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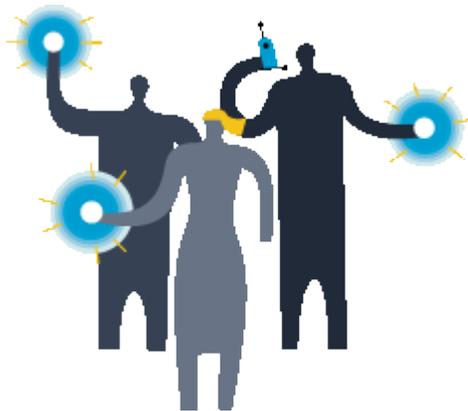
INFORMATION TECHNOLOGY
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Gender Diversity of Boards of Directors of Canadian ICT Companies

Where we are – Why it matters – Overcoming the challenges



A report by Karen Wensley
for the Information Technology
Association of Canada

July 2013

The Information Technology Association of Canada (ITAC) is the voice of the Canadian information and communications technologies (ICT) industry. ITAC represents a diverse ICT community spanning telecommunications and internet services, ICT consulting services, hardware, microelectronics, software and electronic content. ITAC's community of companies accounts for more than 70 per cent of the 572,700 jobs, \$155.3-billion in revenue, \$6.2-billion in R&D investment, \$30.4-billion in exports and \$11-billion in capital expenditures that the ICT industry contributes annually to the Canadian economy. The ICT sector currently represents 4.9 per cent of Canada's gross domestic product (GDP) and accounted for 9.4 per cent of all real GDP growth since 2002. ITAC is a prominent advocate for the expansion of Canada's innovative capacity and for stronger productivity across all sectors through the strategic use of technology.

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INTRODUCTION

As a knowledge-based sector, the information and communications technology industry in Canada is limited in its aspirations, capacity for innovation and growth potential only by the availability of smart men and women to build our industry. Access to a ready supply of smart women and men is absolutely critical to our success.

At the same time as we understand this fundamental reality of our business, the leadership of the ICT industry is equally aware that we need to do a better job of attracting and retaining women in our talent pool. Currently the engagement of women in our industry hovers at around 25% and has been at this level for a least a decade. Clearly if we do a better job of offering interesting, meaningful employment to more women, we can build a richer and more robust talent pool.

In 2011 ITAC, the Information Technology Association of Canada, made improving its performance in attracting and retaining women into our industry a key priority. ITAC's Diversity Advisory Group, a large working group of members and stakeholders, is committed to changing the gender ratio in our industry. It has devoted a huge amount of energy to addressing women's engagement in our industry in all dimensions of ICT operations, from entry-level employment, through management and into senior leadership.

A key focus of the work of ITAC's Diversity Advisory Group over the past 12 months has been to explore the role women play in the senior governance of Canadian ICT firms as directors. We share the belief that diverse boards of directors produce better run and more successful companies. So it is important to us to understand the extent to which women currently contribute to Canadian ICT boards of directors and to understand the obstacles and opportunities that impact fuller engagement.

Apart from being a clear indication to investors that a company with a strong cadre of women directors signals an effective enterprise, women directors reflect positively on ICT companies in other ways. Boards of directors represent the senior level of governance of public companies, the place where major decisions about the ambitions and the health of the company are made. Companies that strategically include women on their board send a strong message about the power of inclusion to the full workforce.

In 2008 ITAC itself took to send this message. Our association's board composition was significantly under-represented by women. We knew that one or two new female directors would not be enough to substantially improve the caliber of our board and to constitute a sustainable commitment to diversity. We needed a critical mass of women and set out to achieve a target of 30% women by 2011. Today our board ratio is 32% female and 68% male. We have, in the process of achieving our goal, demonstrated two things. First that a diverse board really does produce better outcomes and second that achieving diversity is fundamentally a matter of will.

Our experience has taught us so much about the positive impact of inclusion that we view it as our responsibility to share their understanding within our association and with the wider ICT industry. We believe that a key first step in doing this is to understand the current situation in our industry.

Karen Wensley, a former Partner at Ernst and Young and a director of ITAC, has been a mentor throughout her career and an energetic champion of corporate diversity. Currently an educator and author, she took on the task of producing this report for us with enthusiasm. She has done a superb job interviewing leaders in the industry and forensically assessing the current state of Canadian boards. She has addressed her topic from the therapeutic perspective of an industry insider committed to improving the status. And what she tells us is important. She has given us an excellent perspective that includes a clear call to action which our industry will address.

Lloyd Bryant
Chair, ITAC's Diversity Group and
Vice-President and General Manager, PPS Canada
Hewlett-Packard (Canada)

Executive Summary

The gender diversity of corporate Boards of Directors has been a widely discussed issue for the past several decades. There has been progress, but it has been slow. Some governments have proposed or implemented legislation to close the gap.

