

## MEDIA RELEASE

### **BOARD DIRECTORS NEED BETTER REMUNERATION, NEW BLOOD AND MORE DIVERSITY, A NEW STUDY BY HATTONNEALE REVEALS**

Sydney, 16 November 2009: - Australian board directors need to be better remunerated as a result of greater pressure on boards, new blood is required and boards could benefit from greater diversity a new study has revealed.

The inaugural Survey of Australian Boards, conducted by business executive and search consultancy Hattonneale, delved into the current thinking of serving board members to determine best practice and to identify the key issues and challenges boards face today.

The study has unearthed some poignant findings about board dynamics, in particular the growing gender divide and lack of diversity, the somewhat 'old fashioned' selection process and declining remuneration despite pressure for directors to make a greater contribution.

In-depth interviews were conducted among board directors representing more than 80 boards across a diverse range of industries including the top 100 ASX listed companies, and the banking and finance, professional services and not-for-profit sectors.

One of the key issues highlighted by respondents was the pressure on board directors to devote more time to board commitments, especially in the economic downturn, and the increasing scrutiny on corporate governance.

However, these increased demands were in stark contrast to the pressure from shareholders to reduce executive remuneration and director fees.

One respondent commented: "Shareholders should be careful what they wish for, as board directors may soon find themselves faced with a difficult choice and it will be increasingly difficult to attract top quality directors who are prepared to devote the time and take the risk for diminishing rewards."

Hattonneale Director Jane Neale said: "One of the key issues facing directors is the pressure to get more involved in strategy and operational issues and to leverage their experience of working in tougher economic times. As a result, many directors are already questioning whether the increased risk and declining benefits outweigh the desire to be involved.

"Some respondents believed that turning board duties into a full-time role with a full remuneration review to attract the highest calibre candidates would be one way to overcome these challenges."

Another issue highlighted by respondents was board recruitment and diversity and the difficulty of getting 'new blood' on to boards.

“Many directors still use their own networks for board selection in a process that is shadowed by a formal ‘search process’ to ensure good governance,” Hattonneale Director Anne Hatton said.

“This is largely because culture fit and chemistry among board members is seen as critically important to ensure good dynamics. So while the ‘mates club’ is no longer the publicly preferred method of recruitment, its origins are still alive and at the heart of many board recruitment processes.

“The danger is that the current pressure on boards is driving conservative behaviour among existing directors and is having an adverse effect on the appetite for boards to bring new blood and diversity to the table.”

The gender imbalance on boards was highlighted by one respondent who said: “If women don’t bring something exceptional to the board they will get eaten alive by the CEO.”

The study also found that essential skills for board members were seen as: finance, experience in running a business, marketing, HR, legal and capital markets.

In particular, the partnership between the chairman and CEO was critical to the success of the board and the company.

“The chair must hold a mirror up to the CEO – mentor the CEO - but not run the business,” one respondent said.

The survey revealed several other key issues facing boards including:

- Boards must focus on ‘performance not conformance’
- Boards need to demonstrate independence of thought underpinned by a strong understanding of the business
- Boards must find members who genuinely want to do the job – and not just be there for prestige of the position

The Hattonneale study also made key recommendations including:

1. There is an urgent need for a review of the balance between the risks and benefits to board directors so that Australian companies attract the best talent possible
2. Boards need robust renewal processes to ensure the best balance of experience and fresh thinking
3. Serving on boards is becoming much less about prestige and ego and much more about the ability and willingness to make a genuine contribution.

Participants in the study were both male and female and 25 per cent of respondents were female which is higher than the ratio of women currently on boards.

## **ENDS**

### **About Hattonneale**

Hattonneale is a bespoke business and executive search consultancy that bridges the gap between traditional executive recruitment and business consulting. It connects its network of executive talent with business needs. Hattonneale has an extensive network of senior executives who have experience in managing businesses through times of change. The company offers its clients a competitive advantage by providing executive talent on flexible terms – a growing need in the current economic climate. Hattonneale’s services include business consulting, interim executives, board and advisory placement, executive search and coaching and mentoring. See [www.hattonneale.com.au](http://www.hattonneale.com.au)