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Strategic and Regulatory Approaches to Increasing Women in Leadership: Multilevel Targets and Mandatory Quotas as Levers for Cultural Change

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Abstract While substantial evidence is emerging internationally of positive increases in the participation of women on company boards, there is less evidence of any significant change in the proportion of women in senior executive ranks. This paper describes evidence of positive changes in the number of women on boards in Australia. Unfortunately these changes are not mirrored in the senior executive ranks where the proportion of women remains consistently low. We explore some of the reasons for these disproportionate changes and examine the likely effect of the recent amendments to the Australian stock exchange's corporate governance code designed to improve gender diversity both on boards and throughout organisations. Based on the early corporate response to these regulatory changes, it is interesting to consider whether Australia's approach in promoting voluntary self-regulation at the corporate level may be as effective in the long run as the emerging trend in Europe to apply legislated quotas for female corporate board representation. Interview evidence is presented suggesting that the primary reasons for the lack of women in leadership are not simply lack of opportunity at the apex of the corporation, but issues at mid-management level that are unlikely to be resolved by mandatory board quotas. In some circumstances carefully monitored voluntary targets may be more effective at promoting cultural and strategic change at the heart of the corporation. In summary, mandatory quotas (set through hard law usually with sanctions for noncompliance) may achieve early and significant results in terms of female board representation. However, voluntary targets for women's participation on boards and in executive ranks (proposed in soft regulation such as corporate governance codes and set as part of corporate strategy) may promote more effective cultural and practical change in support of greater representation of women in leadership.

Keywords Gender diversity · Women in leadership · Corporate governance · Equal opportunity · Cultural change · Regulation

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Introduction

The developing worldwide movement for gender equality has focused in recent years on the participation of women at the pinnacle of organisations, in boards of directors and senior executive ranks. The introduction in Norway of quotas for women on corporate boards has had great impact internationally, with advanced industrial countries either legislating quotas or opting for significant and strategic voluntary targets for women's participation on corporate boards (Machold et al. 2013; Teigen 2012a). The recurring question is whether this will fundamentally change the position of women in work, or simply enhance the career structure of a few fortunate women (Seierstad and Opsahl 2011). With the Norwegian quota for board members having little impact on the number of female CEOs in Norway, there is a need for deeper analysis and explanation of the causes of women's continuing lack of presence in senior management ranks which relate to the unique social and economic role women predominantly occupy in contemporary society.

This paper uses the example of soft regulatory intervention in Australia and evidence relating to its effect on corporate behaviour to add to the debate on women's participation in corporate leadership. It contributes to the literature by taking the argument beyond the form of regulation used by governments, to the behavioural changes they hope to effect (Aguilera et al. 2007). Do we simply want more women in leadership or do we want to encourage cultural change within the business sector? The research presented in this paper explores both the top-down and bottom-up cultural and organisational processes that can be triggered in corporations by the introduction of regulation to improve gender diversity in corporate leadership. It informs regulatory theory by exploring the potential effects of voluntary self-regulation compared to mandatory regulation. We argue that if the regulatory objective is to stimulate cultural change within corporations a flexible, voluntary regime could in some circumstances be more effective than a mandatory quota system. Yet no approach is likely to be effective unless there is in place a solid platform of state provision for women's participation in the labour force including affordable and accessible childcare, supportive taxation measures, and equal opportunity policies.

The first part of the paper examines the problem that recent regulation is attempting to solve—the lack of women on corporate boards and in senior executive teams. It draws on relevant literature, the quantitative findings of the Australian Census of Women in Leadership and qualitative data obtained in interviews with female company directors to explore the reasons behind the low levels of female corporate leaders. It provides a reminder of the economic and business case for improving the number of women in corporate leadership. Our evidence confirms that the lack of women at the top of the corporation is caused partly by the continuing disappearance of women lower down in the corporate hierarchy. This suggests that any government intervention ought to be targeting, or at least taking into account, the reasons for women's departure from mid-management and not focusing solely on leadership positions.

Next we explore the potential solutions to the lack of women in leadership. Many governments in Europe have put in place mandatory quotas for women on corporate boards backed by legal sanctions. Others, including Australia, have taken a softer voluntary approach by recommending that companies set targets and/or disclose policy on gender diversity. The paper reviews the advantages and disadvantages of these different regulatory mechanisms including a close look at the Australian approach. Again, the paper draws on relevant literature, the Australian Census of Women in Leadership and interview data. We also describe the results of novel empirical analysis of data collected by the authors regarding the corporate response to Australia's corporate governance recommendations on gender diversity. These recommendations suggest, through a 'comply or explain' mechanism, that companies should disclose information about their diversity policy and set measurable objectives for increasing gender diversity. They also recommend annual disclosure of actual numbers of women on boards, in senior executive positions and in the workforce.

The last part of the paper draws this unique pool of data together to discuss the likely effectiveness of the Australian regulatory approach. Mandatory quotas may achieve early and significant results in terms of female board representation. However, our evidence suggests that voluntary targets for women's participation on boards and in executive ranks, set by the companies themselves, may in some circumstances promote more effective cultural and practical change. We conclude that the Australian approach of encouraging companies to set such targets appears, at least in its early stages, to be successful in stimulating change management processes aimed at improving gender equality.

Complex Relationships among Regulation, Institutions and Cultural Change

This paper addresses the complex relationships among regulation, institutions and cultural change with regard to increasing the number of women in corporate leadership. In Australia successive waves of the feminist movement in the twentieth century successfully dismantled the most evident barriers to the economic progress of women including securing access to birth control, the right to vote in national elections, access to higher education and the professions, and eventually the right to equal pay and paid maternity leave. Certainly women progressively made successful assaults in the battle of ideas and raised awareness, and Australian women have contributed to this with publisher Carmen Calil forming Virago, the first feminist publishing house in 1973, following, author, Germaine Greer's publication of *The Female Eunuch* in 1970. As long ago as 1946 the United Nations created the Commission on the Status of Women, and in 1979 adopted the Convention on the Elimination of Discrimination Against Women (never ratified by the United States). In the UK the Equal Pay Act (1970) and Sex Discrimination Act (1975) were passed by Barbara Castle the resolute UK Minister for Employment, following a prolonged strike for equal pay by the women workers of a Ford (UK) motor plant that was recently portrayed in the BBC feature film

Made in Dagenham (2010) and similar legislation has been in force in many other industrial countries for many years. Why then has there been so little impact upon the male domination of senior positions in corporate leadership after four decades of continuous regulatory efforts to create equal opportunity internationally?

Regulatory intervention across many economic and social policy issues has tended to become more prevalent rather than less common in recent decades, even as governments have placed more emphasis on market mechanisms (Baldwin et al. 2010). Julia Black defines regulation as 'The intention to use authority to affect behaviour of a different party according to set standards, involving instruments of information gathering and behaviour modification' (Black 2001). Whilst in the past regulation was often perceived in very hierarchical terms as stemming directly from government authority, more recent forms of responsive regulation have emerged (Braithwaite 2008). This type of regulation involves restorative justice whereby all stakeholders investigate and come to an understanding of the reasons behind past injustice or harm and agree on a set of reforms to prevent recurrence and instigate repair (Braithwaite 2012).

Four approaches to regulation are recognised by Lodge and Hood: hierarchical—originating with government and other powerful authorities; random—based on standards which are subject to change; mutual—agreed by all the affected parties; and rival—standards prompting competition with incentives to gather information (2010, p. 599). Board quotas and targets have different elements of these regulatory approaches: quotas are reinforced by the law but are supported by policies which may change over time. In contrast targets are often proposed by more representative bodies, are usually associated with a degree of mutual acceptance, and often do lead to rivalry in terms of achievement.

Why then does regulation have such limited impact? First there is the issue of regulatory effectiveness, and the question of whether it is possible to regulate cultural change. In practice, institutional and cultural history impacts heavily on the interplay between regulatory authority and regulatory responses. The fact that change takes place through institutional arrangements must be recognised in the development of regulation and control (Pegrum 1965, p. 45). Faced with the persistent failure of regulatory effectiveness, Braithwaite (2013) calls for a new effort at transformative change based on restorative justice. Braithwaite (2002) argues that it is a mistake to have undue reliance on either fundamentally rules based, or overwhelmingly principles based regulation: rules are required for specificity, and principles are necessary to prevent gaming of the rules. However, what is most important are overarching principles of restorative justice that promote ethical deliberation among stakeholders. This theoretical and policy perspective may translate into some of the events following the passing of the Norwegian legislation requiring 40 % female membership on corporate boards.

This was remarkably effective rules-based legislation that not only achieved its ambitious goal in Norway on time but also sent shock waves around the industrial world, and left both legislators and industrialists scrambling for an early response in their respective countries to this dramatic and unprecedented initiative. Yet the Norwegian legislation was not fully accompanied by a holistic set of principles of restorative justice that inescapably promoted fundamental ethical deliberation among stakeholders. A consequence of this was that while Norwegian boards of directors secured a major improvement in gender balance, little was achieved in improving the representation of women in executive ranks. It is possible that this pattern of regulatory compliance but cultural stasis will occur also in other countries adopting mandatory quotas. Yet in countries where companies have responded to the introduction of quotas in Norway by establishing targets for women on boards, it is possible that, as in Australia, this is driven by fundamental debates on holistic principles (often more based on the economics of neglecting the talent of half of the workforce, than on ethical matters). This development in Australia at least has allowed for a translation into a major campaign by business leaders to increase the percentage of women in executive ranks to 50 % (Shepherd 2013).

This leads to the question of the often intractable nature of culturally embedded values and practices when confronted by legislative change. Becker (1982) conceives of culture as a set of shared understandings that permit a group of people to act in concert with each other. Corporate culture reflects complex interactions between networks of communities. Hall and Soskice's conception of culture is 'a set of shared understandings and available "strategies for action"' which are developed over time, 'what leads the actors to a specific equilibrium is a set of shared understandings about what other actors are likely to do, often rooted in a sense of what is appropriate to do in such circumstances' (2001, p. 13). Succeeding with regulatory policies aimed at cultural change is at best challenging. The response of the regulated will invariably depend upon their existing understandings, and the capacity of the regulator to convince the regulated not only to comply but also to understand fully the reasons for compliance. This approach often breaks down because the regulated normally have far greater resources to shape discourses of legitimacy, to influence and inhibit the impact of implementation, and to divert the objectives of the regulation (and sometimes to capture the regulator). Perhaps much of the history of equal opportunity policy reflects this pattern of ostensible compliance, while subverting the policies' ultimate intent. Similarly well-intentioned initiatives in the management of change run into the ground due to the indifference of the majority to what is being proposed.