This review was undertaken in order to understand better the dynamics of the gender diversity board debate in the Canadian ICT sector. The review consisted of a brief survey of the literature on the subject and interviews with over 20 stakeholders, including CEOs, board members, corporate counsel, entrepreneurs, and others with an interest in the topic.

Findings

The largest Canadian public ICT corporations in Canada are on par with the overall Canadian average, with women constituting an average percentage of 16.5% of their board members. The financial services sector has done much better than average; the resource sector much worse.

The report concludes that these large ICT companies must lead the way. Smaller ICT companies in Canada tend to be new, rapidly growing, and have significant challenges finding good candidates for their boards, whatever the gender. But the large companies have the resources and ability to find and attract well qualified women candidates. The report examines the success of Softchoice and OpenText, both of which have been leaders in diversifying their boards.

It is important that the large companies set an example, for a number of reasons. First, accumulating research shows that more diverse boards are correlated with better corporate performance. Second, the ICT sector has struggled to attract women into engineering and computer science programs, and women board members can act as role models for younger women as well as women executives in the sector.

The stakeholders interviewed all emphasized that the most important qualification of board members must be quality – the skills and knowledge they bring, and their ability to work together as a board. But all agreed that board diversity – of background, experience, gender, etc. – contributes to the value that an excellent board brings to the shareholders.

Recommendations

For CEOs and directors of large ICT companies

CEOs and directors of large ICT companies can play the largest role – most importantly by raising the priority of board gender diversity. In particular, CEOs and directors should:

- Use search firms to identify director candidates, rather than rely solely on informal networks
- Instruct search firms to include strong women candidates
- Include diversity in their board selection policies
- Engage with other CEOs and directors on the issue of gender diversity. Challenge each other to improve their board diversity and to set goals
- Consider ways to mentor and champion potential women board candidates, introduce them to opportunities, and help them to network
- Ensure that board orientation and education programs are robust in order to help new directors understand their role and contribute fully
- Champion and support women CEOs of small ICT companies – who are the directors of the future
- Challenge the diversity of non-profit boards they participate in
- Consider signing on to the Catalyst Accord

For CEOs and investors in smaller ICT companies

With all of the challenges they face, CEOs of smaller ICT companies have limited opportunities to increase the gender diversity of their boards. But they can do the following:

- Be alert for great women candidates for their boards
- Challenge their investors to provide female as well as male candidates as their nominees for the board
- Be transparent about the competencies they look for in board members so that decisions are made as objectively as possible

For industry associations

ICT industry associations can play a persuasive role, and can facilitate discussion among their members of this issue. In particular:

- ICT industry associations should ensure their own boards are gender diverse
- ICT industry associations should celebrate their members who have made strides towards great gender board diversity
- ICT industry associations should provide a forum for discussion of the issue, and a way for CEOs to call each other to account
- ICT industry associations can facilitate mentoring relationships between board members of large ICT companies and potential women board candidates
- ICT industry associations can champion women entrepreneurs, who will become part of the pool of great director candidates in the future
- ICT industry associations can continue to call attention to the benefits of board diversity and to the progress being made (or not made) in the sector

- ICT industry associations can promote regulatory policies that promote board diversity
- Industry associations should consider partnering with Catalyst in the Catalyst Accord, as discussed earlier

For governments and/or regulators

There is very little support in Canada for laws requiring a minimum percentage of women on boards of directors. However, governments or regulators could consider “comply or explain” policies, where companies that fail to meet goals or deviate from best practices must provide explanations. For example, the Australian experience with new disclosure guidelines resulted in roughly 25% of new board appointments going to women, up from 8% five years ago, according to TD Economics. Australia has also implemented mentoring programs whereby experienced directors mentor potential women candidates. While it is important that onerous regulations not be imposed on smaller companies, the Canadian government should study the approaches taken around the world and implement the most effective.

For women aspiring to join boards

Women who want to join boards of ICT companies need to do their part to become visible and board-ready. Recommendations include:

- Joining non-profit boards to get experience
- Volunteering to help early stage companies (including serving on their advisory boards)
- Starting the process of serving on boards of smaller companies or organizations earlier in their careers
- Making known to their contacts their desire to serve on boards of directors
- Ensuring that their resumes are in the hands of search firms – including knowing which firms specialise in finding women candidates
- Speaking to existing board members to understand the process of becoming a candidate

Gender Diversity of Boards of Directors of Canadian ICT Companies

The gender diversity of corporate boards of directors is a hot topic these days. There are many studies demonstrating the value of having more women on boards. There are new policy statements – from corporations proclaiming that board diversity is one of their governance goals, to institutes of corporate directors declaring their support for board diversity, to universities studying the problem. Some governments have put laws in place to encourage gender diversity.

Overall, progress has been slow. According to TD Economics, women make up about 11% of the Boards of Canadian public companies that are included in the S&P/TSX composite index. Catalyst Canada reports no progress since 2009. The Globe and Mail calls the pace of change “glacial.”

