

Chapter 11

The Untold Story of Gender Quota Effects in Iceland



From a business perspective, it's just finding the right person who can deal with the problem. That's where you start.
Anonymous interviewee

Abstract Following the pioneering movement in Norway, a law requiring the gender quotas to be established on corporate boards was amended in 2010 in Iceland. This event could legitimately be called an uprising in the fight against the shadow of the so-called *Octopus*—the fourteen patriarchs who in the middle of the twentieth century “were said to control the politics, bureaucracy, judiciary, and economy of Iceland and shared the spoils among themselves” (Kelsey 2016, p. 13; Boyes 2009; Johnson et al. 2013). Whether the *Octopus* has been slowly reincarnated in corporate boardrooms or instead, it has become a mystical creature wrapped in legends and still remains a valid question. This chapter unveils an untold story on the gender quota effects that was shared by six male board members with long-standing corporate experience. This story could have equally been revealed to either a male or a female interviewer. Yet, it could only be shared once the female board members stepped out of the room. This revelation unfolded in an atmosphere of complete privacy, when male board members, often pre-accused with gender bias, once asked to describe the law on gender quota in one word, put forward all the candor, and stated: “It is biased against males.”

Keywords Gender quota · Gender equality · Gender diversity · Iceland

11.1 The Bigger Picture

A backlash regarding women’s involvement in a variety of social institutions has long been a concern among scholars, practitioners, and society (e.g., Johnson et al. 2013; Kelsey 2016). Despite being highlighted as a pioneer against this backlash, together with Norway, egalitarian Iceland is still underperforming in terms of gender

diversity in the upper echelons (Rafnsdóttir et al. 2015; Halrynjo et al. 2015). Even with the adoption and implementation of the law establishing gender quotas, boardrooms have still often been dominated by men (Centre for Gender Equality 2012), and the males in dominant leadership positions often have been accused of attempts to “transgress proclaimed values of accountability, transparency, and equality” (Johnson et al. 2013, p. 196). The law, in essence, states that public and private limited companies with over 50 employees are required to include both genders on the corporate boards and preserve the proportion of each gender of at least 40% if the number of board members exceeds three (Centre for Gender Equality 2012).

Indeed, when the change in gender representation on the corporate boards in Iceland is considered, the numbers suggest a certain degree of ambiguity. By the end of 2015, women comprised 25.9% of corporate board members in Iceland (Statistics Iceland 2016), constituting a slight difference from 22 to 24% present over the 10 years from the 2000s (Snorrason 2012). The socially significant yet statistically limited increase toward balanced gender participation suggests a discussion whether the roots of imbalance are solely related to gender bias. Traditional male-only “chummy networks” (Johnson et al. 2013, p. 185) put aside, an additional array of possible causes may have been at play. For example, corporate board membership has always been associated with top-level skills and competences. It was not until the first wave of migration in 1990s, when women began to be actively considered as high education- and career-seekers. Marking the first period of substantial migration in the country, during this time, Icelandic women notably departed from their jobs in the fishing industry, often in rural areas, in search for higher education and career opportunities (Júlíusdóttir et al. 2013). Years after, however, an imprint on incongruence between gender roles (Eagly and Karau 2002) may still be present. Furthermore, the difference between gender equality as a societal-level value and an individual-level value, and the potential gap between the gender equality and gender diversity, may be both affecting the attitudes and behaviors as Sund and Snaebjornsson (2017) suggest.

Gender equality, as a value, inevitably entails ethical considerations, especially in the light of law amendment. According to Lawrence Kohlberg, a pioneering developmental psychologist who is perhaps most well-known for his theories of moral reasoning and moral development, enactment of values through behavior cannot be discerned from moral reasoning, accompanied by rationale and logic. Moral reasoning is based on cognitive moral development, which encompasses three different levels: pre-conventional, conventional, and principled (Kohlberg and Kramer 1969). It is at the conventional and principled levels of cognitive moral development when an individual shifts from his or her own interests and positive or negative consequences (often taking a form of rewards or punishments) to a more developed sense of morality. At these two levels, the concept of what is ethical, moral, and “right” comes into play, accounting for the beliefs and interests of society and ultimately universally applicable values. However, in this light, a potential cultural clash around gender balance takes place. In the middle of this clash, women are often viewed as an underrepresented force overshadowed by men. Yet, there is a chance that the situation is related to the different upbringings and development of current

males who are on corporate board members and the women who are not. This development has been very likely grounded in a different cultural setting, where women were mainly active as caretakers of the family, rather than corporate activists, entering the boardrooms and setting their equal competences and experience on the table to open up new perspectives and shape the corporate governance standards.