However, targets, while involving soft regulation, have a potent element in their capacity to facilitate change—the idea of corporate strategic choice and action (Child 1972, 1997). The miserable performance of almost all corporations on achieving a greater degree of female participation in the boardroom is surrounded with what, professor of sociology, Alvin Gouldner once described as 'the metaphysical pathos of much of the modern theory of group organisation…that of pessimism and fatalism' (1955, p. 498). In contrast to this organisational paralysis, strategic management suggests that strategic choice is very real: 'Strategy can be defined as the determination of long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals' (Chandler 1962, p. 13). The fact is that corporate leaders (male or female) can effect strategic change in the participation of women in leadership if they are convinced of the need to do this and devote the required time and resources (Aguilera et al. 2007, p. 844).

What is remarkable about the current initiatives for promoting the participation of women in the leadership of Australian corporations is that they are coming from the CEOs of the largest corporations (AHRC 2013), and the heart of the Australian business establishment (BCA 2013). These initiatives go far beyond the meritocratic rhetoric of the past that was a tool to maintain the male hegemony of executive ranks. They include ambitious targets, top level intervention, interconnecting actions to support women executives' progress, and insistence that suppliers also achieve gender balance. For the first time in Australia it appears that there is a genuine commitment from CEOs to drive change. These developments will need to be continuously monitored closely to discover the extent of their substance over time. Yet returning to Braithwaite's call for transformative change based on restorative justice: incongruously it does appear that a regulatory initiative in one country (Norway) has provoked profound ethical debate concerning restorative justice among the business elite of another country (Australia) and their commitment to radical change (if only to avoid the passage of legislation and to remain in control of the agenda). This paper examines evidence relating to these theoretical propositions, but the real test will be whether they lead directly to substantial, measurable and continuous improvement in the participation of women in the leadership of Australian corporations.

Data and Methodology

This paper draws on three different types of empirical data to inform the debate on how best to encourage women in leadership through regulatory means: quantitative data presented in the Australian Census of Women in Leadership; qualitative interview evidence from a sample of nine very senior female company directors; and qualitative statements made by companies in their annual reports in response to the ASX Corporate Governance recommendations on diversity. We, therefore, respond to calls in the literature for innovative research that taps into female directors' experiences (Terjesen et al. 2009) as well as wider calls for more mixed method research in the fields of management and corporate governance (Shah and Corley 2006; McNulty et al. 2013). By triangulating different forms of data, collected via different methods, we aim to reduce some of the limitations of each data source. The triangulation process permits emerging themes and conclusions to be validated through cross verification from two or more sources.

The Australian Census of Women in Leadership uses a methodology developed by Catalyst in the US, which involves gathering data from publicly available annual reports to survey the amount of women in leadership. While this quantitative method provides an accurate snapshot of female representation in board and executive positions,[1] its limitations include the fact that it cannot delve more than speculatively into the reasons behind the statistics.

Interviews can resolve this data limitation by revealing, albeit subjectively, some of the reasons behind the statistics. The interview data presented in this paper was obtained on two occasions—the first was an International Colloquium on Diversity on Boards hosted by Boardroom Partners and the UTS Centre for Corporate Governance at the New South Wales State Library in February 2010, at which seven high profile women ASX 200 directors (and three men) were interviewed by a panel of researchers. Interviews were semi-structured and lasted about 1 h. The second event was a public panel discussion on women in leadership held in March 2013 hosted by the UTS Centre for Corporate Governance. The panel comprised two female directors, one female politician and one female policy maker who were interviewed in an open discussion format by a female journalist.

All interviews and the panel discussions were transcribed and the content was coded by grouping statements

[1] Accuracy is limited when it comes to the figures on senior executives because there is no formal definition of 'senior executive' against which Australian companies must report. Catalyst defines 'executive management team' as the most senior person in the organisation (e.g. CEO or MD) and those who report directly to that person. However, since 2010 the Australian Census has also used the definition of 'key management personnel' used in companies remuneration reports and defined by Australian accounting standards as 'persons having authority and responsibility for planning, directing and controlling the activities of the entity' (EOWA 2012, p. 23).

according to identified themes. These statements, drawn from the directors' own experience in corporate leadership, provided a rich source of ethnographic data which we draw on in this paper to inform our discussion of women in leadership. The interview evidence offers insights into the views of female company directors on both the reasons for low levels of women in leadership and the potential solutions. As the interviewees come from the same population of directors that was surveyed in the Census, the interview data triangulates the quantitative findings of the Census. Alone the sample of nine directors would be too small to be representative of the whole population of Australian women directors but the combination of sources adds validity to our findings.

The third source of data comprised the statements made by ASX 200 companies in their annual reports for the 2011 financial year in response to the new ASX recommendations on diversity, particularly their disclosures against recommendation 3.3. Recommendation 3.3 suggests that companies establish and disclose measurable objectives for achieving gender diversity, as well as progress towards achieving those objectives. We created a database of these statements by copying them from annual reports. We used content analysis to explore common themes in companies' statements in order to gain an idea of the early impact of this new regulation. Again because it is drawn from the same population of companies, this data triangulates the other two sources of data. In particular it gave us a sense of how the regulation is likely to work at a practical level to facilitate female career progression in corporations and solve some of the issues identified by the Census and interview participants.

The limitations surrounding this data source include the fact that there can be quite a gap between what companies say and what they actually do. For example, a statement that a company has a diversity policy does not always mean the policy has been disseminated and implemented. Unfortunately because our interviews pre-dated the introduction of the new corporate governance recommendations they were unable to triangulate this aspect of the data. Also, it is often the companies that are well resourced and have good corporate governance that provide the most information. By basing our conclusions on that information we may paint a more positive picture of corporate change than is really the case.

Academic insights into corporate change management and organisational culture proved helpful in developing the theoretical framework for this paper. Our theory based on the findings of Part 1 is that to be effective in this area regulation needs to provoke and encourage significant cultural change in corporations, by stimulating a holistic debate on fundamental principles of justice, equity and efficiency. We use the data presented in Part 2 to test this theory and we find that the early response to the Australian regulation does appear to have promoted such processes. Future research will test this theory in relation to the implementation of other forms of regulation such as the mandatory quotas being introduced in a range of European countries.

Part One: Lack of Women in Leadership

Since 1989, there have been more females entering higher education in Australia than men (Australian Bureau of Statistics 1998). In addition more females complete their degrees successfully than men (Olsen 2012). Despite this, young Australian women are still less likely than men to transition into full engagement in work, study or a combination of the two. Interestingly the gap between men and women in this respect narrowed slowly over time until 2002 but has since remained relatively unchanged (COAG 2013, p. 8). Similarly, the overall labour force participation rate for Australian women has stalled in recent years, currently at 70.7 % (COAG 2013, p. 28). Sadly, despite equal opportunity legislation, on average Australian women are paid 17.5 % less than men and a pay difference commences at the start of their careers (COAG 2013, p. 27). Just under half (46.1 %) of women in employment work part-time hours compared to 16.8 % of men and, of these female part-time workers, 22 % said they would prefer to work more hours (COAG 2013, p. 27). Cost is the reason one in four children do not access the formal childcare that would be required for increased engagement in work (COAG 2013, p. 33). Figure 1 shows the critical inflection point in Australian women's careers.

A similar story can be told in other developed countries such as the United Kingdom and United States (Fairfax 2006; Teasdale et al. 2012). For many years it was expected that equality of education would lead to more women rising to senior leadership positions over time. However, research has shown that despite girls' and women's achievement in education, there has not been a proportionate increase in women attaining senior career success (Sealy and Vinnicombe 2012, p. 331). This is the case even in countries where women have made up nearly half of the labour force for over a decade (Fairfax 2006, p. 585). The block in the pipeline appears to be somewhere at mid-management level; for example, the number of women in managerial positions in the US went up from 17 % in 1972 to nearly 43 % in 1995, but in 1998 women still held only 5 % of senior executive positions (Ragins et al. 1998).

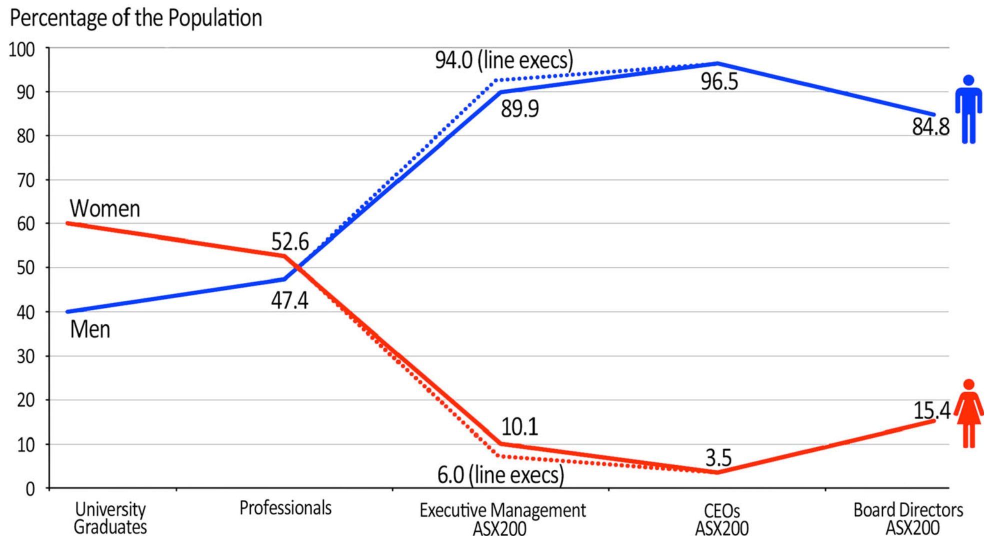

Fig. 1 The critical inflection point in Australian women's careers

Female Board Directors

Catalyst regularly takes data from surveys done in 44 countries across the world and as at mid-2013 the median percentage of women on boards was approximately 8.4 % (Catalyst 2013a). Norway has the highest percentage of 40.9 % as a consequence of being the first country to implement a quota. However, Sweden and Finland are next (both around 27 %) despite not having legislated quotas for private companies—both countries have taken action through corporate governance codes rather than hard law although Finland has tougher regulation for state-owned companies (European Union 2012a). At the lowest end of Catalyst's scale, with less than 2 % female board representation, are Japan, South Korea and most Middle-Eastern countries. What is very clear is that the under-representation of women in boardrooms is a reality worldwide (European Union 2012b, p. 12).

