

1

Setting the Scene: Women on Boards in Countries with Quota Regulations

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Introduction

The underrepresentation of women on corporate boards in Europe and across the world has received increased attention, especially over the last 15 years. Moreover, during this period we have witnessed an amplified

Since finalising this book: On 23 June 2017, Portugal approved the government proposal submitted in February with gender representation regulations (quotas) for both state-owned and listed companies.

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focus on what can be done to increase the share of women in senior positions. Although there is an overall consensus that increasing the share of women in areas of power and influence is important for a number of reasons—which range from utility and business case arguments to justice and equality—there has been much debate, both between and within countries, over the best manner in which to accelerate the process.

In terms of the use of strategies to increase the share of women on boards, Norway was the first country to propose and later introduce gender balance regulations (quotas) for board positions in 2002 (implemented from 2006 with a two-year grace period). This approach was considered radical and was viewed with scepticism both within Norway and from other European countries when proposed and later introduced. Nevertheless, within just a few years, a number of other countries (e.g., Spain, Iceland, France, Italy, Belgium, the Netherlands and Germany) followed similar paths and introduced some forms of quota regulations. Other countries (e.g., the UK), on the other hand, opted for more voluntary measures via targets while other countries again (e.g., Portugal and Slovenia) are currently in the process of designing initiatives. Moreover, from the European Union (EU), the debate about how to increase the share of women on boards received momentum when the former vice-president of the European Commission, Vivian Reding, proposed a directive of a minimum representation of the underrepresented sex of 40% among non-executive directors of companies listed on stock exchanges in 2012. Nevertheless, the planned law failed to obtain sufficient support within the EU and has been put on hold for now. Nonetheless, today, most European countries do have policies in place with the aim of increasing the share of women on boards, while other countries are currently having debates about this issue. Interestingly, despite the collective focus on women on boards in Europe, there is a considerable diversity of approaches, viewpoints and motivations between countries. This is the result of a wide range of factors, including history, contextual aspects, cultural and institutional characteristics, as well as the role of actors.

Literature and studies within the field of women on boards and diversity on boards have flourished over the last decade. While we have observed a convergence in terms of countries putting women on boards and the use of strategies on the agenda, we have seen a divergence in terms of choices of strategies. As a response, over the last few years, a wide range

of studies have set out to make sense of and/or explain the situation for women on boards or the use of and/or choice of strategies to increase the share of women on boards. Some studies argue that specific institutional factors are key for explaining the spread and/or choice of national policies (including quotas) and/or the share of women on boards (e.g., Grosvold and Brammer 2011; Iannotta et al. 2016; Terjesen et al. 2014; Terjesen and Singh 2008). Indeed, these studies enrich our understanding of the importance of contextual factors and national differences, yet, while they demonstrate important contextual elements, they do not fully capture cross-country differences. Another body of literature has tried to explain the situation of women on boards and the choice of strategies that focus on the role of actors and politicking within countries (Doldor et al. 2016; Seierstad et al. 2017). Again, we recognise that this is an important dimension to acknowledge, yet it is complex, and no studies have yet been able to provide a sufficiently comprehensive understanding of what is, and has been, happening in terms of actors, enabling/hindering forces and politicking within the different European countries.

In addition, when discussing the use of strategies, the reach of regulations and their consequences and effects, we observe that the situation is complex and multifaceted. There are several reasons for this. First, there are variations between the policies of countries, including countries that are often “clustered” together in terms of policy. For example, while Norway, Spain and Iceland are consistently listed as countries that employ quotas, the use, reach and consequences of their specific quota laws vary significantly. In particular, while Norway has quotas for public limited companies’ (PLCs’) non-executive boards with penalties for non-compliance, the Icelandic quota includes publicly traded firms and private limited companies with 50 or more employees yet with no punitive sanctions for non-compliance. Both countries fulfilled the quota targets. Spain, on the other hand, was the first of the EU countries to introduce a quota in 2007, yet it did not introduce any penalties for non-compliance, and very little political support was given after its introduction; consequently, the 40% quota in Spain has not been met (the suggested implementation period was by 2015). Hence, it is evident that the concept of quotas—what it entails, where it regulates and how it is enforced—varies greatly. With regards to voluntary approaches and

so-called soft laws, we also witness differences among countries. Some voluntary approaches contain targets, such as the Lord Davies Review (and later the Hampton Alexander Review) in the UK or the Portuguese Corporate Governance Code, which recommend 33% representation of each gender. By contrast, other countries, such as Austria, set targets for state owned companies, while they recommend privately held companies to adopt appropriate consideration of the issue of diversity (e.g., gender). The same holds true for Switzerland, where the Swiss Code of Best Practice for Corporate Governance also contains a passage on “appropriate” diversity among board directors. In the case of Denmark, for instance, there is a definition of what “underrepresentation” of one gender means—it means less than 40% of one gender represented; yet Denmark requires companies to set their own targets freely. The case of Hungary furthermore shows that due to the political history, any type of quota regulation is considered as inadequate interference of state with private companies (For detailed descriptions of country cases not having gender quotas, please see vol. 2).