This chapter was undertaken as a deeper investigation on the gender equality in the boardroom that may be missing in a larger public discourse. For the purpose of this chapter, a focus group with six male participants who have long-standing backgrounds and experiences on corporate boards of the leading Icelandic companies was conducted. The three sides of the untold story on gender quota effects soon emerged, highlighting the different perspectives by men and women toward the corporate landscape in the past, the proper corporate board design methodology, and the enactment of the law on gender quotas. The findings of the focus group are accordingly nested under three categories and discussed further.

11.2 The Untold Story of Gender Quota Effects

One of the underlying reasons behind the law was a national urge for a balanced gender representation on the corporate board of companies. The male participants stated that before the law on gender quota was introduced, the gender proportions on corporate boards were not considered specifically, although they were not complexly ignored, either. “I don’t think there was really a measurement of it before the law. I mean, I think there was also [a sentiment that] ‘yes, we need to have, you know, women on those boards.’ But of course, since we got the law, now you need to have 40–60% balance on the board,” Brynjar argued. Today, the law is enacted, as Brynjar commented, “It has really become a norm or something that everybody complies to.” All of the focus group participants confirmed that they have been observing a change once the law on gender quota was passed in 2013 in Iceland, both in their own and other companies. As Baldur recounted, “. . . I saw many companies pushing out senior board members to be able to take out women board members to comply with the laws, so, it definitely has an impact.”

As it has been discussed in the previous chapters, the effects of the gender quota law in action confirm the growing numbers of women on boards of directors and the shift toward greater gender balance. The male focus group members reiterated this effect, as summarized by Haraldur:

. . . When I look at people being elected to board at the moment, I see more and more names of women that I didn’t recognize before. So, yeah . . . we have already, these few years after the law was implemented, more female names popping up. And I think it’s a good thing because it gives them the experience needed to move forward.

In the extensive discourse concerning the specific law and its effect, there an untold part of the story remains on the male side. In many ways, this is due to the reality of an inconvenient truth. The male board members do acknowledge the effect

of the law in general, however, outline some precautions. This feedback is not to be mixed with complaints, however, even if there were some during the first years after the law was passed. Male board members base their position on the needs of the business, as Baldur explained:

I think the change itself is not really negative. But I think the promise that follows the legislation—that this will so beneficial to companies and profitability, that it was really a good business decision—has not been proven. I have seen no indication of businesses in Iceland where women quota has been implemented to have increased profitability or financial results.

While any negative feedback toward enforcement can often be perceived and presented as resistance of males against limitations of their power, indeed, perceptions of men are driven by a different set of arguments. As Dagur commented: “I mean, a female can be just as clever as any male. And then I want to vote for her on my board because of her cleverness not because she is wearing a skirt.” These insights unravel the underlying principle that male board members often support—selection of talent and capability regardless of gender. Once deeper discussions with female and male board members are initiated, it becomes evident that men and women have a different relationship with the past, present, and the future of the corporate board practice.

11.2.1 Diverging Perspectives Toward the Past

Some participants consider that the scarce representation of women on corporate boards back in 1990s was essentially associated with a lack of competences and skills. Haraldur characterized the boards mostly as “middle-aged to older males.” Brynjar commented: “One issue that was used is that there was a shortage on supply of women who were available or willing, or some would say, capable to sit on board. This was the excuse of many men CEO’s or men ownership—well, there were no women available with either this education or this knowledge or these skills. . .”

However, by the 2000s, the landscape and perceptions of women’s capabilities and motivations had become very different, due in part to what Haraldur characterized as the “young culture coming in”:

It used to be like that. But in this century, I don’t think it is that way anymore. But last century, it was like that. Women were looked at like, ‘What are you doing here?’ I mean, this is the male club and things are like that. Women were also looked at, ‘What’s wrong with you? Do you want to be a male?’ I have to go all the way back to 1990s to remember that attitude. In this century, I guess from 2000 on, it has been changing rapidly.

