

# Board Monitor Australia and New Zealand 2020

Our annual look at board seats filled at ASX 200 and NZX 10 companies shows continued progress on gender diversity in 2019, as well as less focus on prior board experience or digital experience and more focus on financial risk and compliance experience.



## About Board Monitor

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in countries around the world. Produced by our CEO & Board Practice, these reports track and analyze trends in non-executive director appointment to the boards of Australia, Belgium, Brazil, Canada, France, Germany, Hong Kong, Ireland, the Netherlands, New Zealand, Portugal, Singapore, Spain, the United Kingdom, and the United States.

Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

**Thanks to the following Heidrick & Struggles colleagues for their contributions to this report:**

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# Welcome to Board Monitor Australia and New Zealand 2020

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## Meeting growing expectations of boards

Boards in Australia, New Zealand, and around the world were facing a range of competing expectations for the new members they would add in 2019.

Modern boards are expected to possess significant expertise in areas as specialized and diverse as digital transformation, corporate reputation management, and sustainability, to name just a few, and also include diversity in terms of gender, racial and ethnic background, age, and national origin, among other characteristics. This is all to improve decision making by combining board members with specific expertise with the benefits of diverse teams, which are widely seen to make better decisions.

Most boards in the 15 countries we study<sup>1</sup> made some progress in adding new members with diverse backgrounds and skills. Patricia McKenzie, the chair of both Essential Energy and Healthdirect Australia, explained that boards need to “take into consideration social norms that are changing in society and making sure [they] reflect them.” In Australia and New Zealand, for example, 47% of seats were filled by women for the second year

in a row. James Fazzino, the chair of both Manufacturing Australia and Osteon Medical as well as a board member at Rabobank Australia, explained, “In Australia, our focus on diversity is still pretty much around gender.” But there is a sense that that focus needs to broaden: in New Zealand, Julia Hoare, deputy chair of both a2 Milk and Watercare Services as well as a member of the boards at the Port of Tauranga, Auckland International Airport, and Meridian Energy, noted that “the social piece around the New Zealand Maori and Polynesian workforce is increasingly important for New Zealand boards.” Indeed, given the recent increased focus on racial injustice and social inequality around the world, many leaders are reconsidering and accelerating their diversity and inclusion efforts, including on boards.

Many boards around the world also continued to add a number of more traditional directors. This includes people with prior board experience, though that

share fell notably on Australia’s and New Zealand’s boards in 2019, to 69%, from 80% in 2018. This year’s share, though, is comparable to that in the United States, at 72%, and the United Kingdom, at 69%. Though such directors don’t as often add diversity in other areas, their experience has been particularly valued by nominating committees when companies face significant enterprise risk. On that front, boards at companies in Australia and New Zealand seemed particularly focused on financial risk and compliance experience in 2019, filling 24% of all seats with people with those backgrounds, up from 9% in 2018 and notably higher than the share in the United States, at 12%, and notably lower than the share in the United Kingdom, at 39%. Warwick Bray, a director at Spark, a New Zealand telecom company, explained that “boards need to have a stronger hold on risk and compliance than they have in the past as a result of the Royal Commission and associated failings.”

<sup>1</sup> Australia, Belgium, Brazil, Canada, France, Germany, Hong Kong, Ireland, Netherlands, New Zealand, Portugal, Singapore, Spain, United Kingdom, and United States are included in our studies of boards.

## Among the characteristics of new directors we have been tracking, we note a few trends among new directors globally, which are somewhat at odds with each other.

### Some progress on diversity...

- Women continue to make significant gains among newly added directors compared to previous years in most countries.
- Progress on racial or ethnic, nationality, and age diversity has been disappointing, with little progress to report anywhere in the world.
- The range of functional experience on boards has increased, with a corresponding decrease in CEO experience. Digital expertise, now essentially a given on boards, trended highest. With sustainability and cybersecurity rising as central concerns for companies, boards also focused on adding experience in these areas.

### ...and a continuing preference for traditional experience

- First-time directors are still not as common as experienced ones, despite boards' stated focus on adding new perspectives.
- Financial expertise and experience in financial services sectors remained highly sought-after backgrounds.
- Though the proportion of directors with CEO experience has continued to decline annually, it remains the most common type of prior expertise, followed by CFO experience.

As companies reshape themselves in the new environment 2020 has presented, there will be many new opportunities for those who want to be best positioned to accelerate performance. McKenzie cited "increased knowledge of your consumers in a mass customer market" and fluency in "the technological changes, both in data as well as in areas such as energy" as skills increasing in importance for directors. Hoare added, "At a2, where the sales are international, we are trying to reflect our customers and make sure we have people on the board who understand their perspectives."

Simply ensuring a board has an appropriate mix of perspectives is just the start. To be highly effective, a board must be clear on its purpose: what it stands for as an entity and whom it represents in a global society. Fazzino noted: "We spend a lot more time now talking about purpose—[though] even if we build purpose into the scorecard, our focus is still more on the financial." Boards must also align on how they will serve as an underpinning for a purpose-driven, socially responsible organization

that delivers value to a wide range of stakeholders. And boards must have a culture and processes that ensure their directors can work well together. Indeed, Bray explained that "there are two aspects to creating a successful purpose: having the purpose and then how you bring it to life."

