

Diversity and Business Performance

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Many thanks Anna.

It's a pleasure to have the opportunity to speak to the Australian Institute of Company Directors and to be part of the launch of the 2008 Australian Women in Leadership Census.

To be quite frank, after talking about ANZ's Annual Results and the global financial crisis with analysts and investors for most of the last week, I'm actually very pleased to have the opportunity to speak about a different subject.

Although the topic I was originally asked to talk about was board diversity, I am going to take the opportunity to talk more broadly about diversity and to offer a few observations.

For those who know me, some of these observations may be characteristically direct and a little controversial.

This is not just about being blunt but I think it's important we have a robust conversation because sadly, on issues like diversity I'm concerned that we have a lot of nice words and platitudes but insufficient action.

And in the absence of meaningful progress, that's building cynicism rather than belief.

The results of today's Australian Women in Leadership Census only serve to reinforce this.

Many of you will have seen the results but let me give you a few highlights from the score card.

- The proportion of women to men on ASX 200 boards has gone backwards since the last Census in 2006.
- In 2008, women chaired only four boards and held little more than 8% of board directorships.
- Australia now ranks behind the United States, Canada, the United Kingdom and South Africa on the representation of women on boards.

Anna quite correctly described the pace at which women are being appointed to executive and board positions in Australia as 'glacial'.

Well, the truth is its worse - these results are not an indicator of progress - they are an indication something is not working.

And the fact is Australia is not alone.

In 2006, 234 of all the Fortune 500 companies in the United States had three or more women executive officers. In 2007, the figure had fallen to just 203 companies, a 13% drop.

My own views on this have been born out of a diverse personal background and an understanding of how diversity can be used as a business advantage.

It's probably something of a surprise to you but I have an Irish passport, I was raised in Kenya and was educated in the UK.

And until I joined ANZ just over a year ago, I spent my working life with HSBC where I had the privilege to live and work in 10 countries including the Solomon Islands, the United Kingdom, Oman in the Middle East, Japan, Malaysia, Argentina, Hong Kong and of course here in Australia.

What you learn very quickly with this type of experience is how to use diversity as a source of business advantage.

In Argentina for example, the most effective people in driving the growth and success of our pensions and superannuation business were middle-aged women. They had the knack for talking to people, understanding their needs and relating to their concerns.

That's been my experience all over the world, that women bring unique qualities to the table – in particular great intuition, exceptional relationship building skills and an inclusive approach to decision-making.

When I talk about diversity and using it for business advantage, I mean diversity in its widest sense - age, gender, cultural, racial background and occupational history.

Here in Australia for example, in our Chinatown branches, I want Chinese staff. They understand their community, can speak their language and they make the customers feel at ease.

And when you are trying to create a super regional bank as we are at ANZ, with 20% of earnings from Asia Pacific, you simply can't do that solely with expats from Sydney or Melbourne.

So we have to build and leverage our employee diversity to maximise our business opportunities within the markets we are operating in. Put simply, it's about ensuring that your people represent the community that you are serving.

There is, of course, now a solid body of evidence that confirms my gut instinct and practical experience – that is, there's a correlation between organisational diversity and business performance.

However, shareholders don't seem to get it, and boards and management play with the concepts but are not held to account.

Business performance is absolutely critical in my view because if you can demonstrate success from diversity and if it's valued by the business, then it will not only be accepted, but encouraged.

That's why I don't particularly like setting targets for diversity although I realise that sometimes there is little option.

I know this is unfashionable but my experience is that targets, if poorly managed, result in tokenism, and that's bad for business.

And because tokenism is bad for business, diversity is not valued and we end up going backwards.

If downplaying the use of targets is challenging established wisdom, let me try my luck a little further.

I agree there needs to be more awareness-raising among men about diversity and how to be inclusive of women in the workforce.

After all, most Caucasian men have never had the experience of being in a minority in business in the Western World, and we need to be kept honest around diversity and aware of what it is like to be a minority in this environment.

At the same time, reaching senior executive or board positions isn't simple for women.

McKinsey recently identified a few characteristics which particularly distinguish women from men in the work place which provided a good insight into this.

First women can more often opt out of the workplace than men can.