Successive surveys in Australia revealed no substantial increase in female board representation over 8 years from 2002 to 2010 with the percentage of women on boards consistently hovering around 8.5 %. It was only in 2012, in the wake of the move towards mandatory quotas in Europe and following heightened lobbying by interest groups and changes to the ASX Corporate Governance Principles, that this percentage increased to 12.3 % placing Australia 14th in Catalyst's world rankings. The Australian Institute of Directors (AICD) has been measuring real-time female appointments to boards and in October 2013, the figure for the percentage of women on the boards of ASX 200 companies had continued to increase to 16.6 % (AICD 2013).

Female Executives

The positive increase in women on boards has not been mirrored in the senior executive ranks of Australian corporations with the percentage of women in executive management teams of ASX 200 companies remaining at around 10.0 %, as has been the case since surveys started in 2002. Although we are beginning to find a way to tackle the lack of women on boards, it seems we have not yet got to this stage for senior executives. There is a similar situation in other countries, with Catalyst figures showing that female executive officers have remained around 14 % in the Fortune 500 for several years (Catalyst 2010; Catalyst 2012). Indeed, the most recent UK report reveals a drop in the percentage of women on executive committees from 18.1 to 15.3 % since 2009 (Sealy and Vinnicombe 2013, p. 7).

The situation is worse when looking at the number of women holding the top executive positions in corporations. The 2012 Census showed that of the 278 executive directors in the ASX 200, only twelve individuals (4.3 %) were women and only seven of these were CEOs. Among ASX 500 companies there were a total of 731 executive directors and of these only 28 were female (3.8 %) and 12 were CEOs (2.4 %). This compares to a US figure of only 28, or 5.7 %, of Financial Post 500 CEO's being women (Catalyst 2013b). In the UK the FTSE 250 has 32, or 5.4 %, of executive directorships held by women (Sealy and Vinnicombe 2013). It is therefore not surprising that recent increases in female board members can be mostly put down to increases in the number of female non-executive directors rather than executive directors.

This is a situation also commented upon in academic research, 'almost 50 percent of the firms in the Fortune 1000 had no women as top executives as recently as the year 2000' (Helfat et al. 2006). Daily et al. (1999) reviewed female board members and CEOs over the decade from 1987 to 1996 and found greatly increased representation on corporate boards but no increase in CEOs. Daily et al.

concluded that there was virtually no likelihood of short-term future increases in the female CEOs because the pool of female executives from which they might be chosen had shrunk rather than expanded (1999, p. 97). As mentioned above the Norwegian quota requiring 40 % women on boards has been met almost entirely through appointment of non-executive directors with the percentage of female CEOs still at only 2 %. The European Women's Lobby is concerned:

> If progress is confined to non-executive positions, are we in danger of creating a two-speed system, where one half of boards meet demands for gender balance and the other half run the companies? (2012, p. 16)

Reasons for Lack of Women Executives

One explanation for the lack of substantial increase in female executives, compared to the increase of women directors on boards, is that the recent focus of attention on women in leadership has been directed at boards rather than executives, particularly in terms of regulatory initiatives. As overseas experience and past Australian Censuses have shown, without this regulatory push there is very little change.

Another reason may be that it is harder to secure executive positions from other fields. Although it is possible to secure a non-executive board position by having demonstrated ability in other organisations and activities (law, academia, etc.) senior executives normally need to have worked their way up the executive ladder. Daily et al. comment that 'successor CEOs are overwhelmingly selected from high-ranking executives of the focal firm' (1999, p. 94). The pipeline for senior executive positions is, therefore, narrower than for non-executive board positions and it will take time to channel more women through it. Interviewees in 2010 also referred to this problem:

> Regrettably, we have just not had enough female CEOs to form the basis of a pool, so we're now starting to look for a second tier of directors—for example, from marketing and HR—but it's viewed as not as good as someone with a broad general bottom line responsibility. (Boardroom Partners 2010)
> Because there haven't been many women in executive roles…in order to get more women on the board, they're going to have to take unorthodox routes because there won't be enough coming through the same pathways. (Boardroom Partners 2010)

Thus, the lack of women senior executives also explains the low number of women on boards because it is from the ranks of senior executives that board members have traditionally been drawn:

> Because corporations rely on the executive pipeline to fill their board's seats, women's failure to achieve meaningful representation within the top levels of corporate America hampers their progress onto corporate boards (Fairfax 2006, p. 579)

Elizabeth Bryan, Chair of Caltex Australia, has often said in the media that we are focusing on the wrong stage of the female career:

> What I argue is that the focus on boards is inappropriate because if you want women everywhere with influence and in the power structure, you need them in the executive teams. (Bryan 2013)

Female directors interviewed in 2010 raised the same issue:

> I think there is a very fundamental issue and it's not really the board—it's at the mid and senior executive ranks—the workplace environment, particularly in Australia, is not particularly friendly for women. I think that's an area where we really need to focus, because you're not going to have the women who are board-ready, unless you've actually got women coming through the senior executive ranks. (Boardroom Partners 2010)

However, to regulate around the issue of executives is seen as interfering too far into a company's affairs. The European Union proposals only apply to non-executive directors 'so as not to interfere with the freedom to conduct a business' (BBC 2012)

Also not all executive positions are equal in terms of the prospects of advancement to the most senior position of CEO. As in previous years, the 2012 Australian Census found that women senior executives are more likely than men to be in support rather than line roles. Of all female executives 50 % were in line positions and 50 % in support; however, for men the situation was very different with 84 % in line positions and 16 % in support. Taking all executive positions this amounted to only 6 % of all line positions being filled by women compared to 22 % of all support roles (EOWA 2012, p. 24). The importance of this distinction is that experience in line positions, where the individual has direct responsibility for profit and loss or client service, is seen as essential for rising to the most powerful positions in the company (Fairfax, 2006). Although women can rise to very senior levels working in support roles such as legal counsel or head of human resources, they are unlikely to then progress to be a CEO. Elizabeth Bryan explains:

> [At] Caltex, we need people who can manage fuel supply chains and drums, petrol, pipelines, ships. You have to have people who've done that. It is seriously difficult to find women who've had a successful

> career there. So there is a very practical element in putting together a team around a board table. If you've only got seven people and you have to encompass CEO and senior line management experience—which you do have to—you will mostly be drawing from a male pool because of this problem…with women in our companies. (Bryan 2013)

The problem that Bryan refers to is the loss of female talent at middle and senior-management level. The lack of women in leadership stems from problems much further down in the workplace hierarchy, which impede progress in the early stages of women's careers and from which most women never recover in career terms. As Spender suggests: 'women must have already attained elite positions in order to be within the purview of [board] nominating committees and search firms' (2012, p. 23).

Although the obvious biological causes—child bearing and rearing in contexts with inadequate provision of childcare—are an important contributor to the striking loss of women from mid-management, they are not the only reason. The most common factors for the under-representation of women at board level cited by the UK Davies report (2011) were issues with work/life balance and workplace culture. Although also important, the issues of lack of opportunity or bias in recruitment came lower in the list (Davies 2011, p. 30). A recent Australian report lists the following as barriers to gender equality:

> The failure of meritocratic processes due to unconscious bias, gender stereotypes and the reinforcement of those stereotypes, the way we have historically designed and organised work without much thought to non-work responsibilities, lack of mentoring and role models, and the prohibitive cost of childcare are all barriers to gender equality in the workplace. (CEDA 2013, p. 19)

These different reasons for the lack of women in leadership are important to understand. There are many women who would like to further their corporate career but who meet discrimination or barriers in the workplace. However, there are also some women who actively choose to move away from corporate careers because of conflict—practical or ideological—with the culture, the long hours and lack of flexibility. Often a mix of these factors will be at play. Lyness and Thompson studied matched samples of male and female executives and found that women reported greater barriers to advancement than men:

> …the female executives reported that lack of culture fit, being excluded from informal networks, and difficulty getting developmental assignments and geographic mobility opportunities were greater barriers to advancement than did the male executives. (2000, p. 97)

The ascent through executive ranks often requires time and availability commitments that conflict with family and other social commitments. Gundlach and Sammartino found that a substantial personal barrier hindering women in roles involving international engagement was managing family/caring roles (2013, p. 38). The same hurdle was reported as the number one barrier to women's progression in Rindfleish's study, with the 'old boys network' a close second (Rindfleish and Sheridan 2003).

Some have coined the term 'maternal wall' as a barrier hit by many women long before they get anywhere near the 'glass ceiling' (Williams 2004). If this is truly the case, no quota or target would draw out enough suitably qualified women in the long term. The ASX's approach of instigating more substantial changes to support both men and women in managing their career and domestic responsibilities is likely to be more effective. Voluntary action on the part of corporations needs to be supported by government policies on childcare, taxation and equal opportunity. Steibler and Haas (2012) analyse the microeconomic explanations for the cross-country variation in the employment of women. Some theorists focus on economic rationalities in an institutionalist approach linking national differences in women's employment to different degrees of state support for continuous female employment (Lewis 1992; Siim 2000). Other researchers place the emphasis more on normative rationalities in women's approach suggesting that cultural values influence work and care practices (Steibler and Haas 2012, p. 348; Kremer 2007; Pfau-Effinger 2004). Daley et al. (2012) place support for female employment as one of Australia's economic reform priorities. Only 55 % of employed women work full time compared to 85 % of men in Australia. These rates are substantially lower than in many other OECD countries. In Canada female workforce participation rose substantially after introduction of subsidised childcare and reduced tax rates for second income earners.

Although it is wrong to imply that all women are held back by their mothering duties, the debate about women in leadership cannot be entirely decoupled from the fact that the vast majority of women who do not work or only work part time have children. The campaign for more women in leadership seems to have become unhinged from the more basic campaign for equal opportunity for women in the workplace and society (CEDA 2013). The supply of women through to senior executive ranks will never be fully realised until these fundamental issues are fixed. Wendy McCarthy (a company director) states:

> The child-raising years are still associated with a dramatic drop-off of women from the management career pipeline and the way back is tough. We cannot participate effectively if our children are not cared for. The cost, the lack of flexibility, outdated models based on a 9-to-5 system, rigid and confusing funding systems, poorly trained staff, and a corresponding lack of status and pay all seem intractable…. We cannot continue to assume it is okay for people working with our young children to be unqualified and inadequately compensated. Our children need professional educators. (2013)

Recent research suggests that lifting the proportion of women in the workforce by 6 % could increase Australia's GDP by around $25 billion (Daley et al., 2012). McCarthy (2013) rightly points out that this is impossible without better childcare:

> Childcare policy affects our international competitiveness. Australian women are ranked number 44 in workforce participation, and yet are number one in education and achievement.