In 2020, with the added pressure from economic and societal volatility, fractured or dysfunctional boards present more risk than ever before. The solution is inclusion, broadly defined. As Hoare said of one of her boards: "The chairman is fostering more collaboration." Many boards think of inclusion particularly in relation to their significant efforts to add diversity, but, as they seek to oversee recovery from a deep economic and social crisis, boards will benefit most from ensuring that every member is able to contribute fully, regardless of the board's traditional norms or habits, varying personalities, inherent biases, or for any other reason.<sup>2</sup>

In the following pages, you'll find the data and our observations on the 2019 class of directors for companies on the ASX 200 and NZX 10 and some expectations for 2020.

<sup>2</sup> For more on Heidrick & Struggles' thinking on board dynamics, see Alice Breeden, David Hui, and Anne Lim O'Brien, *Future-Proofing Your Board*, Heidrick & Struggles, May 29, 2020, [heidrick.com](https://heidrick.com).

## Snapshot of 2019 findings

### Overview

New director seats filled



147

Average age



58

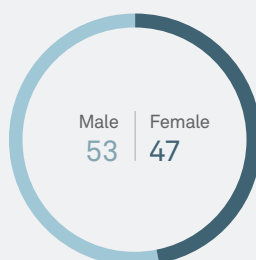
International experience



59%

### Diversity

Gender (%)



Active/retired executives (%)



# In 2019, boards in Australia and New Zealand filled 147 seats at companies listed on the ASX 200 and NZX 10

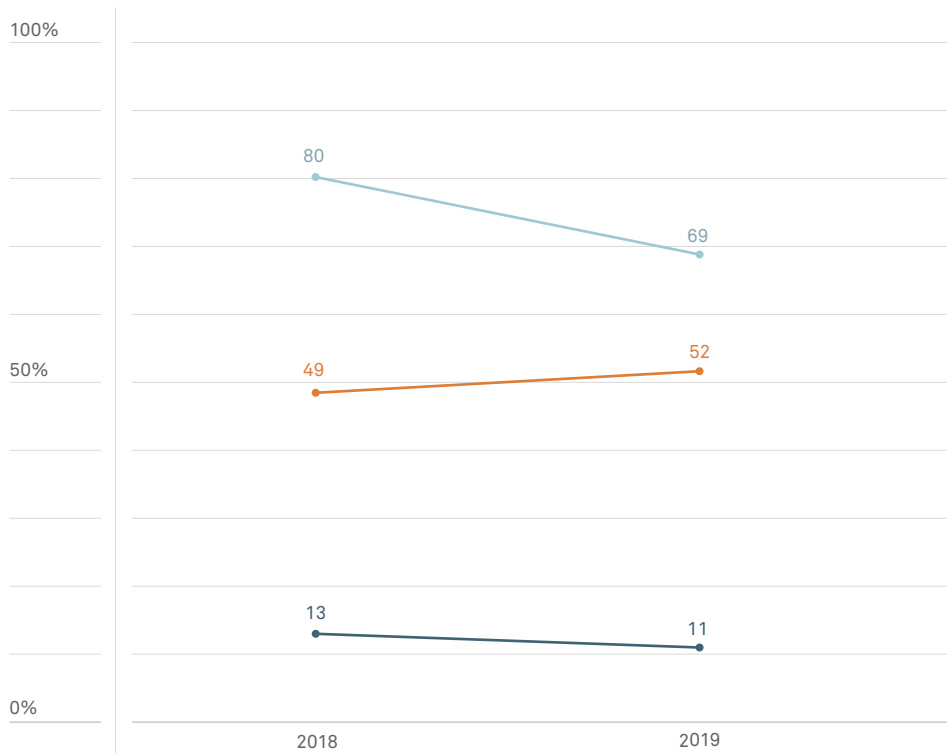


Among the 147 seats filled, 140 were at boards of ASX 200 companies and 7 at NZX 10 companies.<sup>3</sup> Overall, companies focused less on previous board experience, and slightly more on previous experience as a CEO, than they did in 2018. The 52% of seats filled on Australia's and New Zealand's boards by people who have been CEOs is comparable to the 50% in the United States, and far higher than the 31% in the United Kingdom. Australia and New Zealand saw a notable drop in the share of seats filled by people with international experience in 2019, to 59%, from 77% in 2018.

Overall, companies focused less on previous board experience, and slightly more on previous experience as a CEO, than they did in 2018.

## Prior board experience, CEO experience, and CFO experience: 2018 vs. 2019 (%)

■ Board ■ CEO ■ CFO



<sup>3</sup> Because of the low number of new seats filled in New Zealand, we do not analyze them separately.