Given all that has been written about this topic, why produce yet another paper, focussed on the ICT sector in Canada? There are several reasons:

- The ICT sector has typically trailed behind other sectors, such as financial services, in terms of board gender diversity in Canada. A review of the status of and issues related to board diversity of ICT companies in Canada may help to call attention to this issue, and encourage change.
- The ICT sector has struggled to attract young women. Unlike business, law and medicine, which have achieved equity in their student intake, engineering and computer science have remained largely male fields of study at universities in Canada. And many young women in high school believe ICT companies would not be places at which they would want to work. Women board members can be role models who can help change this picture.
- ICT companies tend to be smaller and newer entities, which presents particular challenges to the make-up of their boards of directors, as will be discussed later in this paper.
- Boards of directors can play an important role in ensuring that corporations champion the emergence of talented women in their leadership ranks. Gender-diversified boards may be more inclined to play this role.

For all of these reasons, this review was undertaken in order to understand better the dynamics of the gender diversity board debate in the Canadian ICT sector. The review consisted of a brief survey of the literature on the subject and interviews with over 20 stakeholders, including CEOs, board members, corporate counsel, entrepreneurs, and others with an interest in the topic. The results, as presented below, do not constitute a statistically significant study of the views of the whole industry. Rather, they are intended to bring out the themes raised by the literature and the stakeholders, and to point to solutions that the sector leaders in Canada may wish to consider.

The Current Picture

In Canada, the largest companies in the ICT sector are comparable to large public companies as a whole in terms of the percentage of women on their boards of directors. According to Spencer Stuart's 2012 Board Index, the percentage of women on the boards of the larger companies in their CSSBI 100 index is about 17%. As shown in Appendix A, the 10 largest Canadian ICT companies have 16.5% women on their boards – very close to the overall Canadian average. By one measure, ICT is doing better - according to Catalyst, 46% of public companies in the Canadian FP500 have no women directors. All of the ICT companies in Appendix A have at least one.

But it is important not to be complaisant about these results. The 5 largest banks in Canada have boards made up of 29.7% women. For all the reasons discussed above, the ICT sector should aspire to be a leader in the gender equity of its boards. It is not enough to do better than the resource sector.

Further, Canada is falling behind other countries. According to a March 8, 2013 special report from TD Economics, Canada has slipped to 9th place among industrialized economies in terms of the percentage of women on board of directors. Other countries are making more progress than Canada.

The ICT sector has some unique challenges. Many of the public companies in the sector are new and/or small. For all sectors, the numbers of women on boards decline significantly for smaller public companies. TD Economics reports the representation of women on medium sized public boards to be around 10%, and on small public companies to be around 7%. The reasons for this in the ICT sector will be discussed later in the paper. But it is a challenge – and it means that the largest ICT companies must lead the way.

What does the research tell us?

The academic literature is clear – more diverse groups make better decisions. A full review of the literature is beyond the scope of this paper, but here are some highlights:

- Profs. Scott Page and Lu Hong have demonstrated that groups with greater diversity tend to perform better than homogeneous ones, even if the members of the homogeneous group are more capable.¹
- According to a Catalyst study, the presence of women role models on Boards of Directors is correlated with the percentage of women executives in the company in the future.² Thus board diversity can lead the way to greater leadership progress for women in general.

¹ Proceedings of the National Academy of Sciences of the USA, November 16, 2004.

² Lois Joy, "Advancing Women Leaders: The Connection Between Women Board Directors and Women Corporate Officers"

- Catalyst studies have repeatedly found that, on average, companies with the highest representation of women on their boards financially outperform those with the lowest. The correlation is strongest when comparing boards with 3 women to boards with none.
- Profs. Chris Bart and Gregory McQueen studied board directors and concluded that male directors prefer to make decisions using rules, regulations and traditional ways of doing business or getting along. Women directors are inclined to use cooperation, collaboration and consensus building more often and more effectively, and to be more inquisitive. According to Prof. Bart, “our findings show that having women on the board is no longer just the right thing but also the smart thing to do. Companies with few female directors may actually be shortchanging their investors.”³

The corporate sector has begun to buy into the theory. The Canadian Institute of Corporate Directors in their 2011 report “Diversity in the Boardroom” surveyed corporate directors in Canada. 90% agree that board diversity is a governance issue of importance and nearly 80% believe that board diversity contributes to better decision making. But the consensus is not showing up in governance policies. According to a 2012 survey by the Toronto-based Canadian Board Diversity Council, only 22% of the companies surveyed had a written board diversity policy. 59% did not, and 19% of the respondents didn’t know. The TD Economics Report cited earlier concludes “It’s plain to see that there isn’t a lack of initiative and ideas within Canada. What is lacking is a common governance protocol on gender diversity among public companies.”