The fact that many women feel impelled to reject corporate careers is less discussed than issues of equal opportunity, perhaps because it is a more complex problem to solve and because any suggestion that there is a lack of motivated female candidates does not help the argument for change. What needs to be emphasised is that women do want challenging corporate positions but perhaps not if they are tied to certain entrenched attitudes and behaviours that are not entirely necessary for job performance and incompatible with family life. For example research has shown that the 24/7 culture that has sprung up in highly competitive industries does not always improve team work processes or client service (Perlow 2012).

Even if there are some talented women rejecting corporate careers, the pool of women who are searching for such positions is still large enough to permit an immediate increase in numbers in leadership in both executive positions and board roles. In the UK Sealy and Vinnicombe identified a pool of 2,551 women in pipeline executive positions and suggested that if only 200 of these women found their way onto FTSE 100 boards it could transform the landscape of women directors (2012, p. 330). A survey by GMI Ratings regarding newly appointed female directors in France found that most were highly qualified professionals, many new to board service in France and most serving only on one board:

> …the French experience seems to be validating the theory of many diversity advocates: there are many women who are well-qualified to serve as public company directors, but who are not routinely recruited (Gladman and Lamb 2013, p. 12)

Bryan, however, feels that policy change must move its focus to the lower levels of the corporation if it is to benefit more than a small minority of women:

> If we get flexibility in companies, then most of the women who graduate from universities—tens of thousands of us will have a career. If we don't focus on that and we puddle round with this obsession that we've got about getting women on boards, then we might actually get some nice jobs for another 250 of us. But that's the difference. Boards are not where power is. Boards are not where money is. They are in the senior management of Australian corporates and that's where we need to go. (Bryan 2013)

The distinction between women who reject corporate careers and those who are forced out is not clear cut. Several studies have found that in male-dominated work environments, the lack of successful female role models directly affects women's levels of ambition (Sealy and Singh 2010; Peters et al. 2010). If women cannot identify with those working above them or cannot reconcile their own values and needs with what they see, their career progression inevitably stalls. Instead women choose to set up their own small businesses, or move to the public sector, academia or not-for-profits as these sectors tend to have more flexible work arrangements and values based more on output than desk time (Slaughter 2012). There has been a substantial increase in the number of Australian women who branch out alone to run their own businesses: a 21.7 % increase since 2000, compared to 8.2 % for men (Australian Bureau of Statistics 2012). Recent research suggests that 'it may be that senior roles in corporations serve as a pathway to entrepreneurial endeavours, with highly successful, but disaffected, women leaving corporate Australia to set up their own business' (Gundlach and Sammartino 2013, p. 19). One female director interviewed in 2010 proffered her opinion:

> I think what happens with women is that they end up having kids, going back home and then they look at the corporate environment and say, I don't want to go back there, so they start their own businesses. (Boardroom Partners 2010)

It is not always child rearing that causes women to come to this revelation. There are plenty of younger and older women rejecting corporate culture. Gundlach and

Sammartinno reported that more than half of small businesses are set up by women of over 50 years of age (2013, p. 9).

Case for Women in Leadership

There are many reasons for the desire for more women on boards and senior executive positions both social and economic. First there are issues of equity and social justice: 'as a measure of economic citizenship and democratic leadership, the participation of women on boards should broadly reflect their workforce participation' (Spender 2012, p. 37). The main argument for greater participation of women is equity: it is unacceptable to exclude half the population from leadership positions on the basis of gender. A second argument is more intuitive: to decline to utilise the talent of half the employed population to the fullest is illogical economically, and must be damaging to productivity. Women represent a large part, if not the majority of the workforce in many industry sectors, and the under-utilisation of their leadership potential is a matter of both equity and efficiency. Wheland and Wood base their gender equality research on the underlying assumption:

> a more balanced representation of men and women in leadership and decision-making roles will mean that organisations are making better use of the full range of available talent and better meeting the needs of both men and women at work (2012, p. 4)

This idea of women as an untapped and wasted resource is the key motivation for European action to improve the number of women in leadership (European Union 2012a). Directors interviewed also chose to make this point:

> The point I make to boards is what a huge economic waste—forget about the gender issue, that's not the point—you are really wasting company funds and shareholder value. (Boardroom Partners 2010)

Increasingly the direct benefits to business performance that stem from gender equality are also being cited. While it has always proved contested terrain, there is some evidence that companies with women on their boards perform better financially (Luckerath-Rovers 2013; Adams and Ferreira 2009; Credit Suisse 2012; McKinsey and Company 2007, 2008). Equally there is evidence that suggests otherwise: Carter et al. (2010) review research, based on resource dependence theory, human capital theory, agency theory and social psychology, reach the conclusion that the impact of board diversity on financial performance can be positive, negative or neutral. Firm financial performance is a complex phenomena involving multiple variables and not readily reduced to the measurement of one or two factors (Van-Ness et al. 2009), plus it is extremely difficult to convincingly attribute causality (Thorburn 2013).

There is also evidence of the advantages that women bring to the board in a behavioural sense. In their study of Norwegian boards, Nielsen and Huse found that:

> The presence of women on corporate boards seems to increase board effectiveness through reducing the level of conflict and ensuring high quality of board development activities. (2010, p. 136)

Indeed, it has been suggested that, if there had been more women on the boards of large financial institutions and other corporations, the inclination towards group-think (which can lead to a lack of questioning of fundamental issues) may have been mitigated (Adams and Funk 2012; Rost and Osterloh 2010). Certainly board effectiveness can be improved by including a diverse range of views including those of both men and women (Carter et al. 2003). Female directors interviewed in 2010 commented:

> You need diversity of thought—it's not the same thing as diversity of chromosomes necessarily—but you do have to imagine that there is definitely one half of the population that is different from the other half. (Boardroom Partners 2010)

There is some evidence that women directors are more prepared than men to tackle 'tough issues' and thereby help boards to avoid the problems of group-think and conflict avoidance (McInerney-Lacombe et al. 2009). It has been suggested that women tend to ask challenging questions, (Huse and Solberg 2006) one of the keys to board effectiveness identified by the Davies (2011) report in the UK. Several other studies have linked aspects of 'good governance' to the presence of women on a board; for example monitoring strategy implementation and conflict of interest policies, and improving succession planning and board performance evaluation (Sealy and Vinnicombe 2012, p. 326; Thorburn 2013). Helfat and al (2006) sum up the case for women in leadership:

> The importance of drawing from the largest possible talent pool and the potential benefits to TMT [top-management team] decision-making, constitute the crux of the 'business case' for including women in the top executive ranks of corporations.

Part Two: Regulatory Solutions: Quotas or Targets?

To resolve the low level of female representation on corporate boards, the two most discussed forms of regulatory intervention are to set gender quotas or targets. These can be imposed as mandatory by law with sanctions if they are not achieved; for example, Norway's quota of 40 % women on boards. Alternatively they can be softer in nature, for example the UK's recommendation of a target of 25 % women on boards which has raised expectations even though adoption is formally voluntary. The international debate regarding the need for and the relative benefits of quotas and targets in achieving gender diversity on boards has proved hotly contested over the last decade. Storvik and Teigen (2010) discuss the arguments for and against quotas that were aired in Norway before legislation was introduced. Regulation in this area challenges established principles of autonomy based on ownership, namely shareholders' rights, but can be justified in terms of social justice, use of skills and more gender-equal participation in economic decision making (Storvik and Teigen 2010, p. 6-7). Terjesen et al. (2013) discuss the institutional factors that influence a country's approach including its welfare policies, political tendencies and history of equality initiatives.

To some extent the argument surrounding regulatory action to increase the number of women on corporate boards has already been aired in the context of gender quotas for national parliamentary seats. This again is a relatively recent phenomenon with most countries that have parliamentary gender quota laws having introduced them since 1991 (Baldez 2006, p. 102). Parliamentary gender quotas are becoming increasingly popular in much of the international community despite being almost vilified in the United States after years of rolling back affirmative action policies (Baldez 2006, p. 103). As Baldez says, 'their appeal derives in part from the failure of more gradual efforts to change the masculine culture of politics'—an argument that also rings true when it comes to big business. Equal opportunity legislation has been in place in Australia and most developed countries for a long time, reducing overt discrimination but failing to place men and women on equal footing.

Quotas aim to secure substantial change through compliance to a defined timescale, while targets may encourage more flexible but slower change through strategic initiatives. Spender, citing Seierstad and Opsahl (2011), succinctly lays out the terms of this debate:

> Debates about women on boards have focused on measures designed to achieve equality of access and across countries governmental approaches may be categorised as 'hard' or 'soft'. Hard strategies involve more coercive means of achieving equality of *outcomes* such as legislation for affirmative action and quotas. The soft strategies involve persuasion of market actors to achieve equality of *access*. (Spender 2012, p. 23)

Whelan and Wood (2012) neatly summarise the arguments for and against the use of quotas including the fact that they force organisations to look harder for qualified women but on the other hand are said to undermine the principle of merit and cause women to be viewed as tokens. They are often seen as a last resort, with gender targets the more acceptable alternative. Targets provide companies with the flexibility to set their own timescales and achievable goals and can be applied both at board and management levels as part of an organisation-wide gender diversity strategy. They encourage positive commitment rather than compliance meaning they can be owned by the company rather than imposed upon the company. Quotas, to date, have only been applied at board level; although they have been very effective at raising the numbers of female directors in Norway, there has not yet been a follow-through effect with the numbers of female senior executives still low—only 2 % of CEO's are female which is below the EU average (European Women's Lobby 2012). This is likely to change given more time, recent evidence from Wang and Kelan (2013) shows the gender quota has had a positive relationship on the number of female board chairs and female CEOs in Norway.

Some argue that quotas can have negative effects. Successive Australian Censuses have shown that women are more likely to have multiple directorships than men. In 2012, among the ASX 200 companies, 27.5 % of women but only 13.5 % of men had more than one directorship. This trend was also found in ASX 500 companies where 23.3 % of women had more than one directorship compared to only 14.3 % of men (EOWA 2012, p. 15). This suggests that when looking for female directors, companies ask existing proven female directors to take on more directorships rather than searching for new female talent. Evidence from female directors supports this phenomenon, but others suggest that it is only an initial response to regulatory pressure with development of new female talent the next stage in fulfilling quotas:

> I think because now I've been okay, because I am on a few boards—there are lots of invitations to join boards—really it is no reflection on me other than the fact that I've been tested and I'm female. (Boardroom Partners 2010)

There is evidence from Norway that when pushed to find female directors, boards do initially look to the existing pool of female directors but that this may only be a temporary effect. Women who as a result of the quota are now members of the boards of up to eight or nine Norwegian companies have been referred to as 'gullskjørtene', or 'golden skirts' (Seierstad and Opsahl 2011, p. 14).