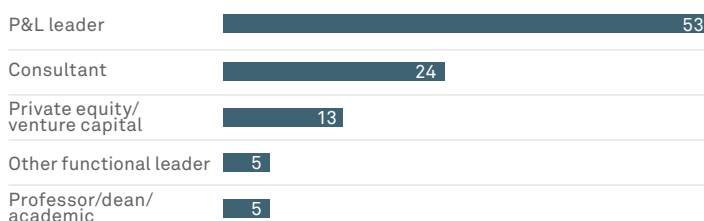
Looking beyond the CEO and CFO roles, 3% of seats on Australia's and New Zealand's boards were filled by people with some other form of C-suite experience. Among the 37% of seats filled by people with no C-suite experience, more than half went to people with some other form of P&L experience.

## Executive experience of new directors (%)

### C-suite functional role experience

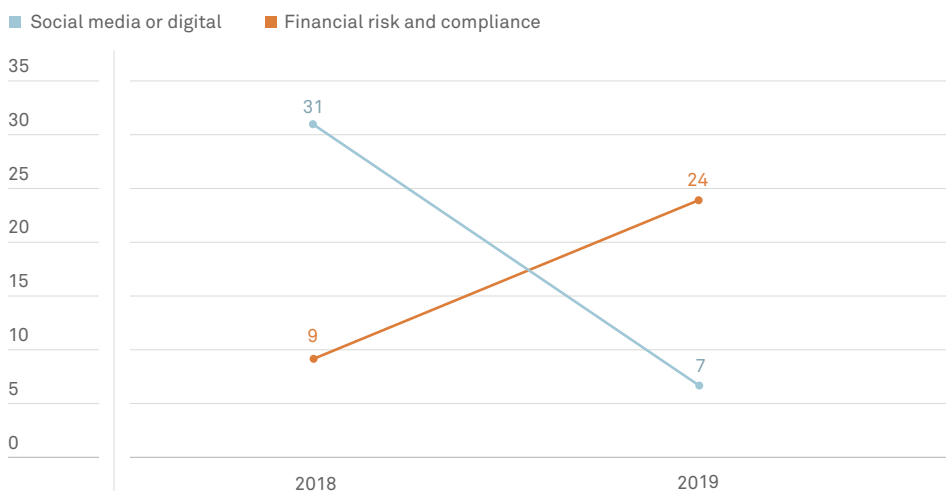


### Backgrounds of new directors without C-suite experience



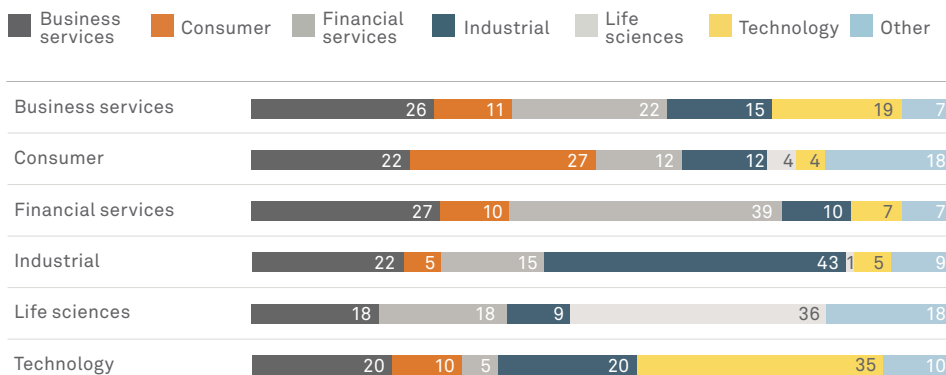
In terms of other kinds of experience boards around the world are seeking, boards in Australia and New Zealand far less often filled seats in 2019 with people with digital or social media experience than in 2018, perhaps because of the large increase in share of seats going to people with financial risk and compliance experience. The share of seats filled by people with sustainability experience in 2019, at 5%, is slightly lower than in the United States, at 10%, or the United Kingdom, at 9%; Fazzino noted that environmental, social, and corporate governance “will probably grow in importance over the next three to five years.”

## Social media or digital experience and financial risk and compliance experience (%)



Across industries, Australia's and New Zealand's boards filled seats with people from a range of other industries in addition to their own, underlining that many nominating committees agree with Warwick Bray's assessment that “on each board, there needs to be a balance of industry experience.”

## Distribution of previous industry experience, by industry (%)



Note: Numbers may not sum to 100%, because of rounding.

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# Acknowledgments

Heidrick & Struggles wishes to thank the executives who shared their insights. Their views are personal and do not necessarily represent the views of the companies they are affiliated with.

**Warwick Bray**  
Board Member, Spark

**James Fazzino**  
Chair, Manufacturing Australia  
and Osteon Medical; Board  
Member, Rabobank Australia

**Julia Hoare**  
Deputy Chair, a2 Milk and  
Watercare Services; Board  
Member, Port of Tauranga,  
Auckland International Airport,  
and Meridian Energy

**Patricia McKenzie**  
Chair, Essential Energy and  
Healthdirect Australia

**Mark Williamson**  
Chair, Spectris plc

# CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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