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## Setting the Scene: Women on Boards: The Multiple Approaches Beyond Quotas

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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, we have witnessed an amplified focus on what can be

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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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done to increase the share of women in senior positions during these years. 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—the best manner in which to accelerate the process has been debated both between and within countries.

In terms of the use of strategies to increase the share of women on boards, Norway was the first country to propose (in 2002) and finally implement (in 2006 with a two-year grace period) gender-balance regulations (quotas) for board positions. This approach was considered radical and received skepticism both within Norway and from other European countries when proposed and when later introduced. Nevertheless, within 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) opted for more voluntary measures via targets. Moreover, in 2012 the debate about how to increase the share of women on boards received momentum from the European Union (EU) when the then Vice-President of the European Commission, Vivian Reding, proposed a directive requiring a minimum representation of the underrepresented sex of 40 percent among non-executive directors of companies listed on stock exchanges. However, the proposed law failed to obtain sufficient support within the EU and has been put on hold. Nonetheless, today, most European countries either have some form of policies with the aim of increasing the share of women on boards already in place, or are currently having debates about this issue. Interestingly, despite the collective focus on women on boards in Europe, approaches, viewpoints and motivations vary between countries. This is due to a wide range of factors, including history, contextual aspects, culture, institutional characteristics as well as the role of individual 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 choosing to put women on boards and recognizing the need for strategies to implement this agenda, we have also observed a divergence in the strategies chosen. As a response, over the last few years a wide range of studies have set out to explain the situation surrounding women on boards and the selection and implementation of strategies to increase the share of women on boards. Some studies

argue that specific institutional factors are key for explaining the selection and spread of national policies (including quotas) and 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 these studies demonstrate individual 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 by focusing on the role of individual actors and political expedience within countries (Doldor et al. 2016; Seierstad et al. 2017). Again, we recognize that this is an important dimension to acknowledge, yet it is complex, and no studies have as yet been able to provide a sufficiently comprehensive understanding of the effect of these actors, enabling or hindering forces and politicking within the different European countries.

When discussing the use of strategies, the reach of the regulations and their consequences and effects, we observe that the situations are complex and multifaceted. There are several reasons for this.

First, there are variations between the policies that are in use in different 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 have quotas, the use, reach and consequences of the specific quota laws vary significantly between these countries. In particular, while Norway has quotas for the non-executive boards of public limited companies (plc) and penalties for non-compliance, the Icelandic quota system includes both publicly traded firms and private limited companies with 50 or more employees, yet has 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 they did not introduce any penalties for non-compliance and very little political support was given after its introduction; consequently, the 40 percent quota in Spain has not been met (the suggested implementation period ended in 2015). Hence, it is evident that the concept of quotas—what they entail, what they regulate and how they are enforced—varies greatly. Regarding voluntary approaches and so-called soft laws, we also witness significant differences

among countries. Some voluntary approaches contain targets for listed companies, such as those found in the Lord Davies Review (25 percent) and in the Hampton-Alexander Review (33 percent) in the UK, or in the Portuguese Corporate Governance Code (33 percent). Other countries, including Austria and Sweden, have targets for state-owned companies, while they recommend privately owned companies to consider diversity, including gender diversity, appropriately. In the case of Denmark, “underrepresentation” of one gender is defined as less than 40 percent, yet companies are asked to set their own targets. The Swiss Code of Best Practice recommends that boards of directors consist of at least 30 percent women, and that senior management should include 20 percent of each gender, yet is without any deadline or sanctions in the case of non-compliance. In Hungary, on the other hand, due to its political history and contextual factors, any type of regulation is considered to be unwarranted interference of the state in private companies.

Second, international studies and data about the situation of gender balance on boards and the effects of related policies often present rather inconsistent and sometimes confusing information. This is in part because it is rather complex and difficult to obtain data about gender balance on boards on a national level, as it is not always clear which types of companies are included in the statistical data. Furthermore, companies included in the data are not always those actually affected by the policies in place in the different countries. Often, available statistical data only refer to the largest plcs of each country, whereas the policies might apply to a different set of companies. The largest plcs are a category of their own and not necessarily representative of the whole country, and especially not of small companies; hence, the actual gender balance on boards will often vary between and within countries. Thus, the informative content of available statistics is often limited.