Other possible dangerous consequences of quotas have been raised. Elizabeth Bryan described her concern that relatively inexperienced women may find themselves taking on the risk and potential liability that directorship brings, especially in smaller companies:

> The quotas are going to be forced down into the smaller end of the market where they don't have the resources, which is the most dangerous place to be on a board. One, I think boards are the wrong thing to target and two, I think that if you do target it, you're putting a lot of women in a very, very difficult position. It's not the way to bring about change. The way to bring about change is what's going on here now through the ASX. (Bryan 2013)

The ASX approach can be viewed as a broader movement to provide and maintain access for women to senior management careers, which will set them on the pathway to leadership. This can be done by the provision of more flexible working conditions, training and mentoring schemes and more conducive working environments. This is in contrast to suddenly parachuting women onto the boards of potentially risky and inhospitable small companies, which may amount to setting them up to fail. The approach of the Australian Government is that mandatory quotas can create a compliance mentality:

> WGEA does not believe quotas are the silver bullet to deal with this issue. Regulation of this nature often leads to a 'tick a box' mentality which does not promote the necessary cultural and structural change to ensure sustainable improvement. (Australian Government 2013)

Equally there are strong arguments that may be formulated both for and against the use of targets as there are with quotas. Gender diversity targets may become embedded in the strategic goals of corporations, providing the impulse to both discover and develop women leaders. Alternatively targets can be marginalised and unrealised and lack the firmness and predictability of a quota.

Review of Action Internationally

Examination of international policies on board diversity illustrates the fact that many countries are now adopting strong policies based on either targets or quotas (Terjesen et al. 2013; Credit Suisse 2012). The most substantial and rapid change in the participation of women on boards is associated with the introduction of quotas. For example in Norway, women's participation in boards increased from 25 % in 2005 to 40 % in 2009 following the introduction of legislation with enforceable sanctions for noncompliance. France, Italy and Belgium have also enacted quota legislation that includes sanctions to propel participation from dismally low levels. France has now increased its participation of women on boards from 8 % in 2008 to 18.3 % in 2013 (Gladman and Lamb 2013). Italy and Belgium have enacted their measures more recently which hopefully will improve the level of female board representation from 8.2 % in 2012 in Italy and 7.7 % in 2012 in Belgium. At the time of writing, Germany appears likely to implement a 30 % quota whereby any company unable to appoint women to this level by 2016 would be required to leave board seats vacant. Spain's quota is softer, framed as a recommendation without formal sanctions. Nevertheless female participation has increased from 6.2 % in 2006 to 9.5 % in 2013 (Gladman and Lamb 2013).

Good results have also been achieved in countries taking a voluntary approach towards encouraging women's participation on boards. The European Women's Lobby reports that 'new clauses on gender equality in Corporate Governance codes have, on average, produced an increase of around two percentage points in the 2 years following the adoption of the Code' (2012, p. 16), but larger increases are also evident. For example Australia amended its 'comply or explain' corporate governance code in 2010 to encourage companies to set their own targets. Female board participation in the ASX 200 increased from 8.4 % in 2010 to 16.6 % in 2013 (AICD 2013). In the UK a voluntary target of 25 % was recommended for FTSE 100 companies and female directors increased from 8.4 % in 2010 to 17.3 % in 2013 (Sealy and Vinnicombe 2013). Sweden and many other European Countries have amended their corporate governance codes to varying extents to encourage gender diversity. In Sweden female board representation rose from 22 % in 2010 to 27 % in 2013 (Gladman and Lamb 2013).

In both the United States and European Union there has been a long series of profoundly contested policy initiatives that have resulted in measures that lie somewhere between quotas and targets. In the United States the Securities and Exchange Commission has introduced a code requiring disclosure on how board nomination committees consider diversity; while the *Dodd–Frank Act* implements rules to ensure the fair inclusion of women and minorities in all firms that do business with government agencies.

In Europe, following a protracted controversy involving countries ready to accept quotas and countries determined to oppose them, a proposed Directive of the European Parliament and Council was published on 14 November 2012. This would impose a 'binding objective of at least 40 % of board members of each gender by 2020 for non-executive directors' (European Union 2012b, p. 8). It seems this is effectively a mandatory target—companies must attempt to reach this target by introducing 'pre-established, clear, neutrally formulated and unambiguous criteria in selection procedures for those positions in order to attain that objective'.

The drafting appears to have quelled the opposition of the United Kingdom and other opponents to a mandatory approach by the European Union, suggesting that they consider it as a target rather than a quota (Herbert Smith Freehills 2012). The proposal will be considered by the European Parliament and the European Council and further amendments may clarify these issues or they may remain purposely vague. Whether there is really a difference between a 'binding objective' and a quota will ultimately depend on how each country implements the directive and the sanctions that they put in place for not achieving the target by the start of 2020. However, it will be difficult to achieve consistent reform across Europe with some countries not committing as wholeheartedly as others and the European Confederation of Directors' Associations expressing a preference for voluntary approaches (ecoDa 2013). Questions remain as to whether a European Union directive with a 'comply or explain' basis and without sanctions will be enough to encourage universal change (Thorburn 2013).

Australia's Approach

The issue of women in corporate leadership has been topical in Australia for over a decade. The first government census measuring women on corporate boards was conducted in 2002, finding that women held 8.2 % of board seats in the ASX 200. Eight years later in 2010 the figure, at 8.4 %, had hardly changed. The story was similar for overall female workforce participation which started to stagnate in the mid-2000s (CEDA 2013, p. 13; COAG 2013, p. 28). OECD figures for 2011 showed that, compared to other advanced economies, the workforce participation of women in Australia dropped significantly once women reached child-bearing age (CEDA 2013, p. 14).

In terms of social policies supporting women in the workforce Australia has been relatively slow at introducing change. Prior to 1974 women were forced to resign from the public service when they got married. Equal pay legislation was introduced in the late 1960s and the Sex Discrimination Act in 1984. Although unpaid maternity leave has been available since 1979, the Australian government only introduced a subsidised paid maternity leave programme in 2011.

In terms of government action directed specifically at increasing the number of women in corporate leadership, the Australian government sought the advice of the independent Corporations and Markets Advisory Committee (CAMAC) in 2008 on the issue of diversity on boards. CAMAC's report published in March 2009 recommended increasing the transparency of director appointment processes as well as mentoring and developing female talent. However, the report was firmly against quotas as a form of regulation.

In July 2010 the Australian Securities Exchange's Corporate Governance Council amended its Corporate Governance Principles and Recommendations to include new recommendations regarding diversity on boards. The inclusion of these recommendations was triggered due to a congruence of factors:

- The drop in women in leadership recorded in the 2008 Women in Leadership Census which resulted in calls for action by groups such as Chief Executive Women, Women on Boards and the Sex Discrimination Commissioner;
- The recommendation by the 2009 CAMAC Report on Diversity on Boards that the ASX Corporate Governance Council ought to take action;
- Research demonstrating the economic case for gender diversity by Goldman Sachs & JBWere (2009), McKinsey & Company (2007, 2008) and Catalyst (2010; 2012); and
- International developments such as the introduction of quotas for women on boards in Norway.

The new ASX Recommendations on diversity suggest that all listed companies:

- establish a diversity policy and disclose a summary of that policy (recommendation 3.2);
- set and disclose measurable objectives for achieving gender diversity and report on progress in achieving them (recommendation 3.3); and
- measure and disclose the number of women on the board, in the senior executive team and throughout the whole organisation (recommendation 3.4) (ASX 2010).[2]

Like most of Australia's corporate governance regulation, the recommendations on diversity apply to listed companies on a 'comply or explain' basis. This gives companies the flexibility to either adopt the recommendations or explain why it is not appropriate for the company to do so. This style of voluntary regulation, enforced by market expectations, has been found to be very effective both in Australia and in the UK, and is thought to be less costly than US-style prescriptive regulation:

[2] The proposed 3rd edition of the ASX Principles of Corporate Governance, under review at the time of writing, will amalgamate the three diversity recommendations and re-number as recommendation 1.5.

> I've watched the ASX Principles of Corporate Governance process ever since it was introduced—and it's been extraordinarily effective in Australian governance. It's a very subtle approach where the ASX requires companies to report on something or to explain something and, if they don't do something, to make a case why. What it does is put a discussion and a responsibility right onto executives and to board members. It's been successful in changing the behaviour of Australian companies over the last 15 years. (Bryan 2013)

Although the diversity recommendations were not formally in force for all companies at the time of the 2012 Census, their adoption was widespread with 61.8 % of the ASX 200 adopting all three recommendations in 2011, even though the recommendations were in force only for the 17 % of companies with a December-end year. Our review of ASX 200 company disclosures for December year-end companies indicated that companies had relatively little difficulty developing or adopting a gender diversity policy (76.5 % adoption rate), or reporting on the numbers of women across the organisation (79.4 % adoption rate). The main reason for companies being only partially compliant with the ASX recommendations was the comparatively low percentage of disclosures against the recommendation to set measurable objectives for achieving gender diversity (only 26.3 % set numerical targets). This is the most interesting aspect of the new recommendations and worthy of further examination as it effectively asks companies to set their own gender diversity targets.

ASX Recommendation 3.3 Measurable Objectives

Recommendation 3.3 suggests that companies establish and disclose measurable objectives for achieving gender diversity, as well as progress towards achieving those objectives. There is little guidance on what is meant by this and early interpretation by companies was very varied. Although the hope was that companies would set themselves clear numerical targets for gender diversity, the 2012 Census data showed that the majority of companies did not do so. In the ASX 200, of the December-end companies, 26.3 % set a numerical target; and of the non-December-end, 18.1 % adopted this recommendation early in the form of a numerical target. Accounting firm KPMG was commissioned by the ASX to review the disclosures of all listed companies with a December-end financial year and revealed similar findings, commenting that:

> Consideration should be given to whether it was the intention of the CGC that all entities have numerical targets or is it appropriate to set objectives relating to implementation of initiatives. (KPMG 2012, p. 13)

Table 1 Numerical targets for female board directors set in 2011 annual reports

43 % in next 3-4 years (Billabong)
35 % by 2015 and 50 % by 2020 (Mirvac)
33 % by 2015 (Woolworths)
30 % by 2014 and 33 % by 2016 (Coca Cola Amatil)
30 % by 2015 (Brambles)
30 % by 2013 (Telstra)
30 % by 2015 (NAB)
25 % in next 2 years (BHP Billiton)
25 % by 2014 (Envestra)
25 % by 2013 (Virgin)
From 1 to 2 women on the board (22 %) by 2014 (PanAust)
20 % by 2016 (Leighton Holdings)
15 % of board in next 2 years (Industrea)
1 female director in the next year (10 %), another (20 %) in ensuing 2 years (Sims Metal)

This suggests that the more favoured approach was to introduce practical measurable objectives in the areas of training, selection processes and equal opportunity, often involving implementation of aspects of the diversity policy. A significant 79.4 % of the December-end ASX 200 companies chose to adopt the recommendation in this manner; and of the non-December-end companies, 30.7 % adopted the recommendation early in this way.[3] As the KPMG report comments: 'The robustness of objectives set will become clear in the next reporting season when entities will be required to report progress of achievement against them' (KPMG 2012, p. 13).