Second, international studies and data about the situation in relation to gender balance and boards and the effects of policies often contain rather different and sometimes confusing information. This occurs for a number of reasons: it is rather complex and difficult to obtain national-level data about gender balance on boards; there are differences in terms of types of company that are included in the statistical data; and there are differences regarding the extent to which the companies included are actually those affected by the policies.

Consequently, with an increased focus on women on boards and the use of substantially different strategies among countries, we argue that there is a need for a better understanding of what is happening within the European setting in relation to women on boards and the use of strategies to increase their representation. In response to this challenge, the two edited volumes provide a structured and in-depth analysis of the women on boards debate and the situation in 16 European countries, with one outward-looking chapter which focuses on the international picture. The different country cases are written by highly experienced researchers working on the topic in their respective countries. Moreover, the country cases include a reflection from an actor (i.e., politician, practitioner or policy-maker) that are heavily involved in the women-on-boards debate in

the different countries. Taken together, the two volumes offer an opportunity to gain a comprehensive and comparable understanding of the strategies and approaches found within European countries and will consequently be of use to policy-makers, politicians, practitioners, academics and anyone interested in the topic of women on boards. Hence, the volumes are designed as guides and resources for all those interested in understanding how different European countries deal with the issue of increasing female representation on boards. In order to provide comparability within this book and for ease of readership, all of the chapters are structured in a similar manner. Structures only vary in cases where the contributing authors felt that a slight change would be better suited to the particular circumstances of their country.

Volume 1: The Use of Different Quota Regulations

Gender Diversity in the Boardroom—Volume 1: The Use of Different Quota Regulations consists of eight country cases and a conclusion. Specifically, this volume includes chapters from Norway, Spain, Iceland, France, Italy, Belgium, the Netherlands, and Germany, all countries that have introduced some sort of quota regulations in the period 2003–2015 (see Fig. 1.1).

Nevertheless, what is apparent from the evidence is that although quotas have been introduced in all eight countries, there are substantial variations in terms of the design and regulations of the laws. This includes the set quota ranging from 30% to 40%, the types of companies affected, the length in terms of implementation period, whether there are sanctions

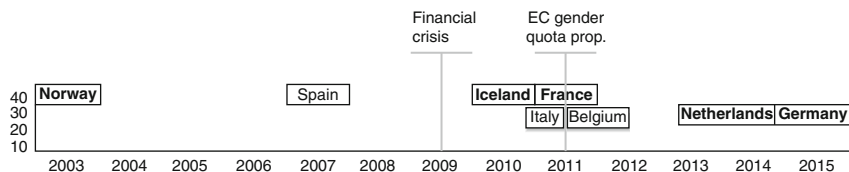


Fig. 1.1 Introduction of gender quotas on boards' timeline

for non-compliance, and whether the law is permanent or time-specific. There are also key differences in terms of Corporate Governance Codes and other regulations. Moreover, there are key differences between the countries in terms of how the law was introduced, which actors were advocating the introduction of the law, how the law fits with other institutional factors and how the law is perceived after the introduction.

Furthermore, in the eight countries discussed in this volume, we also observe great differences in terms of the overall share of women on boards, the development of women’s representation on boards and to the extent to which it is the quota law that has resulted in the suggested changes. In fact, by utilising data from the European Commission at four points in time (2003, 2010, 2013, and 2016) about the presence of women on the largest listed companies in each country, we observe great variation among countries indicating the need for further in-depth discussion of the different country scenarios (see Fig. 1.2).

Hence, while there are similarities between the eight countries in terms of their introduction of a quota law to increase the share of women on boards, there are great variations in terms of nature of the law, the process of introducing the law, and the effects and consequences.

Krook (2007) suggests, investigating the diffusion of quotas to increase the share of women in the political setting, that there are often no clear patterns with regard to the origin, approach and outcome of the different

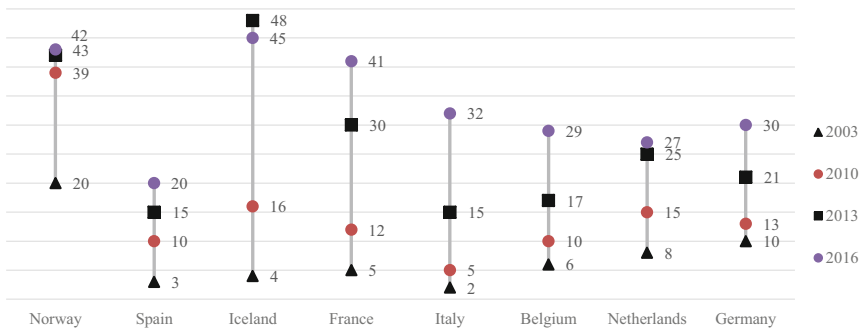


Fig. 1.2 Evolution of the presence of women on boards in the largest publicly listed companies in each country (Source: Main elaboration based on data from the European Commission (2016))

