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EXECUTIVE WOMEN

Bringing women onto boards, by quota



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Mary Teresa Bitti, Financial Post · Friday, Nov. 5, 2010

Ann Katrine Hjelmberg is used to being one of a few women — or very often the only woman — in a group of men in suits. She is a marine engineer who became a mathematics professor before leaving academia for a career in business. Nine years ago, she made the decision to leave her native Norway for Sweden, where she felt

there was greater opportunity for women to move up into senior executive positions and onto boards.

The decision turned out to be a good one. Today she is director of sustainable business development for Stralfors AB in Sweden and is CEO of Hjelmberg & Lund, a venture capital firm.

The decision and her reasoning may come as a surprise, since Norway is renowned for its longtime focus in the area of gender equality. Five of the seven Norwegian political parties are led by women. Today, the minister of defence is a woman, while the minister for children, equality and gender is a man. Three out of five university/college students are women and more than 70% of the workforce is comprised of women.

Nevertheless, the labour market is very much divided by gender. In fact, Norway has one of the most gender-divided labour markets in Europe. Women typically work in service, healthcare and education fields, and it is particularly tough for women to move up the ranks in other sectors.

That changed in part on International Women's Day 2003 when a centre-right government introduced a quota law that would require 40% female representation on boards in public limited companies as well as state-owned limited companies. At the time, women held just 6% of board positions.

The government feels that reaching a level of balanced participation on all fronts is a question of democracy — and one that is ultimately good for business. “This is an industry goal not just a gender issue,” says Trond Giske, Norway's Minister of Trade and Industry speaking at the Board Impact Conference in Oslo last month. The conference brought together 120 participants from 30 countries wanting to learn about Norway's experience with the quota and its impact on business.

“This is about fulfilling the potential of the economy. Gender equality increases the number of participants and increases capability. With more people competing for top jobs, efficiencies increase. The European Union could boost GDP by improving gender balance in labour markets. We need women in business,” says Mr. Giske.

It's easy to see how the argument makes sense for Canada, too. According to Catalyst, a nonprofit organization working with global corporate business partners to help women advance in business, women make up 47.1% of the Canadian labour force, 37.2% of management but only 16.9% of corporate officers and 14% of board members.

A study by McKinsey & Company of the largest European companies in found that those with at least three women on their executive committees outperformed their

sector in terms of average return on equity by about 10% and operating profit by almost 50%.

As it turns out, Norway is perhaps the best testing ground for this radical form of affirmative action. After all, it has a long history of quotas, which were first introduced in the 1970s to encourage more women to enter government and politics. In 1986, Prime Minister Gro Harlem Brundtland introduced a quota in her cabinet and appointed a government featuring a record number of women. Since then, no Norwegian government has been formed with less than 40% women.

Even so, opposition to the board quota was fierce and came from all quarters. The outrage played out in the media with headlines such as “Nagging Women,” “Quota Law Completely Tragic.” Men and women alike rejected the quota, yet parliament passed the law in December, 2003. All state-owned companies were forced to comply by Jan. 1, 2006, and public limited companies had to comply by Jan. 1, 2008. Companies that did not comply risked being delisted from the Oslo Stock Exchange and having operations shut down.

Today, the quota is accepted and the concern over whether there are enough qualified women— the most often cited concern — has evaporated. The quota works at least in part because companies stepped up. In particular, the Confederation of Norwegian Enterprise (CNE), which represents 20,000 companies and 45% of Norway’s GDP, launched a training program called Female Future.

“We were against the quota — and still are — but we are in favour of more women on boards and in management positions,” says John Bernander, CEO of CNE. “We went to our business leaders and asked them to put together a list of women they wanted to groom for leadership roles in the company and the boardroom. These CEOs then became mentors for the program; this was critical.”

Since its launch in 2004, more than 1,251 hand-picked women have qualified to take on board posts and more demanding leadership tasks. As of May, 2010, 62% of the participants were offered board positions or advanced professionally to a more senior executive position. Japan, Austria and Uganda are initiating similar Female Future Programs.

In Norway, the dust-up over the quota has settled and those initial concerns are gone.

“I am against the quota on principal,” Jarl Ulvin, managing partner and director of investments at Odin Forvaltning, told the Board Impact Conference. “When we started to look for women, the fuss and confusion generated by the quota soon fell away. The women were there. I have to say, I am glad we have more women on boards. It is a non issue. You are looking for skills and now we are looking everywhere. And that is a good thing.”

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