Taking the ASX 200 as a whole, just over half of all companies made some attempt at setting measurable objectives whether numerical or otherwise. Of the 34 companies with a December-end financial year, 28 or 93 % had set some sort of measurable objectives. All six companies that had not set measurable objectives explained why this had not been possible[4]; or why they thought it was inappropriate; and/or explained that they were still developing objectives. By making these 'why not' statements all companies formally complied with the ASX Corporate Governance Principles. Of the companies with a non-December-end financial year, the percentage choosing to adopt measurable objectives early was much less at 44.6 %.

For 20 % of the ASX 200 companies the measurable objectives included one or more defined numerical targets for increasing the number of women. Many had set targets

[3] Some of these companies may have also introduced numerical targets.

[4] For example, two companies had been dealing with a major acquisition or sale.

Table 2 Numerical targets for female senior executives/management set in 2011 annual reports

50 % managerial level by 2015 (Ardent Leisure)
40 % management by 2012 (ANZ)
40 % senior leaders by 2015 (GPT)
40 % executives by 2016 (Leighton Holdings)
40 % senior management in next 5 years (Stockland)
40 % executives by 2014 (Westpac)
38 % senior management by 2015 (Perpetual)
35 % senior executives and 43 % middle management by 2015 (AMP)
35 % senior management by 2014 (CBA)
35 % CEO-3 level from FY 2012 to FY 2014 (Goodman)
35 % senior executives by 2015 (Mirvac)
33 % management by 2015 (ASX)
33 % senior management by 2015 (Dexus)
33 % senior management by 2015 (IAG)
33 % executives by 2015 (NAB)
33 % executives by 2015 (Woolworths)
31 % senior leadership by 2014 (Suncorp)
30 % senior management—aspirational target (Invocare)
25 % senior job bands by 2012 (Oz Minerals)
25 % group head office by 2012 (QBE Insurance)
25 % executive by 2013 (Telstra)
25 % senior management by 2015 (Bank of Queensland)
23 % senior executive by 2012 (Lend Lease)
20 % senior management by 2015 (Rio Tinto)
20 % senior management—aspirational target (Orica)
19 % senior executives by 2014 and 22 % by 2016 (Coca Cola Amatil)
15 % senior executives by 2013 (QR National)

for several years ahead, 2015 was common, and had set separate targets for women on the board and in senior executive positions. Table 1 shows the range of numerical targets set by ASX 200 companies for women on the board in 2011 annual reports. It is not a comprehensive set of targets but it gives an illustration of the range.

It is worth bearing in mind that the average board size for the ASX 200 is 7.2 members (EOWA 2012, p. 18). A board of this size could meet a target of 25 % by having two women on the board; a small board of four would need only one woman to meet this target whereas a large board of nine members would need three women. This is important when considering the critical mass of three women required to impact on decision making (Konrad et al. 2008; Torchia et al. 2011). The 2012 Census found that only seven ASX 200 companies had more than three female board members; there were 30 companies where women made up 25 % or more of the whole board; and three boards where women made up 50 % or more of the board.

Table 2 shows the range of targets set for senior executive positions. More companies set targets at this level of the organisation than at board level. This is a significant finding as there was no specific requirement to do this and yet companies had recognised this as an area where action was necessary. The lack of a precise definition of senior executive was apparent resulting in widely varying terms used and some companies setting several targets at different levels of management as well as for their graduate intake or entire workforce. Although this means that targets cannot be compared across companies, it demonstrates how flexible regulation permits the tailoring of targets to the needs of the company and innovation on the part of implementers (Majumdar and Marcus 2001).

Twenty-four companies in the ASX 200 (12.0 %) simply stated that their objective was to achieve an increase in the numbers of women on the board and/or in senior management without specifying any particular quantum, for example:

> the Board has set initial measurable objectives in relation to gender diversity, aiming to increase the level of participation of women throughout the organisation, with particular regard to professional roles in the three layers of the Company below the role of the MD/CEO.

The most common approach taken by 54 companies in the ASX 200 (27.0 %) was to set measurable objectives that involved practical measures only (without a numerical target). These measures often involved implementation of aspects of the diversity policy, for example:

- Altering recruitment and selection processes, for example, to ensure women on the selection panel or in shortlists and to reduce unconscious bias;
- Implementing skills development and training programmes, particularly for women in the lower levels of management to ensure they are not lacking in the experience needed for promotion;
- Reviewing and changing leave and flexible work policies to better accommodate employees with carer responsibilities;
- Training and awareness surrounding the diversity policy;
- Setting up a council or committee to lead and monitor implementation of the diversity policy;
- Support and sponsorship of women's networking schemes;
- Reviews of gender pay parity.

All of these things are included in the recommendations of a recent report on understanding and closing the gender gap in Australia (CEDA 2013). This is positive in the sense that both the corporate response to regulation and the economic case for action appear to be converging. Many companies combined these approaches by setting a numerical target or an objective of increasing numbers, while amalgamating these with initiatives which would include some of the practical measures listed above. This demonstrates how flexible regulation such as the ASX Corporate Governance Principles can work to promote innovation and company-specific initiatives to achieve measurable progress. Some targets such as developing or reviewing a policy are relatively easily achieved and hopefully only a first step towards setting numerical targets in future annual reports. Other objectives were not easily 'measurable' and demonstrate at best a modest commitment to embrace change, for example to: "encourage the appointment of women at senior executive level as circumstances allow" or "ensure that recruitment of employees and Directors is made from a diverse pool of qualified candidates. Where appropriate, a professional recruitment firm shall be engaged to select a diverse range of suitably qualified candidates"

In its report for the ASX on companies with December-end financial years, KPMG commented that for some of the objectives that involved practical measures:

> There will be a challenge for entities to make these objectives measurable and demonstrate to stakeholders clear progress against them over time. Further guidance from the CGC on what constitutes a "measurable objective" may assist entities in setting more definitive measures (KPMG 2012).

The commentary to the ASX recommendations suggests that companies should consider tying measurable objectives to executive remuneration. Only four companies included mention of remuneration-dependent key performance indicators (KPIs) in their annual report disclosures and only two actually stated that KPIs had been linked to diversity objectives, as opposed to this possibly happening in future. It seems from this review of annual reports that few companies have gone this extra step of rewarding executives for achieving diversity objectives, although a review of full disclosure policies and remuneration reports would be required to be sure of exact numbers. Even if targets were tied to executive remuneration, research suggests that there may be little transparency of the dollar amounts involved and whether they would amount to any real incentive (Klettner et al. 2012).

Nevertheless the changes to the ASX Corporate Governance Principles requiring gender diversity disclosures will hopefully provide a sound base for future action to increase the number of women in leadership both at board and executive level, and accelerate the previous glacial rate of progress (Blackrock 2012). By recommending companies measure the number of females across their organisation and set measurable objectives, the Principles will unearth valuable information necessary for better understanding of the issues at stake; and will encourage companies to test some of the possible solutions.

In another important development in Australia, in December 2012 the Australian Parliament passed the *Workplace Gender Equality Act 2012* that requires all non-public sector organisations with 100 or more employees to report to the Workplace Gender Equality Authority (WGEA) on a range of 'gender equality indicators' including the gender composition of their workforce and remuneration by gender. Although the indicators are yet to be finalised, this legislation will apply much more broadly than the ASX Corporate Governance Principles and will be mandatory rather than voluntary.

This is how Judith Fox from the ASX CCG envisaged that the regulation might take effect:

> So work out, by gender, the number of all your employees, your senior executives, your middle managers. Look at line roles. Look at operational roles. Look at functional roles. Look at support roles. Then look at what happens in terms of pay- do a pay gap analysis and there will be one. It will actually start from when graduates come in and it will just widen as you go through. Then you actually have to start thinking about how do you actually address that pay gap. You actually have to start thinking about why do so many women fall away as you move from middle management through to senior executive roles. You can put in place plans such as you make sure that there are suitably qualified candidates—male and female—who are put forward as a short list for any senior executive role. (Fox 2013)

These sorts of changes to recruitment practices have been found to be successful in tackling unconscious bias. Despite strong objections to any form of 'affirmative action' in the United States, in 2002 the National Football League implemented a policy of interviewing at least one minority candidate whenever a head coaching position came up and this resulted in significantly more African American candidates being appointed (Collins 2007).

There is also evidence that soft measures such as adoption of mentoring schemes are important in supporting women's career progression. When Ragins et al. (1998, p. 32) surveyed successful female executives, they found that 91 % reported having a mentor in their career and 81 % rated mentoring experience as critical or fairly important in their career advancement. Christine Holgate, CEO of ASX 200 company Blackmores, agrees:

> Encourage your board directors or other people close to the organisation to take a mentoring role of highly talented women who are in the lower ranks, who you

> can see as possible executive capability. I think equally that we need to assess talented women and talented men by external people and get them benchmarked by the executive positions we would aspire for them to step up to. Then if we do that, what we can do is actually work out a really concrete development plan for those women. Rather than constantly saying to them, really sorry, you've not had P&L responsibility, you can't do that job. (Holgate 2013)

Research also supports the importance of networking for women's career advancement (Singh et al. 2006). A successful female director interviewed in 2010 commented:

> What I advise women to do is really make sure you build your networks in the business community, particularly in the senior executive ranks because people want to know that they can work with you. (Boardroom Partners 2010)

A critical mass of women in leadership may not be essential but leaders who embrace the concept of diversity and put in place policies that are actually implemented are vital if change is to occur.

