Glass ceiling in corporate Europe

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In Norway, quotas for women at the board level seem to have had the desired effect. But the rest of Europe has some way to go.

The European Commission has drawn up a proposal for 40 per cent quotas for women on company boards by 2020. — Reuters

Elin Hurvenes, like many in the Norwegian business community, was initially sceptical about her country's plans, first announced in 2002, to introduce a quotas law requiring at least 40 per cent of board members of a company to be women. Then she heard the chairman of a leading Norwegian company insisting that given time — a 100 years or so — there was likely to be as many women as men on corporate boards, so what was all the fuss about?

"I realised this sort of attitude was very much prevailing amongst the people who influenced board appointments and without tough medicine it would indeed be 100 years before we saw gender balanced boards in Norway," recalls Hurvenes, who has since founded the Professional Boards Forum (PBF), a body that raises the visibility of women candidates for boards by bringing experienced business women in contact with chairpersons — begun in Norway but now extended to other parts of Europe.

Since the introduction of the quota law, passed in 2005 and effective since 2008, the situation has changed dramatically in Norway: Between 2002 and the present day, the percentage of women on boards has risen from around 6 to 44. Even allowing for the work of organisations such as PBF that help firms expand their network beyond the usual suspects, such a change would never have happened without a quota, Hurvenes argues.

"It is now business as usual…and it did not have the disastrous effects that some predicted, like foreign investors leaving the Oslo Stock Exchange, bankruptcies," she says. "It was a law they did not welcome but took in their stride and they found the qualified women they initially said did not exist."

EFFECT OF QUOTAS

Norway's dramatic transformation hasn't been mirrored elsewhere in Europe: though quotas of some form (such as France or Belgium), or corporate governance codes that promote gender diversity (Sweden or Germany), exist in some parts, much of Europe lags well behind.

According to recent data by the European Commission, which launched a public consultation on quotas earlier this year, just one in seven members of boards in the EU is a woman.

A separate 2011 report by Heidrick & Struggles examined the situation across different countries and found the norm differed widely: while Finland's was in the region of 25 per cent, and Sweden just below 30 per cent, in Germany the figure was around 13 per cent. And even in Spain where legislation has set a penaltyless quota of 40 per cent, the figure is just 9 per cent.

In Britain, where women comprise 15 per cent of the boards of FTSE 100 companies, the situation varies widely between firms: only 50 per cent of firms on that index have more than one women on their board and there are eleven (Vedanta Resources and Essar Energy included) that are all male, according to research conducted by the Cranfield School of Management.

The European Commission's gentle nudges have so far proved ineffective. A voluntary programme to enlist firms to commit to 30 per cent of women on boards by 2015, and 40 per cent by 2020 has had just 24 subscribers.

In that context it is perhaps unsurprising that Viviane Reding, the region's Justice Commissioner, is mulling mandatory measures to push things along at an EU level.

The Commission is drawing up proposals that would require firms listed on European exchanges with over 50 million euros (Rs 350 crore) in revenues or more than 250 staff, to ensure that at least 40 per cent of their non-executive board members were women by 2020, according to the *Financial Times*, which saw a leaked copy of the report (the Commission itself maintains that no concrete plans exist as of yet and that any proposals are in draft form).

The prospect of an EU-imposed quota has raised the hackles of some member states and business organisations that have trotted out the oft-used arguments: the virtues of self-regulation and the risk of quotas leading to less qualified, less experienced candidates.

PERFORMANCE EFFECT

Interestingly, Norway's experience would suggest that this is unfounded (and indeed why would firms run the risk of less qualified candidates?). One study conducted by the National Statistical Bureau found that women who were hired by boards tended to have more experience than their male counterparts, and that the skill level of boards rose as the number of women did.

Other studies, not specifically on Norway, have noted a positive correlation between the proportion of women on a company's governing body and its performance as well as other factors.

One conducted by McKinsey on listed firms in six European and the BRIC countries back in 2010 found precisely such a correlation, through its analysis of the firms that fell into the top quartile of those with women on boards, against those that were all male.

A separate study earlier this year by the Credit Suisse Research Institute found that the divide in performance between those firms with greater gender diversity on boards and those without, actually widened since the financial crisis of 2008.

Further, argues Siri Terjesen of Indiana University, past research has shown the impact of women on boards goes beyond just share price and operational performance to positives such as greater governance controls, and accountability, and better recruitment and retention of women through the organisation.

It could be argued that more than those economic arguments it is these latter ones — especially the impact on women within the company and at executive levels — that are particularly important in shaping the diversity on boards debate.

LEGISLATION IMPACT

While the high levels of women on boards in Norway hasn't yet resulted in such tangible change — and this includes women in executive positions, which remain stubbornly low across Europe (though one could argue four years is scarcely enough time to bring about wholesale change) — it is having other interesting repercussions.

Marit Hoel, who runs the Oslo-based Centre for Corporate Diversity, conducted research on private firms that identified a statistically significant increase in the number of women on their boards since the introduction of the quota, even though such firms weren't covered by the legislation — a phenomenon she attributes to the tendency often to follow such market trends and mirror the listed sector.

No one could argue that quotas for boards are some kind of panacea for gender inequality in the work place: they're only going to be a part of the solution.

But what the current situation across Europe and elsewhere points to is that a lack of proper representation of women on board rooms remains a persistent problem even in countries where women have achieved gender equality in several areas of public life; without the prospect of penalties to prod companies in the right direction, it is unlikely to change much any time soon.

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