Internationally, a number of countries have imposed quotas, generally setting a minimum of 40% for the percentage of women directors of government-owned companies and, in some cases, publicly listed companies. Other jurisdictions have required disclosure of measurable objectives and progress in meeting them. The corporate sector worldwide is also starting to champion the issues. The Global Network of Director Institutes published a policy paper on Board Diversity in January 2013. It underlines that board appointments should always be made on merit, but goes on to say:

“Board diversity helps to ensure that boards are composed of directors who have a variety of complementary attributes (in addition to important common attributes) and offer a range of perspectives, insights, and views in relation to issues affecting the organization; that is, they provide diversity of thought....The meaning of board diversity varies around the world. While some countries and organizations have traditionally focused on gender diversity, diversity encompasses ethnicity/race, nationality, religious beliefs, cultural or socio-economic background, and age.”

(Catalyst, 2008).

³ Bart and McQueen, “Why Women Make Better Directors”, *International Journal of Business Governance and Ethics*, vol 8. No. 1.

What did we learn from ICT Stakeholders?

In order to understand the issues on board gender diversity in the ICT, we spoke to over 20 stakeholders in the ICT sector – board members, CEOs, corporate counsel, financiers, and people active in industry organizations. We wanted to know:

- What competencies the company looks for in their board members,
- How they go about sourcing and selecting new board members,
- Whether diversity, and specifically gender diversity, is a factor in selecting board members, and
- What experiences they have had working with boards that are more or less diverse, from a gender perspective.

To make sense of the broad range of perspectives we heard, it is useful to group the responses by the size of the company. Board governance issues are vastly different for early stage companies as compared to large, mature public companies.

Early stage companies

Most early stage companies do not yet have a formal board of directors. Generally, they have a loose group of mentors, who may be formally described as an Advisory Board. Unless the founder(s) have had previous experience starting and growing companies, they urgently need advice on how to focus their product or service on customer needs, how to finance their growth, how to deal with legal issues, and so forth. They want their advisory board to give advice, and to connect them to the people they need to know. As Doug Cooper, retired Country Manager of Intel Canada and now Managing Director of the Kitchener/Waterloo Communitech HYPERDRIVE program said, what early stage companies need from a director is their “domain expertise and their rolodex”.

With thousands of new ICT companies being formed every year, and the high failure rate of those companies, it isn't easy to find people to fulfill those mentoring roles. Start-up entrepreneurs try to inspire potential advisory board members with their creativity and passion, and the potential to fill a market niche. They may look to organizations like Communitech, MaRS, and other groups focused on helping entrepreneurs. Universities often have programs to encourage start-ups. If they can find one or more angel investors, those investors are generally part of the advisory or formal board of directors.

Early stage entrepreneurs with business experience know that there is more to selecting their advisory boards than just their expertise. As Alexandra Brown, Founder and President of Aprilage, explained, “I need advisory board members who can see the big picture, have lots of experience but can bring perspective, are very strategic and thoughtful, and are non-judgmental and without a big ego.” Not surprisingly, people who are talented advisors to early stage companies are in great demand. Deborah Rosati, who serves on several boards, notes that

she has many more requests to join boards of early stage companies than she can possibly handle.

Given the high demand and short supply, it is not surprising that gender diversity is not on the radar when start-up entrepreneurs look for board or advisory board members. The boards are small, and finding new members requires using existing connections and leveraging the relationships of current board members. Screening candidates based on their gender would be unrealistic. Diversity goals for those early stage boards involve diversity of experience – customer knowledge, technology expertise, financing connections, etc.

Mid-market growth companies

Once early stage companies have significant revenue streams, are expanding into markets outside of Canada, and have rounds of private or public financing behind them, the dynamics of choosing boards of directors change. The boards are now formal legal entities, with responsibilities to shareholders. If the founder is still the CEO, he or she is learning to manage a company in which important decisions must be delegated, and it is no longer possible to know all of one's employees.

Yet companies at this stage still cannot afford/find a leadership team that has all of the experience and expertise the company needs to grow. New technologies, new global markets, new kinds of customer relationships, and managing the process of becoming or being a public company are all critical needs and CEOs often look to members of their boards of directors to add skills or contacts that the executive team lacks.

The right directors can also add credibility for analysts following the company. A high profile current or former CEO who agrees to sign on as a director signals to the market that he or she believes in the company's future. An experienced audit committee chair helps assure the market that financial reporting is taken seriously and risks are being managed.

Equally important in the selection of directors is making sure the board is working together effectively. As Karna Gupta, President of ITAC and former CEO of Certicom, said, a board member with the right qualifications on paper "is not always a fit." This is a time when some early directors must be tactfully asked to step aside, as they no longer have the skills to contribute to the growing company. New board members must be carefully chosen to ensure they not only have the competencies required, but that they can work with the rest of the board and with the CEO. As Fred Boulanger, CEO of Macadamian Technologies, noted, good candidates have to be "constructive, not distracting." Many of the CEOs we spoke to had experience of board members (usually former entrepreneurs) who failed to understand that the role of a board member is NOT to run the company. Or they encountered board members who expected a start-up company to have the infrastructure of a Bell Canada. A board of directors has an important governance role to protect the shareholders, manage risk and set strategy, and this can result in conflict with the CEO.