> if you don't have visible committed leadership, nothing is going to shift within the organisation (Fox 2013)

The ASX recommendations and the information compiled in accordance with the new WGEA legislation ought to provide impetus to leaders who recognise the value of diversity to be more active in its promotion. This is a new role for organisations and it will be interesting to see how companies progress against their measurable objectives. In the context of role models for female executives Sealy and Singh comment:

> The role of the organization in the identification and promotion of female role models is also new and interesting—what, if any, influence do they have? New technology such as corporate web pages and new interventions such as women's corporate networks allow for role models to be highlighted, but how are they selected? (2010, p. 297)

More research is needed into the practical measures that are most effective at both retaining women in corporations and improving their access and desire for promotion and ultimately leadership. More needs to be done to engage women managers more supportively, and to achieve greater work/life balance for all in demanding executive positions. Elizabeth Bryan sees this as the key to improving the ratio of female leaders:

> Our greatest loss of women now is at the middle management and upper middle management—where you get up the pyramid a bit and the jobs are not so easy to get hold of…plus, you get hit with the full burden of your 'second job'—young kids, running house—and it all becomes too hard and we lose a lot of women at that level…and yet the thing that I think is making it easier for them to be more flexible with their workplaces is that men of that age also want more flexibility. (Hefferman 2013, quoting Bryan)

Her thoughts are supported by recent research—Beninger and Carter (2013) report that in firms that offer flexible work arrangements both men and women have higher career aspirations than in firms that do not offer flexible work. However, in firms without flexible work arrangements it is the women that are affected more than men—they are twice as likely to downsize their aspirations as men (Beninger and Carter 2013, p. 7).

All of these practical measures towards increasing gender equality have been incorporated in a path-breaking report by the Business Council of Australia (BCA), the lead body for large Australian corporations, which commits to a policy to increase the number of women in senior executive positions to 50 % within 10 years. To assist member companies in achieving this goal the BCA commissioned a report on best practices for recruitment, selection and retention. The report recognises the inherent and unconscious biases that exist within the current concept of merit-based assessment and suggests that thinking about merit and leadership needs to be recalibrated in a de-gendered way (BCA 2013, p. 4). The first step recommended by the report is for companies to understand the female metrics of their organisation thus enabling them to set, monitor and reach specific time-bound targets. Here the BCA effectively accepts and supports the Australian regulatory approach, embracing the content of the ASX's Corporate Governance recommendations. Heralding our findings the report states that, 'the most important support for the success of women in organisations is an inclusive culture that appreciates and seeks diversity' (BCA 2013, p. 14). The importance of leadership conviction in building such a culture is emphasised as is the need for role models and sponsorship for as long as 'a tipping point in numbers of senior women has not yet been reached' (BCA 2013, p. 14). The report sets forth a wealth of practical recommendations for reducing gender bias in selection, promotion and retention procedures that will help Australian companies in refining and implementing their diversity policies. Coming to the same conclusions as our research, the BCA report claims that creating an environment that fosters diversity 'needs to be a methodical and systemised operation, like any change program…to develop cultures within companies that will attract and support the women working in them' (BCA 2013, p. 3).

Further evidence of the change of attitude, which resembles an epiphany of the Australian business establishment in reaction to the Norwegian initiative and the recent Australian regulation, is found in a remarkable new report by a group of 21 male CEOs of the largest Australian corporations. This group was established by the Australian Sex Discrimination Commissioner Elizabeth Broderick in 2010 who determined that she had to 'get the blokes on board' if there was ever going to be real change. The group calling themselves 'Male Champions of Change' (MCC) published a report in November 2013 entitled '*Accelerating the advancement of women in leadership*'. The report emphatically confirms the themes of this paper: the importance of culture change through inclusive leadership, the need to measure and disclose gender metrics and targets, the need to improve workplace flexibility and change attitudes around traditional career progression. It takes a critical step further by suggesting that large companies ought to push gender equality awareness through to their suppliers by setting expectations on gender balance through contracts or supplier policies (AHRC 2013, p. 19).

Mike Smith, CEO of ANZ Bank explains the intent behind the MCC group 'We intended to use our collective influence to elevate the issue of gender equality in leadership on to the national business agenda. We are proposing a "leadership intervention", and with the release of the Business Council of Australia's own action plan, it feels we may finally be at tipping point. The real jolt for the CEOs came through discussions with hundreds of women and men at all levels of our organisations. They helped us to understand what was stalling progress—sometimes in confronting detail. We developed an action plan which recommends a set of simple interconnecting actions we can all take to advance more women in leadership. These actions range from supporting a systemic review of childcare, to eradicating the male pay premium. The importance of viewing flexible workplaces as a mainstreamed way of working that's role modelled, encouraged and expected—not just accommodated. Committing companies to starting a conversation with every one of their suppliers about what they are doing to achieve gender balance in their workplaces. The organisations that worked on this idea spend billions every year buying everything from an Airbus A380, plant and machinery, to simple stationery. Given the economics, I believe that when the companies purchasing these goods start a conversation about gender balance, suppliers will listen'. (*Australian Financial Review* 7 November 2013, p. 55).

These two historic reports by the Australian business elite which hitherto were prepared to offer rhetorical

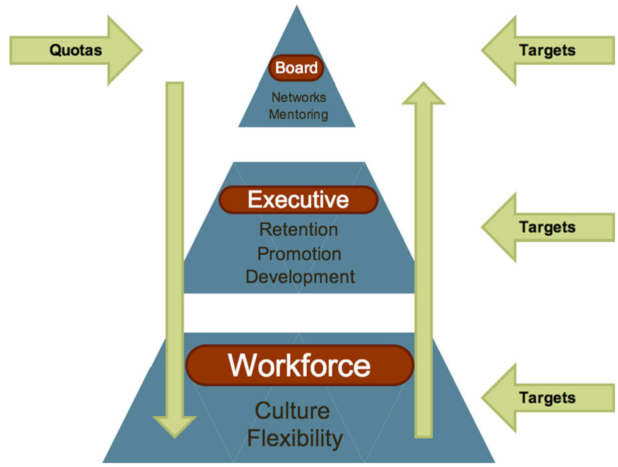

Fig. 2 Strategic and regulatory approaches for increasing women in leadership

support, but little else, to the cause of increasing the participation of women in leadership suggests that there is something of a sea change occurring in Australia around the commitment to achieving targets. Whilst it may lack the drama of Norway's legislative commitment to transform the participation of women on boards within 5 years, the Australian initiative is beginning to look like a viable scenario for achieving a gradual transformation across executive ranks as well as at board level.

Part Three: Change Towards Equality

While there were many forces at work in the revival of interest across the world in discovering measures to increase the numbers of women in positions of leadership in corporations, it is clear that the impact of the introduction of quotas in Norway had a dramatic impact (Machold et al. 2013; Teigen 2012b). The possibility that, if nothing was achieved, quotas might well be introduced in other jurisdictions was a sharp spur to action that did not exist before. It is unlikely that the commitment to significant targets would have been considerable if the threat of firmer regulatory action was not clearly visible. It was the introduction of hard law quotas in Norway that made it feasible to commit to ambitious soft law regulation and voluntary target setting in Australia and other jurisdictions (Blackrock 2012).

Both quotas and targets as regulatory methods have been effective at spurring an increase in numbers of women on boards although, in most cases, it is still too early to judge their long-term effectiveness. These are not the only forms of initiatives—non-regulatory methods such as mentoring schemes and networking programmes have also been introduced in many countries (European Union 2012b).

Indeed, as we show in Fig. 2, the issue of gender imbalance in corporate leadership may be addressed most successfully through a mix of regulatory and other approaches.

The quotas-versus-targets debate parallels the long-running regulatory debate of rules versus principles or hard versus soft law. Is it best to prescribe outcomes and force compliance, or suggest outcomes and permit flexibility around their achievement? There is a body of research which shows that allowing firms flexibility enhances performance because entrepreneurship and innovation are stimulated if implementers play a part in process design (Majumdar and Marcus 2001, p. 171). If rules are imposed from above, implementers are more likely to engage in routine and mechanical implementation (Majumdar and Marcus 2001, p. 171). Braithwaite argues that 'as the regulated phenomena become more complex, principles deliver more consistency than rules' (2002, p. 47).

Whether achieved through quotas or targets, it is important to consider what proportion of women on boards is deemed optimal and what we expect to happen once they are there. Research has identified that to have three or more women on the board constitutes critical mass in decision making (Konrad et al. 2008; Torchia et al. 2011). In most circumstances, it is helpful to have more than one woman: two women can help each other to get their contributions across and, when there are three women, they are seen as individuals rather than as the 'female voice' on the board (Konrad et al. 2008). The importance of a critical mass of women depends on the level of diversity in its widest sense, across the board. Female directors at the Colloquium in 2010 commented that if a board has a diverse range of members in terms of age, background, race and interests, the issue of gender diversity becomes less important (Boardroom Partners 2010). Research by Huse et al. (2009) also found that it is board diversity as a whole that improves board effectiveness, with gender being one aspect of potential diversity. It is when a woman director finds herself on a board with a very homogenous group of male directors that it can be difficult being the sole female. The attitude of the chair and CEO in particular are said to be crucial to the role played by women on a board:

> In a boardroom, the Chair and the Chief Executive are so critical to the environment—to whether you can make a contribution, whether you are one, two or ten women. (Boardroom Partners 2010)

There appears to be an assumption that once critical mass is achieved on a board or in senior management, cultural change will follow throughout the organisation. However, Rindfleish and Sheridan found in 2003 that a significant majority of the female leaders whom they surveyed were not committed to bringing about organisational change to facilitate the entry of more women into senior management (2003, p. 299). They did fully support the concept of equal opportunity but most were not actively promoting change themselves or challenging existing barriers. Interviewees emphasised not only the importance of culture but also its subtle nature, supporting the idea that it can be communicated through leadership style as well as through more proactive methods:

> I think at the end of the day, corporate culture is so critical to the success of an organisation and I think women really breed culture and they can ask a lot more questions around culture. (Boardroom Partners 2010)

Further research is needed to test some of the assumptions surrounding the impact of female directors on broader workplace gender diversity. Our evidence suggests that as the campaign to increase the participation of women on boards has continued, leading women directors have been more self-confident in developing networks with other women, and in actively working to enhance the career prospects of promising younger women executives. All the women directors interviewed in the 2010 Colloquium contended that they were involved in support networks for other women interested in becoming company directors. Several women directors offered evidence of their active mentoring and development of senior women managers, helping them to prepare for roles on corporate boards by for example nominating them for divisional boards, or preparing them for more demanding executive positions. Research by Sealy and Singh (2010) finds that the existence of role models is important in encouraging women. Our evidence supports this with directors interviewed in 2010 explaining how the presence of a woman on the board can increase the confidence of female executives:

> The number of women executives who have felt so much more comfortable coming into the boardroom with another female there is just huge. (Boardroom Partners 2010)

Our argument is that strategic change ought to be the prime aim of any gender diversity regulation. Both quotas and targets have the potential to trigger such change but in different ways. In this context the debate regarding quotas and targets is a debate about whether change can best be effected by forcing changes in board composition and waiting for top-down change, or by more gently encouraging organisation-wide change by requiring companies to develop policies and measure progress.