Consequently, considering the 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. In response, the two edited volumes provide a structured and in-depth analysis of the women-on-boards debate and the situation in 16 European countries, and one international chapter describing the

debates in countries beyond the European setting. The different country-specific cases are written by highly experienced researchers working on the topic in their respective countries. Moreover, the country-specific cases include reflections from an actor (i.e., politician, practitioner or policy-maker) that is heavily involved in the women-on-boards debate in the different countries. Taken together, these two volumes offer the possibility of gaining a comprehensive and comparable understanding of the strategies and approaches found within European countries, and can consequently be useful for policy-makers, politicians, practitioners, academics and anyone interested in the topic of women on boards. The volumes are designed as a guide and resource for all those who are interested in understanding how different European countries deal with the issue of increasing female representation on boards. In order to provide comparability within the book and easy reading, all chapters are structured in a similar manner, except where the contributing author felt that a slight change would be better suited to their country-specific case.

## **Volume 2: Multiple Approaches Beyond Quotas**

*Gender Diversity in the Boardroom—Volume 2: Multiple Approaches Beyond Quotas* consists of eight country-specific cases, one comparative chapter and a conclusion chapter. In particular, this volume includes chapters from the UK, Portugal, Slovenia, Austria, Sweden, Denmark, Switzerland and Hungary. Furthermore, one additional chapter comments on the women-on-boards debates and the use of strategies in countries beyond Europe. This chapter includes information from the United States of America (USA), Australia and Israel and comments on international trends. The concluding chapter presents a comparative discussion of the different country-specific cases discussed in this volume.

All of the countries in the case studies presented in this volume have implemented some sort of voluntary approach to increase gender diversity on boards, apart from Hungary. While there are similarities, we also observe great differences in the type and intensity of the multiple approaches taken. According to the chapters we expect some countries

to implement a legal quota (Portugal and Slovenia); others seem firmly following the idea of a voluntarism (UK), while Hungary, as already mentioned, does not seem to address the issue at all. The comparison of these different countries embedded in their respective contexts offers rich insights into both the use of different strategies and the contextual factors influencing strategic choices.

As can be seen from Fig. 1.1, all of the countries have introduced national Corporate Governance Codes. While the UK was the first in 1992, all of the other countries later followed this path. The selection of country-specific cases in this volume reflects the overall trend of a global diffusion of Corporate Governance Codes, triggered by events such as the issuance of institutional codes, including the Organization for Economic Co-operation and Development (OECD) or the International Corporate Governance Network (ICGN) Codes, several scandals or crises, such as the dot-com bubble or the Enron and Parmalat scandals, and the debate surrounding diversity and women on boards.

All of the countries' Corporate Governance Codes include some sort of recommendation with regard to nomination processes, most of them concerning board composition. As can be seen from Fig. 1.2, the topic of gender diversity was included into the corporate governance recommendations in the respective countries at different points in time. Interestingly, the countries that tackled the issues quite recently, like Slovenia (in 2016) and Portugal (in 2014) are also the countries that seem to be closest to introducing quota laws (see Casaca, Chap. 3, and Kanjoo Mrčela, Chap. 4).

Another interesting dimension is added to this topic by observing the development of female representation on boards within the respective countries. Within the eight European countries discussed in this volume, we observe great differences in terms of the overall share of women on boards and the development of women's representation on boards, and thus to what extent the recommendations and proposed targets have resulted in the suggested changes. In fact, by utilizing 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.