Because of all of these factors, sourcing candidates for the board and choosing the right candidates, as Sally Daub CEO of VIXS noted, takes a lot of time. Jason Tham, CEO of Nulogy, recently recruited Art Mesher, CEO of Descartes Systems, to his board. He approached Mesher via one of his investors, looking for advice on how to grow the company and capture the market, and was able to turn that relationship into an agreement to join the board.

Nulogy's experience in recruiting a high profile board member is typical of the way in which companies at this stage find potential board members. They do not typically use search firms, but rely on existing relationships they and their board members and investors already have.

The challenge is enormous:

- Many high profile individuals are not interested in joining a board of this size of company, which has greater risk, and is more demanding, than being on the board of a large public company.
- CEOs are often looking for a board member with very specific expertise, such as breaking into European markets, or taking a company through an Initial Public Offering.
- Because the boards tend to be smaller than those of large public companies, a single disruptive board member can cause significant problems. As a result, CEOs believe it is vital that they, or people they trust, have had experience with how a potential board member has worked on other boards of directors.
- Founder/CEOs may not have had experience sharing decision making authority with others, and so it is important that their board members can exercise their governance responsibilities while still having a good relationship with the CEO.

Where does gender diversity fit into this picture? Most of the stakeholders we spoke to told us that, all things being equal, a more diverse board is a good thing. But at this stage of a company's history, finding women board members can be difficult. Adam Chowaniec, founder of Tundra Semiconductor and director of several companies, noted that he had felt pressure to find women to add to his boards but that he had been unable to find any that fit the qualifications they were looking for. In his experience, search firms are ineffective for companies at this stage, mostly identifying high profile individuals rather than the specific competencies needed. So his companies relied on contacts and networking to identify possible candidates – and the best ones were men. Al Hildebrandt, CEO of QHR Technologies, agreed, telling us “Finding qualified women, for director positions, is definitely something that’s on our radar. We would certainly consider women candidates for future QHR board positions.”

It is not surprising that the combination of this informal process for sourcing board members, combined with the specific demands for skills and experience, makes it difficult to find female candidates. The ICT industry is still male-dominated, so people with the experience of running ICT companies are predominantly male. As Deborah Rosati noted, people relying on their networks to find directors are likely to recruit people similar to them. Even the female CEOs we spoke to noted that they are usually “the only woman” at the table. They have as much trouble

finding the right women candidates as do the male CEOs. Above all, companies of this size have trouble finding great candidates, regardless of gender.

Research tells us that board diversity adds value to the company. Doug Barber, corporate director and a founder of Genum, noted that men often come from a technology background, and may view business strategy through a technology lens. But customers buy solutions, not technology. Women can add “a more balanced, human perspective.” Krista La Riviere, CEO of gShift, put it bluntly– “I don’t want board members who think just like me!” But for the busy CEOs of high growth companies, diversity of skills, expertise, and experience are the top priority.

A contributing factor is that private equity or venture capital investors often appoint several of the board members for companies at this stage. And the partners and principals of those firms are overwhelmingly male, especially those focused on ICT. Their network of potential investors tends to mirror this gender imbalance.

Ilene H. Lang, the President and CEO of Catalyst, was asked about the continued scarcity of women in Silicon Valley boardrooms. She noted that Silicon Valley companies tend to be younger than companies in other sectors. “These boards tend to be smaller and clubbier.” She believes that an earlier focus on board diversity would pay off. Many of these early stage companies, “run out of gas,” they never get beyond their first product. This would be less likely to happen, she believes, if “early on, the boards and the leadership team were capable of integrating more perspectives and more points of view.”

Large public companies

Large public companies have many advantages when it comes to selecting a diverse slate of board members. They tend to have larger boards, which mean more positions to fill. They rely less on their board members to fill gaps in the expertise of company leadership, and use the board for strategy setting and good governance. Many more qualified candidates are willing to serve on these boards, due to their prestige and the opportunity to work with talented board colleagues. These companies are more likely to use large search firms to source candidates, which should increase the field of potential directors.

The stakeholders from large ICT corporations agreed that greater gender diversity is a goal they should aspire to. Barb Stymiest, chair of the board of Blackberry Inc., noted that the company has a formal skills matrix they use to ensure their board covers the attributes they need for board excellence. Gender “does come up” but so do many other considerations – especially finding people who are not only knowledgeable but can add value as a board member. In a fast changing and complex industry, an outstanding board is critical. And board dynamics are important. “People are asked to join a board because their colleagues know that they will enjoy being on the board with you and will respect you,” noted Stymiest.

