

Report

‘Women on (Supervisory) Boards’

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National Initiatives

Recently, Bündnis 90/Die Grünen (the Greens) in Berlin announced the establishment of an online database (www.aufsichtsratinnen.de) on which women can register who are willing to be a supervisory board member (Biehl 2005). The database was established because the *Landesgleichstellungsgesetz* (LGG – State Equal Opportunities' Act) which provides for gender parity on all committees and supervisory boards was not being complied with, according to the *Beteiligungsbericht* [Participation report] 2004 (Klotz 2005). In fact, the proportion was a mere 15.37% rather than the envisaged 50%. The main reason offered for this is that the number of women willing and qualified to perform as a committee or supervisory board member is too low. In the opinion of the Greens the Berlin Senate is not actively trying to increase the number of women. The creation of this database is an important step in that direction and will provide companies with a means of finding qualified women for their committees and supervisory boards (Klotz 2005).

With this database, the Greens have copied a Norwegian initiative within the framework of which more than 4,000 women have registered, showing their interest in accepting a seat on a supervisory board. The Norwegian database was set up to disprove the assertion that there are no qualified and interested women (Aviva Redaktion 2005; Klotz 2005). Since January 2004, 40% of supervisory board members in state-owned enterprises in Norway must be women (Ministry of Children and Family Affairs 2005a). Recently, the Norwegian Parliament passed corresponding legislation will affect the registration of newly established public limited companies from January 2006. For existing public limited companies a transitional period of two years is provided. If by January 2008 these public limited companies cannot prove that they are complying with this requirement they may be dissolved by order of the Court of Probate and Bankruptcy (Ministry of Children and Family Affairs 2005b). In July 2005, Norway had 519 public limited companies: 13.1%, i.e. 68 enterprises, fulfilled the requirement already. Overall, 15.5% of board members were women in Norway (Ministry of Children and Family Affairs 2005b), compared with 3% in Germany (Aviva Redaktion 2005).

Research in the field

We have taken these two initiatives as our point of departure for examining academic research in this field. In this context, two academic paths can be identified: (1) research on the status quo of board and supervisory board gender diversity, and (2) research on the impact of board and supervisory board gender diversity.

(1) Research on the status quo

The major survey on the current situation of women on boards in 13 European countries was conducted by the personnel consultancy Egon Zehnder International on behalf of the European Professional Women's Network in 2004 (European PWN 2004). It can be regarded as the first pan-European survey in this context. So far, only national surveys – particularly in Austria (AK 2004), Norway, the Netherlands (Verboom/Ranzijn 2004), and the UK (Conyon/Malin 1997; Singh et al. 2001; Singh/Vinnicombe 2004), as well as surveys on women in political decision-making positions in the EU-15, the EEA and the Candidate Countries (FrauenComputerZentrumBerlin 2004) – have been available, but aggregated figures on a comparative European basis regarding women in managerial decision-making positions were missing. Egon Zehnder International examined the 200 largest companies in Europe by sales, based on the ranking published by Les Echos and Reuters in 'Le Grand Atlas des Entreprises', plus the 20 largest banks and 20 biggest insurance companies. In those countries where fewer than 10 companies were included in the top 200 list, the next largest companies were added in order to ensure a reasonable representation of each country. In total, some 270 companies were examined.

On average, women occupy 8% of corporate boardroom seats in Europe. However, the percentage varies from 22% in Norway to 2% in Italy (for details see). Although some of the data seem quite promising it must be pointed out that a considerable number of female (supervisory) board members are employee or trade union representatives in some countries, for instance in France 10 out of 41 and in Germany 66 out of 83. In addition, large firms are not necessarily representative of the national situation. Recalculating the Norwegian data to include all public listed

companies instead of only the top ones, for instance, leads to an average proportion of women on boards of 8% rather than 22%.

Table 1: Average proportion of women in national boardrooms

Country	Percentage
Norway	22
Sweden	20
Finland	14
Germany	10
United Kingdom	10
Switzerland	9
<i>Average</i>	8
Austria	7
Netherlands	7
France	6
Denmark	4
Belgium	3
Spain	3
Italy	2

In respect of female appointees, 28% of the surveyed companies have at least one woman on their board, while 28% have more than one; the remaining 44% of these companies do not have a female appointee (for details see , next page). Comparing this data with recent data on North America (Catalyst 2003a and 2003b), 13.6% of board members are women in the US and 11.2% in Canada, compared with 8% in Europe. Only 10.8% of US companies – but an unexpectedly high 51.4% of Canadian companies – do not have women on their boards, compared with 44% in Europe. In comparison to US companies, it is clear that European companies have a lot of catching up to do.