While female board members still recall board activities in the 2000s as being dominated by men and offering little access for women, male board members generally do not recollect any significant differences that would be exclusively related to gender. One of the focus group participants remembers male environment mostly. Another focus group participant, Armann, shared, however: “Of the boards,

I can recall that there always had been a mixture of both sexes as far as I can remember . . . I presume it's been a majority of men, but it's probably been sort of around a third of women at least, or up to a half. So, it's been mixed over the years." At some point, participants may have different or inaccurate memories toward the gender balance. Other participants noticed, for example, that women may have been in an inferior position when making their way toward the board membership. However, they tend to highlight the roots of the problem different than bias toward gender, as a remark by Baldur illustrates:

I don't think that males have more or better skills than women. But I think it goes down, like I just said before, that men are more, let's say, networked to other men. So, they'd say, 'Well, I know this guy, this guy, this guy, and this guy. So, let's compare the skills they have and if no one suggested a woman, then no woman was suggested. That was probably a mistake, but it was, let's say. I think of the past of the people I have been working before and in those terms, I think, in some cases, women didn't have a fair chance.'

Hence, the male board members tend to associate the possible underrepresentation of women with the downside of networking-based board member selection techniques, usually taking place in immediate social circles, rather than the gender bias. According to the male focus group participants, this technique, in turn, is driven by a different approach toward sustainable board design, based on the search for proper competences, rather than convenience of a network.

11.2.2 Diverging Perspectives Toward the Board Design

The focus group findings reveal that male board members have assumed a different approach toward board composition. This approach, in fact, embraces diversity but primarily concerns the right combination of competences and experience, rather than strategically designing the board to ensure appropriate representation of gender, age, race or ethnic background, or other demographic variables. Secondly, the participants' approach to board composition follows a loyalty-to-the-shareholder tradition, that is, respecting the shareholders' right to select to whom they should entrust the governance of their company. "From a business perspective, gender is not an issue. Not at all. From a business perspective, it's just finding the right person who can deal with the problem. That's where you start,"—Elvar argued. He further elaborated:

I think that what I've seen is that if you are a skilled person, it doesn't matter whether you are a man or a woman. If you have an eye on the ball and you have the qualification and you know what you are doing—you're going to get elected. So, it doesn't matter who you are, where you come from, if you have the skills—you succeed.

In line with Elvar's perspective, Dagur summarized, "That is what I would like to see in a board if I was a CEO today—board members who are really business-minded. Not—men or women—that is not a question." Armann reflected:

. . .when you try to form a board, whether you have a number of shareholders or a single shareholder, you try to get a diversified board . . . if you are thinking of a long-term success

of the business. You want to have a diversified board. You don't want people of the same education, the same age or the same background, because diversity brings some value.

The compliance with the needs of the company and the rights of the shareholders is an overarching concern in the board composition, according to the logics of the traditional approach to board membership. Baldur recalled the time before the law on gender quota was enforced:

... my perspective at that time and many of those male colleagues ... we thought about that ... This was a little bit of a strange situation where there is no longer a question of the shareholders controlling who the board members are. So, as it's taking away the ownership rights of the public companies we thought that it is still important to have the right combination of skills rather than the right combination of gender. So, I think at that time I was not supportive, but I understood where they were coming from. But in my mind, it is always a question of whether the women have the same opportunities of buying equities and buying their own board seats as everybody else does.

Baldur further reiterated an approach that is based on a proper combination of competences, skills, and experience, regardless their source:

I also acknowledge that finding the right person is not always easy—[A right person] with the right skills needed for the company. So, sometimes people support a woman, it could be a young woman with limited experience in the workforce, but she may have the right connections or the right backers, and I am not saying that this does not happen with men, too. But I think in general, if we are talking about larger companies, it should be about the skills set and the experience because the management is the daily drive of the business, the board needs to be a sounding board, the police, the follow-up on the corporate governance, and the quality of the work of the management, and then you need a space. I have been on boards, where you have board members who have not said a single sentence during any board meetings for a long period of time. So, what are they for? They are useless. And this applies to both men and women.