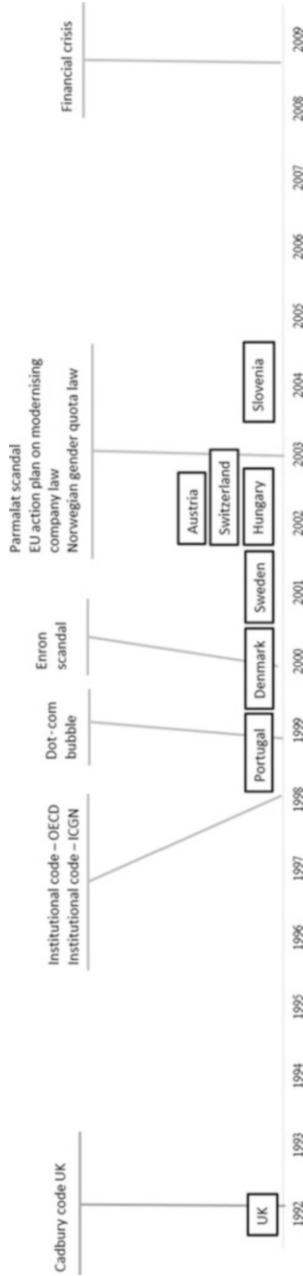


Fig. 1.1 Introduction of Corporate Governance Codes' timeline by country

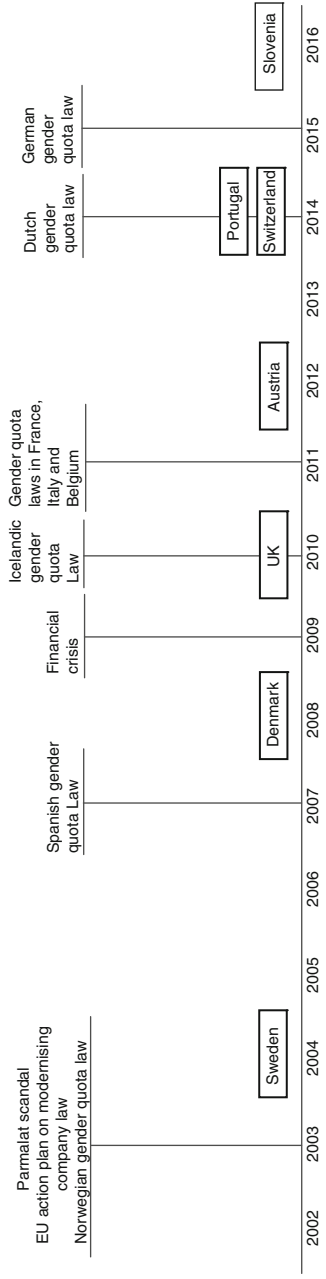
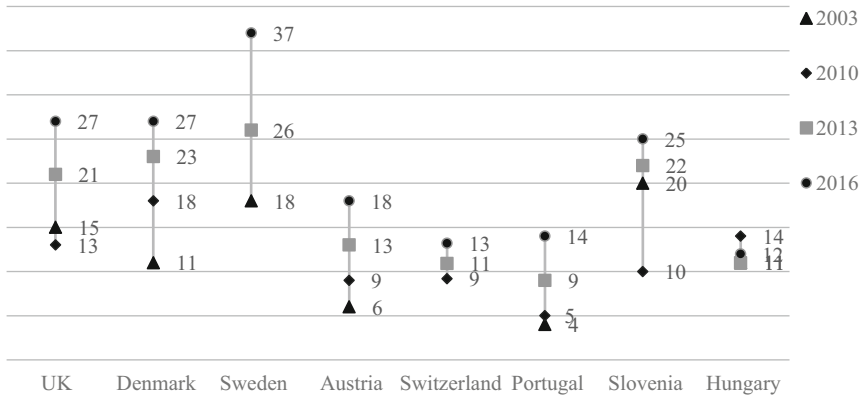


Fig. 1.2 Inclusion of gender into Corporate Governance Codes' timeline by country





**Fig. 1.3** 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 Union (2016))

One aspect apparent when comparing Figs. 1.2 and 1.3 is that the countries with the longest tradition of having Corporate Governance Codes also have the highest share of women on boards in 2016—the UK with 27 percent, Denmark with 27 percent and Sweden with 37 percent. However, this is only a very first glance at the different country cases. The different chapters presented in this edited volume will provide a more nuanced picture of the particularities of each country, indicating both differences and similarities. A comprehensive analysis of factors influencing the use of particular strategies and the presence of women on boards in each country will be provided in the concluding chapter of this book.

