

2016 Board of Directors Survey

Australia Summary

To get a sense of the mood within boardrooms across the globe, we recently conducted an in-depth survey of directors worldwide. In light of Australia's election in early July, we went back to reexamine Australian directors' responses to see what they were thinking in the months leading up to the vote.

Released in April, the 2016 Global Board of Directors Survey was produced by Spencer Stuart, the WomenCorporateDirectors (WCD) Foundation, Professor Boris Groysberg and doctoral candidate Yo-Jud Cheng of Harvard Business School, and researcher Deborah Bell. The survey collected responses from more than 4,000 male and female directors from 60 countries, within many of the world's top public and large, privately held companies.

The study explores how boards think and operate, and captures the governance practices, strategic priorities and views on board effectiveness of corporate directors around the world. The growing demands on corporate boards are transforming boardrooms globally, with directors taking on more strategic, dynamic and responsive roles to help steer their companies through a hypercompetitive and volatile business environment. Economic and political uncertainties make long-term planning more difficult, and the proliferation of cyber-attacks — and their consequences for business in financial losses and reputational damage — increases the scope of risk oversight.

With regards to Australia, our results found some compelling differences between directors there and their counterparts across the world. Some highlights include: Australian directors are more likely than directors elsewhere to be concerned about the economy and political instability, and they view customer influence as a much larger factor than their global counterparts.



FEELING GLOBAL CONCERNS

When it comes to pressing international concerns, Australian directors feel the global political environment and the economy are the most important issues. Seventy-four percent of Australian directors cite the economy as a key political issue, compared with 65 percent of directors globally. Meanwhile, 27 percent of Australian directors rank political instability as a leading issue, versus 18 percent of directors globally.

	Australia	Other countries
The economy is the most relevant political global issue	74%	65%
Political instability is the most important global issue	27%	18%

BULLISH ON DEVELOPING COUNTRIES

Despite Australian directors' concerns about the global political/economic situation, they are more optimistic about growth prospects in emerging economies. Nearly one-quarter of Australian directors (24 percent versus 15 percent of all directors) expect slow growth in most developed countries, but faster growth in emerging economies. Similarly, Australian directors are much less bullish about rapid growth in developed economies — only 2 percent of Australian directors foresee fast growth in developed countries and slower growth in emerging economies, compared with 8 percent of global directors. Overall, Australian directors are not especially optimistic about the world's economy — 19 percent predicted an economic slowdown on a global scale, compared with 16 percent of other directors.

Looking forward three years, directors believe there will be:

	Australia	Other countries
Slow growth in most developed countries, faster growth in emerging economies	24%	15%
Fast growth in most developed countries, slower growth in emerging economies	2%	8%
A slowdown of the global economy	19%	16%

FACING MORE LOCAL ISSUES

In addition to global concerns, Australian directors also see significant challenges arising within their borders. Forty-six percent say the regulatory environment is one of the top challenges to achieving strategic objectives, compared with 39 percent of global directors. They also see domestic competitive threats as a bigger issue than their global peers, 35 percent compared to 29 percent.

“Political and economic uncertainty is being felt in the nation’s boardroom,” Kevin Jurd, who leads Spencer Stuart’s Board Practice for Australasia. “At the same time, board directors also tell us they feel the regulators are getting tougher and more rigorous, which is driving up the time boards must spend on compliance versus strategic discussions at this important time.”

	Australia	Other countries
Attracting and retaining talent is a serious challenge	33%	41%

PUTTING THE CUSTOMER FIRST

Australian directors express higher concerns about consumer demand, citing customers as stakeholders in their companies (70 percent) much more frequently than directors in other countries (52 percent). Australian directors rate the level of influence that customers exert over their companies as being second only to investors/shareholders. Similarly, Australian boards are much more likely to cite the community (63 percent in Australia vs. 37 percent worldwide), government (54 percent vs. 31 percent) and workers' unions (26 percent vs. 15 percent) as stakeholders in the company as compared to other boards worldwide.

PROMOTING BOARD TURNOVER

In order to encourage renewal on the board level, directors in Australia lean toward term limits over mandatory retirement: Nearly half of Australian directors report that their boards have a term limit (49 percent versus 36 percent of directors globally), while 63 percent support term limits (compared to 60 percent globally). This difference between the actual practice of term limits and the support for them could indicate that Australian boards will take on this issue down the road.

Another finding indicates only 8 percent of Australian directors said their board has a mandatory retirement age, compared with 26 percent globally. Only 19 percent of Australian directors said boards should have a mandatory retirement age versus 45 percent of directors globally. Australian directors also feel more strongly than directors globally that board members lose their independence after a certain number of years, 56 percent versus 43 percent.

	Australia	Other countries
Directors reporting their boards have a term limit	49%	36%
Directors reporting their boards have a mandatory retirement age	8%	26%

Along those lines, Australian directors are more independent than their global counterparts (74 percent versus 67 percent) and have a higher renewal rate (16 percent of Australian directors were appointed in the past 12 months, compared with 13 percent).

Ninety percent of Australian directors reported their board conducts a performance evaluation of individual directors, and among those boards, 51 percent use a third-party to facilitate board assessments. Forty-six percent have served on a board where the evaluation has been used to move a director off the board. Australian boards also have a greater representation of women than the global average; 23 percent of Australian directors are women, as opposed to 18 percent worldwide.

As a result of their system, Australian boards keep more experienced directors and maintain strong institutional knowledge, while also ensuring boards cycle in new members for fresh perspectives. “When implementing term limits, Australian directors emphasize the importance of staggering appointments so that there is a progressive and predictable cycle of renewal,” notes Cheng.

Other noteworthy findings from the study include:

	Australia	Global
Percentage of female directors	23%	18%
Directors employed part time	38%	19%
Board conducts performance evaluations of directors	90%	68%
Director evaluation is conducted by a third party	51%	33%
Served on a board where the board used evaluations to move a director off a board	46%	36%
Average hours dedicated to board service, annually	218	158

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