He also illustrated how the competence-driven logic approach translates into board design:

On the board, we were trying to fulfill a structure of ownership...where the largest shareholders put people in-charge to carry out the mandates they set. Or if there is more academic people on board, then it is a question of skills. So, we want somebody with legal knowledge, maybe a couple of people with business skills and then individuals with skills related to the business in which the company operates. So, people were looking more for necessary skills, rather than age or gender. And as far as I remember, I don't think there have been any problems... Definitely, there was no bias or prejudice when it came to skills, whether it was women or men. So, I think there was none, and I think there is an easy combination, but I think also, in general, putting a board together is a little bit like putting a workplace together—you pick people you know. And more men, no men, and more women, no women.

When commenting on the situation after the law was actually passed, Armann echoes a similar viewpoint:

I admit women do sometimes have different perspectives which may be attributed to gender rather than anything else. One of the things, if you have a board of three or four or five or six or seven, you really need to make sure that you have diversity in terms of experience, diversity in terms of educational and professional background, diversity in terms of age which I think is much more important than gender. If you have nothing but men in their

sixties, you probably run the business into the ground at some point because they tend to have a perspective that is lacking what's happening in the . . . generation that is following them. Equally, if you have nothing but people in their thirties, they are no longer on the ground because they haven't seen enough in their working life to go good decision. But if you have a board which consists of people from late twenties and into their late seventies—the whole range—then you will have a successful board. Now, personally, I have always been on a board and worked with women and found it to be very good. But to force people to choose somebody on the basis of their gender, I think it is not a sensible thing when you ignore all the other things that you need to think about. The second reason is shareholder rights. If you have a company, for example, owned by three women, why in the world if they have to find two men to join their board if they grow in size? They would probably want to run their own company. I think shareholders should have the right to nominate [members] according to the shareholders' agreement—and they should have to. They should have the right to nominate their own directors who they believe are the most capable to carry the business forward.

Focus group participants also underscored that the complexity of the law enactment does raise concerns with regard to the standard shareholder rights, as Elvar summarized:

It creates a level of complexity, which is . . . it creates a cost . . . The company structure is very simple. You own a share and you have a vote. And you can appoint people, and you have a vote. And then there is a general meeting. And in the general meeting the shareholders can vote who is going to be on the board of the company. Based on your number of shares, it's where you get your power to vote. So the corporate structure itself doesn't have a view on gender at all. It shouldn't have a gender at all. Because it is just a place, it is a structure to have those who hold risk and interest of the company to execute their rights which is the govern itself of the company. They have the rights to appoint their representatives who are responsible for running the operations of the company. So the law before was just a structure as it should be, which is, the investors are the ones who appoint and then you have the annual meetings—everybody can nominate somebody for the board. And then there's the election, and the election takes care of determining who is on the board. So that's just the sort of a neutral process which is mainly based on how much ownership you have in the company and how much you can rightfully have a say in running the company. And so, when the gender law is put into law, you get a dimension which goes against the democracy inside the companies and making gender a specific issue; and that just creates a complexity and preference which has nothing to do with the main purpose of shareholding that is you are just in terms of power in running the companies.

In sum, the law on gender quota collides with the traditional perception of the board composition, design, and procedures that were held by male board members. As a result, a set of diverging perspectives, contrasting the ones held by women, developed toward the gender quota enforcement.

11.2.3 Diverging Perspectives Toward the Law on Gender Quotas

Rather often, the law on gender quotas is perceived as a harness of male power and aimed at balancing inequities in attaining leadership positions. While existing

studies confirm its positive outcomes, discussed in the previous chapters, such a harness is juxtaposed with some perceptions, often only shared privately. The criticism against the gender law is yet again driven by the logics of the board composition design, held by men. “I didn’t believe in it. I don’t think it is important. I think it is important that people have skills and I think this quota will go away,”—commented Baldur. This key clash of interpretations and support for the law is further captured in Armann’s point of view:

It is a mistake in the sense that I know the intentions are good but as it often happens, good intentions have unforeseen consequences. And it may lead to the difficulty in getting the right board in terms of the right skills that you want to bring to that particular board. And let’s say, you have a particular board of five and one is retiring, the most important thing is to find somebody who may bring the same skills that have been really valuable and the rest of those the remaining board has. And to limit that to one sex or the other is making the search much more difficult in some cases.

