b. Industrial background (i.e. different industries)	1	2	3	4
c. Educational background (i.e. different educational levels)	1	2	3	4
d. Age	1	2	3	4

- B6. How many female board members currently serve on your board of directors? _____**

If you do not have any female board members, please continue to question B9.

B7. Please indicate the degree of similarity between female board member(s) and other board members in the following areas:

Female board member similarity to other directors	Very different	Somewhat different	Somewhat similar	Very similar
a. Functional background (e.g. sales, finance, marketing)	1	2	3	4
b. Industrial background (i.e. different industries)	1	2	3	4
c. Educational background (i.e. different educational levels)	1	2	3	4
d. Age	1	2	3	4

B8. Please tell us to what extent you agree or disagree with each of the following statements:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a. The enhancement of corporate reputation was a factor contributing to the decision to appoint a female board member	1	2	3	4	5
b. The desire to act in a manner consistent with other listed companies was a factor contributing to the decision to appoint a female board member	1	2	3	4	5
c. External pressure (either from government, the ASX, shareholders or other parties external to the firm) was a factor contributing to the decision to appoint a female board member	1	2	3	4	5
d. The desire to increase board diversity was a factor contributing to the decision to appoint a female board member	1	2	3	4	5

B9. Please tell us to what extent you agree or disagree with each of the following statements:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a. It is a priority to seek out female directors when making new appointments to the board	1	2	3	4	5
b. The desire to enhance the reputation of the firm will be a factor contributing to any decision to recruit (additional) female directors in the future.	1	2	3	4	5
c. The desire to act in a manner consistent with other listed companies will be a factor contributing to any decision to recruit (additional) female directors in the future	1	2	3	4	5
d. External pressure (either from government, the ASX, shareholders or other parties external to the firm) will be a factor contributing to any decision to recruit (additional) female directors in the future	1	2	3	4	5
e. The desire to increase board diversity will be a factor contributing to any decision to recruit (additional) female directors in the future	1	2	3	4	5

Section C: Company and demographic information

- C1. What is your position title? _____
- C2. What is your gender? Male Female
- C3. How long have you been working in this organisation? _____ years
- C4. How long have you been in your current position? _____ years
- C5. What is the total number of employees in the organisation in Australia?
- 1- 4 5 - 19 10 - 199 200 - 499
 500 - 999 1,000 - 4,999 5,000 - 9,999 10,000 or more
- C6. What is the percentage shareholding by external directors for the last financial year (approximately)? _____ %
- C7. What is the percentage shareholding by institutional investors for the last financial year (approximately)? _____ %
- C8. What is the company's Return on Assets (ROA) for the last financial year? _____
- C9. How would you compare your organisation's performance over the **past three years** to that of your competitors or comparable companies in your industry in the following areas?

Organisational performance	Much worse	Somewhat Worse	About the same	Somewhat better	Much better
a. Quality of products, services or programs	1	2	3	4	5
b. Development of new products, services or programs	1	2	3	4	5
c. Ability to attract essential employees	1	2	3	4	5
d. Ability to retain essential employees	1	2	3	4	5
e. Satisfaction of customers or clients	1	2	3	4	5
f. Relations between management and other employees	1	2	3	4	5
g. Relations among employees in general	1	2	3	4	5
h. Marketing	1	2	3	4	5
i. Growth in sales	1	2	3	4	5
j. Profitability	1	2	3	4	5
k. Market share	1	2	3	4	5

C10 Thinking about the level of volatility experienced by your organisation in the past twelve months, please indicate to what extent do you agree or disagree with each of the following statements:

Market dynamism	Strongly disagree	Disagree	Somewhat disagree	Neutral	Somewhat agree	Agree	Strongly Agree
a. Changes in our local market are intense	1	2	3	4	5	6	7
b. Our clients regularly ask for new products and services	1	2	3	4	5	6	7
c. In our local market, changes are taking place continuously	1	2	3	4	5	6	7
d. In a year, nothing has changed in our market	1	2	3	4	5	6	7
e. In our market, the volumes of products and services to be delivered change fast and often	1	2	3	4	5	6	7

C11. Do you believe there are any particular advantages to having female directors? If so, please outline what these advantages are.

C12. Is there anything else that you would like to tell us:

- about the independence of the board on the management of the company or
- about the role and contribution of female directors?

Thank you very much for taking the time to participate in this research.