Elizabeth DelBianco, Chief Legal and Administrative Officer of Celestica, emphasized that the most important consideration is always to get a very qualified person. A great candidate may bring industry expertise, international experience, financial expertise, or business transformation experience. But all things being equal, preference should be given to a diverse candidate. She noted that in the course of recruiting for new directors, they find that, “although there are typically more qualified men than women, there is still a sizable pool of women who are excellent candidates.” Reaching out to recruit more women can make it more likely that a woman added to a board is new to the director role. DelBianco noted that they would not necessarily view the fact that a woman was serving on her first board as a negative. “Being new can mean that the director takes it seriously, prepares well and asks more questions.” But other stakeholders noted that a first time board member can be disruptive, if they don’t understand the role they play as a director. As boards seek to diversify and add more people who are directors for the first time, they need to be cognisant of the good governance practice of providing excellent education for their boards.

The only US public company in our list of interviewed stakeholders is PMC, which has its operations headquarters in Canada. Alinka Flamina, VP and General Counsel, reported that they have received shareholder proposals to increase the diversity of their board. As a result, they included board diversity in their policies relating to director selection. Although they have interviewed more women candidates, they have not yet added a woman board member. Flamina emphasized the importance of director orientation, and of formal networking opportunities to ensure that new women board members have the opportunity to get to know their fellow directors and the senior leaders of the organization.

As noted earlier, the 5 big banks in Canada have on average about 30% women on their boards. They have changed the expectations, such that it would now be embarrassing for the CEO if their bank did not have at least 4 women board members. Large ICT companies in Canada have not, in general, embraced that goal. However, all of the 10 largest ICT companies have at least one woman on their board, and it would probably now be embarrassing for their CEOs not to have at least one woman. As Michelle McBane, investment director at the MaRS Investment Accelerator Fund, notes the culture needs to change. Not having women directors needs to be viewed as anti-social, like smoking in public.

Two of the CEOs interviewed have a great story to tell about the gender diversity of their boards.

The Softchoice Story

Softchoice is a Canadian public company providing technology solutions and services, with over \$1 billion in revenue. Until recently, its board of directors was all male.

This was of concern to David MacDonald, President and CEO, and to the board’s Governance Committee. No one had pushed them to diversify the board. But they wanted a board that

would breed diverse thought. MacDonald had also noticed that when his female executives presented in front of the board, they didn't get as positive a reception as did his male executives. This was sending the wrong signal to the women leaders he was developing. So MacDonald did something about it.

The Governance Committee engaged the search firm, Spenser Stuart, and asked them to bring him a slate of qualified women who could serve on the board. The candidates needed to bring expertise in one or more of the following areas: industry knowledge, Bay Street/financial expertise and/or governance skills. They knew there were some challenges because both Bay Street and the technology industries are predominantly male.

The search firm brought Softchoice 20 resumes, of which 8 were selected for interview. MacDonald noted that he was very impressed with the caliber of the candidates, and instead of adding one woman to the board, they added two. Carol Perry is an engineer by training, was a Vice President at several Bay Street financial firms, and has served on several other corporate boards. Mary Ritchie is a chartered accountant with expertise in strategic planning and corporate governance, and also has extensive board experience.

MacDonald stresses that, above all, they were seeking to add great directors to the board, regardless of gender. But he has noticed several differences in the effectiveness of the board since the two women joined. He finds that the questions asked are more thoughtful, and at a better level of detail. Old assumptions are more likely to be challenged. This is true of all of the board members, not just the women. And the reception the board gives his women executives has improved.

The greater gender diversity of the board has also served notice for the company, and provided direction for the management team on diversity. Softchoice recently added a woman to the firm's senior leadership team – SVP of People and Growth Sandy Fallon.

The OpenText Story

OpenText is a great role model for the rest of the ICT sector. It is a leader in Enterprise Information Management with over \$1 billion in revenue. Its Board is made up of 3 women and 6 men – the best ratio of any of Canada's large ICT companies, and one of the best of any public company in Canada.

CEO Mark Barrenechea describes an outstanding board of directors as having “the widest aperture of perspective to guide and advise management.” A diverse board, he believes, brings differing points of view and therefore creates that broad perspective.

Like most large companies, OpenText uses a capability-based model, seeking a set of skills in their directors to maximize shareholder value. The company uses search firms, and puts candidates identified through their own network through the search firm screening process.

Barrenechea acknowledges that it is harder to find great women candidates – the software industry is relatively young, and so has produced fewer women leaders. And so he is very prescriptive and direct with the search firms they use – they need to actively look for those women.

In addition to the greater perspective a diverse board brings, Barrenechea has noticed several other benefits. OpenText's diverse board sends a signal to the rest of the organization that theirs is an inclusive workplace, in which all talent can thrive. And he finds that when the company is trying to recruit talented candidates to work for them, the diversity of the board helps convince them that OpenText is where they want to develop their careers.

What can be done to improve gender equity on ICT boards of directors?

Virtually all of the stakeholders interviewed agreed that, all things being equal, having more women on boards of directors of ICT companies in Canada would be a good thing. They believe this because it is the right thing to do, because directors are role models for younger women in the sectors and/or because increased gender diversity would improve the effectiveness of the board of directors. But almost all of the stakeholders we interviewed put a low priority on recruiting more women to the boards they are involved with.