From the male point of view, the regulation that is exercised by the gender quota policy, at times, hampers the underlying principle of selecting the board members who most accurately match the needs of the company. “One will have to recruit an independent board member just because it’s not the right gender. The enforcement of the law it gets very, very complicated in many ways, it’s difficult to comply,” Elvar reflected. Brynjar elaborated further:

. . . I think in many cases, people have said, ‘Well, in case I need to have two, a minimum of two or three independent directors on my board, let’s just pick some women . . . Not really randomly. Let’s go out and find some independent women and have them bring on board.’

Such a practice further extends to a set of new bias in selection procedure, the focus group findings suggest. As discussed in the previous chapters, women feel disadvantaged by the board member selection procedures that heavily rely on networking and word of mouth. In turn, male focus group participants reflect that under the gender quota regulation, networking-based selection procedure yields a limited pool of options, again undermining the portfolio of competences for a given board. Brynjar reflected:

However, if you see what happened shortly after the quota law, you that found a pool of women who were joining the boards was not very big. So, you saw the same women showing up on many boards. < . . . > So, it’s like, ‘okay, do you know some woman?’ . . . ‘Yeah, Yeah, she’s sitting on this board, maybe she would be willing to come on our board.’

As a result, it was not the diversity that increased, but the gender proportions that were inflated, with the same women serving on multiple boards. In this regard, men tend to consider that such a practice further translates into an even more complex case of intersectionality, with potential barriers for young, aspiring women to make their way to the boardroom and forced to compete with experienced, professional female board members. Finally, the male board members with extensive experience tend to consider that if one is to address the gender equality issues, an even more multilevel approach is required. Brynjar argued:

The problem is that we see, of course, the numerical effects on the board that are complying with the law. But there’s no really a measurement with the management team. Because my

view is that, you can change the board. But yeah you can change the board, but to really change the companies, you really need to change the management team. Or you need to make sure that is a triggering effect into the management team.

In sum, all points brought up by male board members point at a skepticism toward what Kelsey (2016, p. 18) labeled “a strategy that reflects the Nordic focus on the masculine culture of business,” and the possibility to solve the challenges of effective board performance by solely following the regulation. While these challenges are shared by societies around the world, they include particular historical and cultural roots need to be rectified. Such an attempt has been undertaken by introducing a specific regulation in the Icelandic system. The speculations by the male board members seem to be in line with the warnings outlined by Kelsey (2016), who highlights that:

Appointing women to boards or as traders in the hope they will feminize the goals, values and operations of the finance industry, without addressing the systemic drivers of financialized capitalism, seems remarkably naive. The finance industry cannot become emasculated without financialized capitalism ceasing to operate. When women become insiders, the culture requires them to conform. (p. 18)

11.3 Concluding Remarks

As the study based on limited sample presented in this chapter illustrates, male board members do understand the logic behind the quota; however, there are also responses that represent skepticism toward the gender quota policy. However, the roots of it stem from the clash of the conventional business rationale and the law that mandates specific action. As one of the focus group participants, Baldur summed up: “I don’t believe in it. I have belief in the freedom of [both] the government and the business. So, all women boards, all men boards—I don’t think it as a problem.” Hence, the story of the gender quota regulation in Iceland illustrates how the lack of ascribed procedures that enforce the law and also accurately reflect the challenges faced by the boards in practice can leave those affected with a sense of enforcement. Coupled with a sensitive issue of gender, this perception through the eyes of men seems to connote an arranged marriage in the boardroom, where partnerships may compromise the most accurate match, based on required background, competences, and experience. Finally, once the male and female board member perspectives are considered, it becomes evident that a suppressed tension exists between the sides. The source of this tension seems to stem from the diverging perspectives toward the principles of board design and composition. In this vein, the extant situation calls for a new discourse concerning the guiding principles of implementation, and a new set of recommendations that would be developed by all the corporate gender balance stakeholders, including policymakers, practitioners, and society. While particular concerns are raised by the participants of the study, the pioneering initiatives undertaken by Norway and Iceland set an important milestone in embracing gender diversity and equality.

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