(2) Research on implications

Research on corporate governance has focused on the monitoring and controlling role of (supervisory) boards, as explained by agency theory (Daily et al. 2003). However, the importance of board members' ethnic, educational, demographic and professional background is increasingly being recognised (Hillman et al. 2000; 2002). Consequently, research has focussed on the implications of having minority

(Oxelheim/Randoy 2003; Ruigrok/van der Linde 1999; Ruigrok et al. 2005), or female board members (Conyon/Malin 1997; Singh et al. 2001, Singh/Vinnicombe, 2004), and on barriers to these groups being appointed (Burke 1997; Ruigrok et al. 2005; Singh/Vinnicombe 2004), not only in Europe, but also in North America (Arfken et al. 2004; Burke 1997; Carter et al. 2002; Daily et al. 1999; Erhardt et al. 2003; Shrader et al. 1997). So far, diversity research has focused either on the process, its dynamics and outcomes or on the exploration of diverse board member characteristics. Table 2 presents a number of interesting findings.

Table 3: Number of female appointees in companies

Country	None	One or more	One	More than one
Sweden	9	91	3	88
Finland	18	82	49	33
Germany	20	80	29	51
Norway	20	80	10	70
United Kingdom	29	71	44	27
Switzerland	33	67	54	13
France	40	60	40	20
Austria	42	58	41	17
Netherlands	42	58	53	5
<i>Average</i>	<i>44</i>	<i>56</i>	<i>28</i>	<i>28</i>
Spain	60	40	20	20
Denmark	82	18	9	9
Belgium	82	18	9	9
Italy	88	12	6	6

With respect to specific characteristics, Hillman et al. (2002) found in a study on women and racial minorities in US boardrooms that female and African-American directors tend to come from a non-business background, hold advanced degrees and join multiple boards to a greater extent than white male directors. Overall, researchers do not agree whether women increasingly have (Daily et al. 1999) or do not have a business background (Kesner 1998; Hillman et al. 2002). Additionally, it is widely accepted that female and minority members of (supervisory) boards are more independent because they are not part of the ‘old boys’ network’ (Carter et al. 2002).

With respect to outcomes, Pearce and Zahra (1991), for instance, found in an empirical study of 15 Fortune500 industrial and 72 Fortune500 manufacturing companies that boards with a higher female–male ratio had a higher level of debate and disagreement. Furthermore, to use Pearce's and Zahra's nomenclature, 'proactive' and 'participative' boards were associated not only with higher perceived corporate performance but also with higher actual performance.

A Catalyst study (2004) reveals that financial performance is higher for companies with more women at the top. In this study, they surveyed 353 companies out of the Fortune500 on their financial performance, based on two measures – return on equity and total return to shareholders – and found that companies with a higher representation of women in top management have higher returns on both measures. Although the authors found evidence for a link between gender and performance, they stress that this does not mean a direct causation.

Ryan and Haslam (2005) examined the websites of all FTSE100 companies (UK) and identified 18 companies that had appointed 19 women in 2003 and 19 companies that had appointed 19 men in the same year. In their survey, they found that the share price of companies appointing women to their boards increased even in the event of a general economic downturn. In less unsettling times, the share price was kept stable. However, the conditions of appointment appear more interesting. Women are more 'likely to be placed in positions of leadership in circumstances of general financial downturn and downturn in company performance' (Ryan/Haslam 2005, 12) in the five months preceding the appointment. In the words of Ryan and Haslam (2005, 13) this means that women are 'placed on top of a "glass cliff"', with the result that their appointments are more precarious than those of men. However, the authors also point out that company performance is determined as much by shareholders' perceptions and confidence, especially in the short term, as it is by the abilities of the board members. In this context, the appointment of women in times of poor economic performance could also be seen as a signal to shareholders that radical change is on the way (Furtado/Rozeff 1987, as cited in Ryan/Haslam 2005) and thus makes them more confident in the company's success, resulting in stable or even increasing share prices.

Recently, some researchers (Ashkanasy et al. 2002; Jackson/Joshi 2001; Jackson et al. 2003) have stressed that various diversity dimensions should be considered simultaneously: it is misleading to assume that the effects of each type of diversity are independent of the presence of other types of diversity. Carpenter et al. (2004) suggest that directors should be regarded as a 'bundle of attributes' that should be explored in terms of the interactions of the various characteristics of their personalities in order to understand their combined and cumulative effects on organisational outcomes.

Outlook

Two recent national initiatives, one German and the other Norwegian, aimed at increasing the number of women on supervisory boards, led us to examine research findings on the current state of gender diversity in Europe and North America in terms of key characteristics, as well as the impact of gender diversity on performance and on board dynamics and processes. However, this report is not exhaustive. It neither draws a complete picture of the current research landscape nor critically assesses presented results or identifies research gaps. Nevertheless, this report provides insight into a field of research that requires more attention in the future and which might provide general frameworks for the analysis of the impact of board member characteristics on outcomes and processes.

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