Classic insights into organisational change and innovation have emphasised a dual process where leaders have the power to introduce changes top-down, while innovation

Table 3 Change for Diversity

Change for diversity	Phase 1 Awareness and understanding	Phase 2 Strategy	Phase 3 Action and institutionalisation
Culture	Investigating the reasons for lack of diversity	Developing diversity policy	Rewarding new behaviours and challenging assumptions
Leadership	Measuring diversity	Setting targets and key performance indicators	Developing unbiased leaders who foster diversity
Implementation	Setting up a leadership committee	Signalling change by appointing women	Implementing supportive policies on work flexibility, promotion, training and recruitment

and change may also originate with members lower in the organisational hierarchy if a goal of innovation is established (Daft 1978). Contemporary change management literature continues to emphasise top-down and bottom-up change processes, while acknowledging the complex and multidimensional nature of organisational change (Piderit 2000; Seel 2000; Burnes 2005). Research also suggests that change management is situational: rather than adopting best practice or simply implementing a change model, managing change is about taking an approach that matches specific circumstances (Burnes 1996). These findings tend to suggest that a process of change management may best be achieved by a flexible regulatory approach rather than rigid compliance. Indeed as a package, the ASX recommendations incorporate many of the key tenets of a change management process: analysis of the need for change (measuring women); strong leadership; and implementation and institutionalisation of success through formal policies, systems and structures (Todnem 2005, p. 376). Our findings summarised in Table 3 suggest that large Australian companies are starting upon this journey of change towards diversity.

Organisational change can be effected through changes in strategy, structure and leadership, each of which impacts on an organisation's culture (Meyerson and Martin 1987, p. 624). However, if a regulatory aim of both quotas and targets is to implement cultural change in organisations and make them more amenable to female career progression, this also involves triggering changes in patterns of behaviour, values and meanings. Culture has been defined in a multitude of ways and can be seen as a dynamic concept, created by all the daily conversations and negotiations between people within an organisation (Seel 2000). It has also been described as a layered construct with 'basic assumptions' at the deepest level, 'values' in the middle and 'artifacts and creations' at the surface (Schein 1983). As was clearly seen in the collapse of companies such as Enron, a perfect set of policies and codes of conduct does not guarantee a good culture—this depends on how these policies are recognised and interpreted in day-to-day conversations. In a similar way research has found that the implementation of family-friendly policies does not automatically lead to broader organisational culture change (Lewis 1997). If flexible work is interpreted as a temporary time-out from 'real' work or if office time 'counts' more than working from home, existing cultures are maintained (Lewis, 1997). The fact that culture change comprises more than policy change was also raised at the Colloquium in 2010:

> So many companies think that all they need to do is have good maternity leave and good work flexibility and 'voila'. They don't understand that it's culture. (Boardroom Partners 2010)

Lewis argues that more fundamental cultural change is likely to require state intervention and support as well as active challenging of some of the basic assumptions underpinning organisational cultures. These include the assumption that productivity is directly related to time at work; and that work flexibility comes at the cost of career advancement. She uses part-time work as an example:

> Part-time work is often associated with lower rates of pay, poorer security and employment protection, fewer benefits, and even when there are pro rata benefits attached to part-time work, there tend to be fewer opportunities for career advancement than in the socially constructed idea of full-time work. Many part-time workers, especially women, accept some or all of these conditions as the inevitable price to be paid for a deviation from the socially constructed norm of rigid long hours of work which are incompatible with family responsibilities. Under these conditions few men choose to work part time. (Lewis 2001, p. 24)

In this context she raises the option of encouraging more men to take parental leave, as has been done in Sweden (Lewis 1997, p. 20). It seems that family friendly policies do help to keep women in the workplace but do not necessarily assist in keeping them in the leadership pipeline.

Conclusions

Our conclusion is that regulatory mechanisms should be assessed, not only in terms of their direct or immediate effects on the numbers of women in the workplace but also in terms of their ability to support a process of organisational and cultural change. As Aguilera et al. (2007, p. 848) comment 'Government action—both enacting laws and enforcing them—is an important factor influencing firms to implement CSR initiatives and so become agents of social change". This research shows that in companies that are taking the issue of diversity seriously, the foundations for social change may be afoot.

Here lie the limitations of our findings—the directors who agree to participate in discussion and the companies that produce detailed information on diversity in their annual reports will be at the forefront of change in this area and may not be representative of the wider corporate field. However, the initiatives of both the Business Council of Australia and the leading CEOs involved in the MCC indicate a strong groundswell of support for radical change in the higher echelons of corporate Australia. Our data was collected before the new corporate governance regulation was fully in force and further research is needed to understand the full effects of this regulation. Comparisons with the practical effects of other regulatory mechanisms in other countries will be essential in understanding how these mechanisms trigger change and the impact of different institutional contexts.

It will be interesting to see how the participation of women in large corporations changes over the next few years, particularly in senior management, and whether the push for change stalls at a certain point or in certain industries. While breakthroughs can occur, the question is whether they can be sustained. Since the quota of 40 % was achieved in Norway in 2009, the percentage of women on boards has not risen further and, so far, the quota has not significantly improved numbers of female executives. Longitudinal research is essential in understanding the timeframe for change and how it relates to the type of regulatory mechanism.

One reason for appointing more women to corporate boards is to promote cultural change in boardrooms, which will then trickle down into other organisational layers. Unaccompanied by additional initiatives, however, appointing more women onto boards through either quotas or targets will not adequately address social justice issues and untapped economic potential. The debate around quotas or targets for corporate boards, therefore, cannot be treated in isolation and must involve support and processes for achieving such targets. It would be interesting to conduct further research to explore whether companies that have more women on their boards tend to have more progressive diversity policies and set more challenging objectives than those with fewer female directors.

Braithwaite's principles of restorative justice suggest that successful regulation must encompass promotion of a fundamental ethical discussion among stakeholders of the nature of the injustice, accepting mutual responsibility for constructive responses, and a common determination to resolve the injustice. In the case of gender diversity, measures that successfully facilitate equal career progression will, in theory, make the targets versus quotas debate obsolete. Hence any discussion that decouples quotas and targets from more practical and extensive initiatives is unlikely to result in useful outcomes. This is one of the reasons why we are of the opinion that the ASX Corporate Governance Principles and Recommendations have the potential to address some of the fundamental hurdles facing gender equality in the workplace rather than only on boards. The Australian approach of encouraging change through organisation-wide policy improvements and targets will hopefully improve female representation along the length of the pipeline to leadership and not only at the top. Over time Australian companies' disclosures against the new diversity recommendations and the WGEA equality indicators will form a valuable data source for understanding longitudinal change.

The fact that the recommendations are formulated in a general sense, but altogether have an unambiguous goal, allows companies to formulate a set of objectives that take their organisational climate and situational circumstances into account. The ASX recommendations encourage both top-down as well as bottom-up elements of change management. Simply stated top-down initiatives have a centralised and authoritarian base, through which policies are implemented and resources are allocated; while the bottom-up initiatives emphasise participation from employees across organisational layers, which can take the form of programmes, workshops and exhibiting the behaviour that signifies cultural change. In themselves neither top-down nor bottom-up approaches are likely to generate lasting outcomes: solely deploying a top-down approach will not result in employee engagement and commitment; while a bottom-up approach alone will lack direction, resources and coordination. The ASX recommendations attempt to bridge this dilemma: in a top-down sense, they require boards to establish a diversity policy; while setting objectives and reporting on the progress against them. Implementation of a good diversity policy ought to encourage bottom-up changes and reporting to the board of the results of the policy. Another interesting direction for future research will be to explore these bottom-up processes, to test, for example, whether there is a relationship between the proportion of women in an organisation's overall workforce and the number of women in leadership positions. In Australia, for example, the insurance, finance, retail and telecommunications industries have consistently had higher levels of women in leadership than other industry sectors (EOWA 2012, p. 11).

Together with a dynamic and adaptable reporting framework, the involvement of external stakeholders forms an important factor in driving change (Aguilera et al. 2007). Although these stakeholders add a degree of complexity, they also present opportunities as agents of change. The Workplace Gender Equality Agency (WGEA) monitors and advises employers in promoting and improving gender equality in the workplace, bodies such as the Business Council of Australia and the CEOs MCC can demonstrate leadership to other senior executives, regulatory bodies such as the Australian Securities Exchange (ASX) oversee disclosure and promote governance, and advocacy groups like Women on Boards closely monitor diversity performance of companies. The new reporting transparency is likely to create competition and result in increased performance, as companies will try to avoid being singled out by stakeholders for performing badly and being unsuccessful in achieving change over time.

Indeed the time it takes for companies to achieve diversity objectives may be the determining factor in whether targets are deemed successful. Companies that according to voluntary initiatives display acceptable progress in reasonable timeframes are not in need of mandatory quotas. Companies that do not show acceptable progress in reasonable timeframes might be encouraged by the prospect of mandatory quotas backed by sanctions. Braithwaite (2002, p. 82) recognises the different corporate personalities that may have a tendency to reject voluntary regulation classifying them as: 'political citizens, amoral calculators, organisationally incompetent or irrational non-compliers'. On the basis that not all companies will choose to adopt progressive practices, he supports Black's thought that 'rule makers should adopt a tiered approach to rule design in which rule types are combined in such a way that each tries to compensate for the limitations of the other' (Braithwaite 2002, p. 82). On this basis, if we do not have enough good corporate citizens in Australia, there may become a need to back up our voluntary regulation with quotas (King and Lenox 2000). The presence of quotas in other countries provides a precedent demonstrating that it may indeed happen.

Our aim in this article was to put forward an argument that any regulation on the topic of women in leadership needs to target the barriers facing women at all stages of their career and not focus solely on corporate boards of directors. We present evidence suggesting that voluntary self-regulation can encourage companies to resolve some of these issues through innovative processes and strategic target setting at all levels of the organisation. By asking companies to publically measure gender diversity and disclose progress against their self-set targets, the ASX Corporate Governance Principles may promote a process of cultural change more readily than quota systems. Admittedly, it is too early to show sustained and significant change within Australian corporations. Over time we may find that progress slows or is seen only in sectors that can more readily see competitive advantage in improved diversity. Nevertheless, early indications are that the Australian approach has been successful in achieving a significant degree of change in policy, attitudes and practices. This is evidenced not only by a significant increase in female board members since 2010, but also in the development of mentoring and networking programmes, professional training schemes and changes to recruitment processes and leave policies, all designed to counter the subtle discrimination that remains in business culture today and thereby improve equal opportunity.

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