## The Structure and Content of the Book

*Gender Diversity in the Boardroom—Volume 2: Multiple Approaches Beyond Quotas* consists of nine chapters, and each chapter contains the following sections:

- *Introduction*, setting the scene of each chapter and framing the national context

- *General background*, highlighting particularities of each country regarding political and economic systems and in particular the governance structure
- *Discussion of national policies* intended 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
- *An Actor's reflection*, where a relevant actor from each country discusses or reflects on the national case.

The book is structured as follows. In the second chapter, “UK: The Merits and Shortcomings of a Voluntary Approach,” *Elena Doldor* discusses the case of the UK. In particular, the author highlights how the Davies Review has relatively successfully increased the share of women on boards without a quota law. Nevertheless, the author also highlights the fragility of a voluntary approach and the need to follow the case of the UK closely. In the third chapter “Portugal: The Slow Progress of the Regulatory Framework,” *Sara Falcão Casaca* discusses how the current Portuguese government is planning to introduce binding legal measures to increase women’s representation on boards, as the share of women on Portuguese boards is still low. Nevertheless, the author highlights how in Portugal, there has been little grass-root movement or business-actor involvement in the women-on-boards debate, which might consequently be part of the reason for the slow progress of policy change as well as change in terms of actual numbers. In the fourth chapter, “Gender Diversity on Boards of Directors in Slovenia: Impending Legislation to Establish Quotas,” *Aleksandra Kanjuo Mrčela* discusses how in the case of Slovenia, the introduction of a quota law is currently on the agenda and supported by a wide range of actors (i.e., politicians, academics and practitioners). In the fifth chapter “Gender Diversity in Austrian Boards—Combing Soft and Hard Law Regulations,” *Heike Mensi-Klarbach* describes how two different strategies are implemented within one country: there is a mandatory quota for state-owned companies, on the one hand, and no quota regulation for privately held corporations, on the

other. She demonstrates that the mandatory quota for state-owned companies showed a significant effect immediately, yet a spill-over effect to privately owned corporations could not be observed. Thus, the discussion around introducing gender quotas for plcs has gained momentum recently. In the sixth chapter, “Sweden: Work for Change and Political Threats,” *Charlotte Holgersson* and *Anna Wahl* observe that even though Sweden is a gender-equal country with a high representation of women in the workforce, women are underrepresented on corporate boards. Yet, they illustrate that there is a mobilization toward both voluntary and legally binding measures to increase the number of women on boards. In the seventh chapter, “Women’s Path to the Boardroom: The Case of Denmark,” *Aleksandra Gregorič* and *Jesper Lau Hansen* discuss how the persisting preferences for “traditional” types of director characteristics and a limited supply of female candidates accounts for the rather low representation of women on Danish boards. In the eighth chapter, “Gender Diversity on Boards in Switzerland,” *Florence Villesèche* and *Evis Sinani* argue that traditional views of the family and a low awareness of diversity are some of the reasons for the low representation of women on Swiss corporate boards. The chapter sheds light on the current situation and developments and speculates about possible progress to come. In the ninth chapter, “The Downturn of Gender Diversity on Boards in Hungary,” *Beata Nagy*, *Henriett Primecz* and *Péter Munkácsi* discuss the case of Hungary. The authors show how the socialist heritage of Hungary impacts the current position of women in the workforce and the lack of women in top positions. They comment on the lack of will to politically or legally intervene in this regard. Next, *Siri Terjesen* and *Lauren Trombetta* focus on the women-on-boards debates beyond the European context and discuss the case of the USA, Australia and Israel in the chapter “Gender Diversity on Boards in the United States, Australia, and Israel.” Finally, in the last chapter, *Patricia Gabaldon*, *Heike Mensi-Klarbach* and *Cathrine Seierstad* identify some of the key points and findings from the chapters presented in this volume. In particular, the final chapter “Gender Diversity in the Boardroom: The Multiple Approaches Beyond Quota Regulations” summarizes the most important issues, provides a comparison of the different voluntary approaches and relates the

findings to some of the issues discussed in Volume 1. An index of key terms can be found at the end.

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