policies and that there are different “stories” in different countries. In particular, she argues that there is great diversity in terms of the actors pushing for laws, their motivations, and the different contexts which should be acknowledged when making sense of diffusion of quotas in politics. We echo her arguments and argue that there is a need for further systematic investigation in relation to the use of quotas on boards at the individual country level in order to understand more about the diffusion of quota policies for board positions, the similarities and differences we can observe between countries, and also the different “stories” at country level we observe and how we can make sense of this at a comparative level. In fact, through a systematic and comparative analysis of the different country approaches to increasing the share of women on board, we are able to develop the women-on-board literature/debates which have until now been dominated by either specific country focuses or have focused on specific dimensions.

The Structure and Content of the Book

Gender Diversity in the Boardroom—Volume 1: The Use of Different Quota Regulations consists of eight chapters, each of which is structured as follows:

- *Introduction*, setting the scene of each chapter and framing the national context.
- *General background*, highlighting particularities of each country regarding political and economic system and, in particular, the governance structure.
- *Discussion of national policies* to increase female representation.
- *Enabling and hindering forces* that support or hamper female representation on corporate boards.
- *A critical reflection* on the case that takes into account the whole content of the chapter.
- *Actors’ reflection*, where a relevant actor from each country discusses or reflects on the national case.

The rest of the book is structured as follows. In the second chapter, entitled “Gender Quotas on Corporate Boards in Norway: Ten Years Later and Lessons Learned”, Cathrine Seierstad and Morten Huse present the Norwegian case, where the process building up to the introduction of the first quota law for boards, including a detailed discussion on the role of actors and their motivations are presented. Moreover, the authors discuss some of the key effects, consequences and lessons learned a decade after the introduction of the law and highlight how the law has successfully challenged the underrepresentation of women on boards. It goes on to point out, however, that wider effects in terms of increasing gender balance in senior positions have been modest. In the third chapter, entitled “Gender Diversity on Boards in Spain: A Non-mandatory Quota”, Patricia Gabaldon and Daniela Giménez discuss how in the Spanish case, the non-mandatory quota has increased the share of women on boards, yet the set quota has not been met. The authors highlight several important factors in this regard, including resistance from corporations, the pipeline of women, a temporary downgrading of the focus on equality focus resulting from the recent global recession and the overall economic situation. In “Gender Diversity on Boards in Iceland: Pathway to Gender Quota Law Following a Financial Crisis”, Audur Arna Arnardottir and Throstur Olaf Sigurjonsson describe the Icelandic experience. The authors discuss how the financial crisis in Iceland fuelled a discussion about the roles of boards with strong legislative changes for different types of companies as well as an increased focus on gender equality and board diversity. Next, Emmanuel Zenou, Isabelle Allemand and Benedicte Brullebaut present the case of France in the chapter “Gender Diversity on French Boards: Example of a Success from a Hard Law”. The authors present characteristics with the Cope Zimmermann Law introduced in 2011 and changes following the introduction of the law. Next, Alessandra Rigolini and Morten Huse present the case of Italy with the chapter “Women on Board in Italy: The Pressure of Public Policies”. They discuss the introduction of the so-called “Golfo–Mosca Law”, which was implemented in Italy in 2012. The authors argue that since the introduction of this law, Italy has been one of the most successful countries in terms of increasing the presence of women on corporate boards. They highlight the interesting peculiarities with the law that are

characterised by strong pressure through a sanction system but with temporary validity. Abigail Levrau presents the case of Belgium in the chapter “Belgium: Male/female United in the Boardroom”. The author discusses the law introduced in 2011 and argues that, although useful progress has been made, there is a need for further action to increase gender diversity. This should include a more open recruitment process, training, mentoring, and diversity management as well as the need to change people’s minds about the value of women in senior positions. In the following contribution, Sonja Kruisinga and Linda Senden discuss the case of the Netherlands. They highlight how multiple steps and different policies have been introduced in the period 2013–2017 in the chapter “Gender Diversity on Corporate Boards in the Netherlands: Waiting on the World to Change”. In the last of the country case studies, “Women’s Access to Boards in Germany—Regulation and Symbolic Change”, Anja Kirsch discusses the situation in Germany, where a legally binding quota was implemented in 2015 and brought into effect in 2016. The author highlights how there has been a resistance to substantial change in the German business community and discusses how the case of Germany provides an interesting view due to the scope of the recently introduced regulations.

Finally, Patricia Gabaldon, Heike Mensi-Klarbach and Cathrine Seierstad highlight the key points highlighted the chapters and provide some concluding points gleaned from the impressive information and knowledge provided within this book. Hence, the final chapter summarises the most important issues, concepts and practices identified in the course of the book, while a index of key terms can be found at the end.

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