

# Research Overview



Compared with other sectors of the Australian economy, primary industries have low levels of diversity within their decision-making ranks. It's no wonder that the traditional image of a farmer entrenched in the Australian psyche is that of an older, white male, when the statistics show that 72% of Australian farmers are in fact men (2011 ABS Census figures). It's an image we need to reverse if we are to portray agriculture as a vibrant, innovative and diverse sector.

Just **15%** of rural companies have formal diversity strategies

**20%** of large businesses have appointed people under 30 to decision-making roles in the past 2 years

Having diversity in decision-making brings greater **affinity** with customers

Adopting a diversity strategy helps rural organisations to **recruit** and **retain** talent

**26%** of small businesses and **41%** of large businesses have appointed females to decision-making roles in the past 2 years

**32%** of large businesses have appointed people from diverse cultural backgrounds to decision-making roles in the past 2 years

Fostering diversity in decision-makers is a long-term business **strategy**, not "just an HR matter"

However, the participation of a workforce with gender, age and cultural diversity is just one part of the story. The AgriFutures Australia funded *Diversity in decision-making in rural industries* research was conducted by Victoria University and focused on the opportunities and benefits of engaging a diverse range of leaders and decision-makers within businesses.

The benefits that businesses and industries gain by encouraging diversity in leadership are astounding. If we are to be equipped to achieve the types of growth needed to feed nine billion people by 2050, then we need to change the culture within the sector by embracing a more open attitude when thinking about our leaders and key decision-makers. The big question, though, is how? This is covered in the *Diversity in decision-making in rural industries* report.

## The diversity report

In 2015 the Workplace Gender Equality Agency found that in larger companies, 13% of executives and just 2.3% of CEOs are female. However, AgriFutures Australia research found that women were better represented in decision-making roles in medium to large businesses (41%), although this fell to 26% in small businesses. These figures are still higher than other diversity groups in decision-making roles, with cultural diversity at 32% (in medium to large businesses) and 11% (in small businesses), and those aged under 30 at 20% (medium to large) and 6% (small).



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## Diversity in decision-making in rural industries

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### Improving understanding

One aim of the research was to find out how farms, businesses and industries can harness the skills and knowledge of people with different genders, ages and cultures at the pointy end of decision-making. It looked at how diversity can lead to innovative leadership in rural industry decision-making and operational activities. Improving our understanding will help ensure that leadership is more diverse, potentially increasing productivity and output.

This research addresses four key questions:

1. What is diversity in decision-making in relation to rural industries?
2. What was the historical situation, and what is the current situation?
3. What will the results be if diversity goals are embraced and achieved?
4. What guidance would be useful to encourage effective diversity in rural industries.

The workforces of Australian businesses are becoming increasingly diverse. Global analysis shows a strong and positive connection between leadership diversity and financial performance. This doesn't mean diversity automatically translates into profit, but it does indicate that firms committed to diversity are more successful. Introducing diversity introduces new perspectives and ideas.

Challenges in rural Australia such as depopulation, declining participation in agricultural-based education, low entry levels into farming as an occupation, poor health outcomes, a lack of investment in social infrastructure, regulatory burdens and low on-farm incomes, make attracting skilled people to leadership roles hard. Yet changes to technology and to key markets indicate a need for a more diverse and skilled workforce across a range of disciplines to support breeding technologies, processing, information and communication technology, robotics, sensors, knowledge systems, integrated work flows and the supply chain.

Research over the past decade indicates that the contribution of women, those under 35 and Indigenous people has been undervalued, and that they are consequently underrepresented. Simultaneously, rapidly expanding and changing Asian markets are generating significant opportunities for Australian rural exports – yet the agriculture, forestry and fisheries industries rank lower in regard to Diversity Council Australia's Asia Capability Indicators. These indicators measure individuals' ability to interact effectively in Asian countries and cultures and with people from Asian cultural backgrounds to achieve work goals.

### Benefits from diversity

This research confirmed the link between an inclusive business culture and improved business outcomes. These outcomes include improvements in: financial performance, governance and risk management, commitment of employees and use of available assets. Decision-making can be demonstrably improved by increasing the diversity of decision-makers. Paradoxically, increased diversity is a risk to group comfort, due to a tacit bias towards those with whom we have the most in common. Recognising this bias and engaging in change will be one of the greatest challenges for businesses.

The suggestion is not to move away from merit-based appointment, but rather, to encourage those in leadership and decision-making appointments to search a deeper, more diverse talent pool.

It's also important to understand that diversity in decision-makers is a long-term business strategy, and not exclusively the domain of Human Resources departments, because existing rural industry leaders are key to diversifying their own bases, although this will be a significant challenge. Turnover in decision-making roles is low, so opportunities to introduce diverse candidates are limited. This is another reason why the commitment of industry leaders is crucial to a diversity strategy.



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In the past five years, publicly listed companies have made appointments that have increased diversity of their decision-makers; however greater support and resourcing is required to help SMEs expand their talent pools. Strategies to increase female participation on boards are advanced in comparison with efforts to increase the representation of other underrepresented groups. While board vacancies are few, the retirements of members of the baby boomer cohort are providing opportunities to reduce boards' average ages. However, the research found that the availability of candidate supply depends on a pipeline from senior management roles — which is undersupplied with diverse candidates.

### Barriers and solutions identified

Along with an undersupply of candidates, the research identified several barriers to diversity in decision-making roles, including competing demands and balancing work-life commitments, additional costs associated with attracting diverse candidates, lack of cultural awareness, challenges associated with changing behaviours and inter-generational conflicts in approaches.

The report details two approaches to harnessing diversity and accelerating change. One is to create a pipeline of talent for senior management roles and board appointments. The other is to encourage greater participation in small business decision-making by removing identified barriers and finding effective ways for management to engage diverse decision-makers.

Australian rural industries are continuing to undergo transformational changes, driven by internal and external factors. This generates challenges and opportunities. Addressing the challenges and

harnessing the opportunities requires innovative service offerings, business models and routes to market, and it requires new management practices. There is now a greater recognition that novel ideas can transform any part of the rural industry supply chain, and that products and services represent just the tip of the innovation iceberg. Therefore, it's critical that rural industries capture the skills, expertise and competencies of diverse groups in the national workforce.

Automation, globalisation and collaboration are driving the future of work, which in turn is increasing recognition of the business value of diverse decision-makers. Increasing global trade in rural commodities and processed products means businesses must successfully interact with customers and suppliers across many cultural settings. The changing demography of Australia's population opens up opportunities for more diverse leaders in rural industries.

### Key messages

While innovation is traditionally linked to “smarter people and better ideas”, diversity is the greatest force in innovation. Businesses that proactively foster gender, racial and ethnic diversity are more likely to outperform their national industry competitors. The benefits to medium and large businesses include new skills, knowledge and expertise. Diverse leadership teams are able to bring to bear a wider range of experiences on issues, and they are able to have a greater affinity with customers. The benefits to small businesses include improved decision-making, better understanding of emerging markets, improved business continuity, a beneficial influence on investors, and improved governance and strategy.