Second, many have a double burden – motherhood and management – which can drain energy in a particularly challenging way.

Particularly here in Australia where childcare is expensive and isn't always easy to access. Migration policy prevents domestic help as it doesn't properly recognise a helper's skill – a policy I assume is designed by men.

But this isn't just for men to work out though.

At the same time, women also need to learn how to succeed in a business environment which, like it or not, is largely driven by male style and male management techniques.

Often women will need to work and succeed in organisations where single-minded, logical, and even aggressive male styles are the dominant paradigm.

Given this, women need to decide how far they go aligning and adapting themselves to this environment while still remaining true to themselves and not losing the broadness of thinking that they bring to the table.

The hard thing here is to work out how far you go before you are typecast or your behaviour is regarded as obnoxious.

And by the way, when I say obnoxious, that's code for behaviour which is too much like a man's – which ironically is intimidating and uncomfortable for both women and men.

In this regard, women also need to consider how they seek out positions more aggressively.

Research at Hewlett Packard found that women apply for roles only if they think they meet all of the criteria. Men however were found to apply if they met just 60% of requirements.

Finally, we are facing a shortage of talent at all levels and there is an increasingly urgent need for more leaders.

Growth in the labour market population is slowing.

In Australia, the upcoming retirement of baby boomers means that companies will lose large numbers of senior employees in a short period of time.

In the US, nearly 20% of the working-age population will be at least 65 by 2016.

In this environment, business has a pragmatic need to find ways of ensuring more women opt in and more women succeed in reaching senior roles.

First, at the top of the organisation we need to stop making excuses about not having pipelines of talented women.

There are talented women and we simply need to appoint more of them.

When I joined ANZ 12 months ago, there were no women on the management board.

I have made two appointments in the past 12 months to our 11 person management board. And I will make more.

And our Asia Pacific Division has embraced the region's diversity with a number of senior appointments over the past year. In fact three of our country managers are now women.

It's a start.

Four years ago only 39% of Australian graduates were women, today it's 51%.

So we've also rethought our graduate recruitment strategy to be more attractive to women.

In March, we launched the ANZ Global Women's Network and identified our five global priorities for action. These are:

- diversity must be understood as a business imperative and linked to business results;
- real accountabilities with consequences for senior management who are not 'walking the talk' in regard to supporting and promoting women;
- helping people who seek and access flexibility to also be seen as committed and career-oriented;
- establishing formal and informal mentoring and support of women to build women's self-confidence and promotional opportunities; and

- supporting women's confidence and encouraging self promotion to enable women to more successfully advance.

Acting on these priorities will also require us to challenge unconscious biases that work against women's advancement which I referred to before. Those biases include:

- that women aren't tough enough to be successful in senior roles;
- that people who work flexibly aren't committed to their careers; and
- that only low-value work can be carried out part-time or flexibly.

It's not easy to change mindsets - it takes time and effort.

But it's imperative we make progress on all these fronts because our future business success is linked to our success in creating a more diverse workforce.

That includes creating a larger, more diverse pool from which to select candidates for senior executive and ultimately board positions.

I know that supporting women's careers is a complex issue but that shouldn't be an excuse for ANZ or any other company.

There are a few home truths for us all to confront.

But from ANZ's perspective what I want is for you to track us rather than trust us.

Track us in making:

- sustained progress year-on-year in delivering workplace policies and initiatives that support women;
- track us in creating an engaged female workforce; and
- track us in bringing our female talent into leadership roles.

Finally, I'm aware I am at the Australian Institute of Company Directors and I have not spoken specifically about the ANZ Board but I know my Chairman, Charles Goode also believes in this.

I have already spoken about progress within ANZ at the executive level, and I am sure you will be able see our progress in the near future at the board level.

In closing, I'd like to congratulate Anna and her team on presenting the 2008 Australian Census of Women in Leadership.

The Census provides a valuable measuring stick by which we can assess our progress on gender diversity against international benchmarks.

Clearly Australian companies, like ANZ, still have a way to go before we can fully leverage the competitive advantages that accrue to companies with genuine diversity among their executives and at board level.

Many thanks for listening to me today and I hope my remarks will help contribute to a lively discussion among the panel and from the audience.