For early stage and growing companies, the key reason for the low priority is the sheer difficulty of recruiting great board members regardless of gender. Many board members may be selected by venture capital or private equity investors, and the size of the boards of these companies tends to be small so the number of board members recruited each year is small.

For the larger public companies, the importance of board diversity is greater, although finding a board member with the right skills and the right "fit" with the rest of the board is still paramount. The boards are on average larger, and so there are more positions to fill in any given year. The 10 largest ICT companies have on average 2 women on their boards, a considerable achievement. But there is more to do.

What are the barriers to those larger companies finding more women for their boards, as the Canadian banks and utilities have? Generally, our interviewees expressed frustration that women with the right skills and experience are hard to find. If we understand why this may be the case, or be perceived to be the case, we can propose solutions. There are several possible reasons:

1. There are indeed no women with the right characteristics.
2. The women with the right characteristics are hard to find.
3. There may be bias in how equally qualified women and men are perceived.

4. Boards pay lip service to finding more women directors, but don't really consider it a priority.

Clearly, the first reason is not true. All of the 10 largest ICT boards have found at least one woman director. There are many women CEOs, CFOs, VPs, financiers, engineers, and other experts. Many of them have public company board experience. But there is no doubt that the *proportion* of women in the pool of potential board directors is small. If candidates are sought without regard to gender, a large majority of them will be male. That necessarily means that it will take more work to find great women candidates. So the second reason is undoubtedly true.

This means that the usual methods for finding director candidates, namely using the networks of existing directors and CEOs, are not sufficient. Since existing directors and CEOs are mostly male, their networks will generally also be predominantly male. Using search firms, without specifying that the candidates brought forward must include women as well as men, will also yield largely male candidates, since they are easier to find. Therefore, boards looking to increase their gender diversity must engage search firms with the specific mandate to bring forward excellent women candidates. It may even be possible to incent the search firm by agreeing to pay a larger fee if a woman candidate is ultimately selected for the board – thus ensuring that the search firm will look long and hard for those candidates. The Softchoice and OpenText examples discussed above show that, with effort, it can be done.

Is there anything the industry can do to increase the pool of women candidates, or make them better known? A number of organizations have attempted to keep lists of eligible women candidates. As Stephanie MacKendrick, past president of Canadian Women in Communications, told us compiling and keeping such lists current is extremely labour intensive. Most organizations will admit that the lists have not made any real difference. They are rarely consulted by CEOs and search firms looking for candidates.

Catalyst has recently announced a new approach. Called the Catalyst Accord, it is a “call to action for Canadian corporations to increase the overall proportion of FP500 board seats held by women to 25% by 2017.” Companies who accept the call to action pledge to set goals to increase the percentage of women on their boards, and to provide those goals to Catalyst on a confidential basis. In exchange, they will have access to a list of “board-ready” women maintained by Catalyst. This includes women sponsored by members of the Catalyst Canada Advisory Board – a clever way to provide assurance to Board nominating committees that the candidate has the backing of someone they trust. Catalyst member CEOs can also sponsor women board candidates – which also helps women executives within their own organizations gain board experience.

That takes us to the third and fourth reasons. Is there bias? Ilene H. Lang, President and CEO of Catalyst, is skeptical about supposed lack of viable female board candidates in Silicon Valley. “There are lots of very strong women candidates.... (but) gender bias exists and it means that women have to have more experience than men do in order to get a comparable

consideration.” If such bias exists in Canada, it is even more critical that steps be taken to correct the imbalance.

Do boards and CEOs really consider gender diversity to be a priority? And if they do not, is there anything the industry can do to elevate the issue? Is there a role for government or stock exchanges?

In light of the information we gathered for this paper, we offer the following recommendations.

For CEOs and directors of large ICT companies

CEOs and directors of large ICT companies can play the largest role – most importantly by raising the priority of board gender diversity. In particular, CEOs and directors should:

- Use search firms to identify director candidates rather than rely solely on informal networks
- Instruct search firms to include strong women candidates
- Include diversity in their board selection policies
- Engage with other CEOs and directors on the issue of gender diversity. Challenge each other to improve their board diversity and to set goals
- Consider ways to mentor and champion potential women board candidates, introduce them to opportunities, and help them to network
- Ensure that board orientation and education programs are robust in order to help new directors understand their role and contribute fully
- Champion and support women CEOs of small ICT companies – who are the directors of the future
- Challenge the diversity of non-profit boards they participate in
- Consider signing on to the Catalyst Accord

For CEOs and investors in smaller ICT companies

With all of the challenges they face, CEOs of smaller ICT companies have limited opportunities to increase the gender diversity of their boards. But they can do the following:

- Be alert for great women candidates for their boards
- Challenge their investors to provide female as well as male candidates as their nominees for the board
- Be transparent about the competencies they look for in board members so that decisions are made as objectively as possible

For industry associations

ICT industry associations can play a persuasive role and can facilitate discussion among their members of this issue. In particular:

- ICT industry associations should ensure their own boards are gender diverse
- ICT industry associations should celebrate their members who have made strides towards great gender board diversity
- ICT industry associations should provide a forum for discussion of the issue and a way for CEOs to call each other to account
- ICT industry associations can facilitate mentoring relationships between board members of large ICT companies and potential women board candidates
- ICT industry associations can champion women entrepreneurs, who will become part of the pool of great director candidates in the future
- ICT industry associations can continue to call attention to the benefits of board diversity and to the progress being made (or not made) in the sector
- ICT industry associations can promote regulatory policies that promote board diversity (see below)
- Industry associations should consider partnering with Catalyst in the Catalyst Accord, as discussed earlier

For governments and/or regulators

There is very little support in Canada for laws requiring a minimum percentage of women on boards of directors. However, governments or regulators could consider “comply or explain” policies, where companies that fail to meet goals or deviate from best practices must provide explanations. For example, the Australian experience with new disclosure guidelines resulted in roughly 25% of new board appointments going to women, up from 8% five years ago, according to TD Economics. Australia has also implemented mentoring programs whereby experienced directors mentor potential women candidates. While it is important that onerous regulations not be imposed on smaller companies, the Canadian government should study the approaches taken around the world and implement the most effective.

For women aspiring to join boards

Women who want to join boards of ICT companies need to do their part to become visible and board-ready. Recommendations include:

- Joining non-profit boards to get experience
- Volunteering to help early stage companies (including serving on their advisory boards)
- Start the process of serving on boards of smaller companies or organizations earlier in their careers
- Making known to their contacts their desire to serve on boards of directors

- Ensuring that their resumes are in the hands of search firms – including knowing which firms specialise in finding women candidates
- Speaking to existing board members to understand the process of becoming a candidate

It is also important that board diversity not be considered in isolation. All of the components – young women choosing careers in ICT, corporations developing and championing their women, and getting women into the executive suite – will provide a pipeline of tomorrow's women directors. And more women on boards will act as role models for women entering into the ICT sector and growing their careers in those companies.

Progress to date has been positive, but not fast enough. The ICT sector in Canada is poised to lead the way.

Appendix A

Women board members of the 10 largest⁴ Canadian ICT companies⁵

| Company | Total board members | Women Board Members |
|---------------------|---------------------|---------------------|
| Blackberry (RIM) | 12 | 2 |
| BCE | 14 | 2 |
| Rogers | 17 | 4 ⁶ |
| Telus | 13 | 1 |
| Celestica | 8 | 1 |
| CGI | 14 | 3 |
| Shaw Communications | 16 | 2 |
| CAE | 15 | 1 |
| Open Text | 9 | 3 |
| Softchoice | 9 | 2 |

Overall percentage of women on the boards of these 10 companies is 16.5%

Appendix B

Stakeholders interviewed

H. Douglas Barber, Founder, Gennum Corporation and board director
Mark Barrenechea, CEO, OpenText Corporation
Fred Boulanger, CEO, Macadamian Technologies Inc.
Alexandra Brown, President, Aprilage Inc.
Adam Chowanec, Founder, Tundra Semiconductor, serial entrepreneur and corporate director
Doug Cooper, retired country manager, Intel Canada, and Managing Director, Communitech
HYPERDRIVE
Sally Daub, CEO, VIXS Systems Inc.
Elizabeth DeBianco, Chief Legal and Administrative Officer, Celestica Inc.
Alinka Flaminia, VP and General Counsel, PMC-Sierra Inc.
Susanne Flett, CEO, Healthtech Consultants
Deborah Gillis, Chief Operating Officer, Catalyst Inc.
Karna Gupta, President and CEO, Information Technology Association of Canada and former
CEO, Certicom Corp.
Al Hildebrandt, CEO, QHR Technologies
Krista LaRiviere, CEO, gShift Labs Inc.
David MacDonald, CEO, Softchoice Corp.
Michelle McBane, Investment Directors, Investment Accelerator, MaRS
Stephanie MacKendrick, past president, Canadian Women in Communications
Deborah Rosati, corporate director and chair, Karma Athletics Ltd.
Barb Stymiest, Chair, BlackBerry Inc.
Jason Tham, CEO, Nulogy Corporation
Mary Whittle, WW Director of Channel Development, Avaya Inc.

⁴ Based on the 2012 Branham 300, which looks at 2011 data

⁵ As at April 1, 2013

⁶ Of the 11 independent directors, one is a woman.

About the Author

Karen Wensley retired as a partner of Ernst & Young in 2010. She led the firm's tax services to the technology sector, and then joined the leadership team as the national HR leader. She was a member of the ITAC Board of Directors, and chaired its Tax and Finance Committee. She now provides executive coaching and team effectiveness services, teaches business ethics at the University of Waterloo, and is a member of the board of directors of Trillium Health Partners. She is the author of the recent book [The Power of Personal Branding for Career Success](#). Karen also works with professionals new to Canada as a volunteer mentor with the Toronto Region Immigrant Employment Council.