THE SUNDAY TIMES

Where quotas can succeed

In Norway, 40% of directors of listed firms must be women, but that has led to a shortage of talent in certain areas

Carly Chynoweth
Published: 24 oktober 2010



Kristin Krohn Devold sits on the board of Aker, Norway's largest private company (Håkon Eikesdal)

When Norway introduced a law in 2008 demanding that women make up 40% of directors of listed companies, few business people liked the idea.

Men complained that standards would drop as inexperienced women pushed out better-qualified men. Women worried that they would always be seen as token appointees rather than executives with something to offer.

In the two years since the quota legislation came into force, however, the fuss has died down.

Fears that standards would drop seem to have been replaced by broadly positive views, said Mari Teigen of the Norwegian Institute for Social Research at Oslo University.

Her most recent study of Norway's public companies found that 72% of male directors and more than half of women directors now say that the quota has either made no difference or has improved board performance. Only 11% of men and 1% of women felt that working on a board had become more difficult.

Another assumption — that experienced male directors would be dropped to make room for women — also appears to have been groundless. Female directors now tend to hold a higher than average number of positions because there is great demand for experienced female candidates.

"But what is interesting is that [the quota] has had the same effect for men," said Teigen. "I think this is because younger, less-experienced men have been replaced by women."

In other words, standards are remaining high, although this concentration of power into a small group of men and women does raise questions about whether the changes have been good for accountability, as initially hoped by legislators. Teigen expects that this effect will dissipate over the coming years.

Women have also come round to the idea. "There was a lot of resistance here when the law was first proposed," said Elin Hurvenes, founder of the Professional Boards Forum.

"Women said they wanted to be elected on merit, that they were not interested in being a token woman.

"What they did not realise was that men had been on an informal quota for decades. A survey of the companies on the Oslo stock exchange in 2004 found 75% of the board members were male, aged between 56 and 69 years old, had attended the Bergen business school and lived within five miles of west Oslo.

"Diversity was not an issue and women were systematically ignored in board recruiting processes."

Bringing in the law did not give women an unfair advantage — it just stopped them being overlooked, Hurvenes said.

Despite the quota law's apparent success in Norway, Britain should not race to jump on the bandwagon. The two countries have different cultures and what works in one may not in another, Teigen said. "In Norway it is not a new thing to introduce quotas to promote gender equality. That quota tradition is very important for how this was made possible."

For example, the Norwegian Labour party has had a 40% women quota for election candidates for nearly 30 years.

Other supporting factors, such as subsidised childcare, also play a part.

"The advantage of a quota is that it drives a real focus on getting higher-quality women onto boards, and you do really need balanced boards to be effective," said Luke Meynell at Russell Reynolds, the headhunter. However, he thinks that "an unrelenting focus on a balanced board" will be more effective in Britain than a formal quota. More chairmen are recognising the value of a balanced board and more women are being selected as non-executive directors (Neds), he said.

With this increased demand, however, comes pressure on supply. While the research in Norway suggests that its companies are generally not recruiting women from other Nordic countries, the same is not true elsewhere.

The Miles Partnership, an executive search firm, is acting for several European businesses that are looking to Britain to find qualified women candidates.

"We are definitely seeing an increase in demand for women," said Simon Bartholomew, managing partner at the firm. "A number of continental companies are pursuing women to join their boards. It is happening here as well. The problem is a shortage of candidates.

"Women who are in full-time executive employment are in high demand to take on [non-executive roles], but of course they can only do one, so they are already full. There are also a number of women who are portfolio Neds who I am approaching about several other things, and

they are saying they are too busy. So we are already in a situation where good women are in high demand."

The solution, he said, would be for companies to start promoting female candidates who are not yet working at board level so that there is a larger pool of experienced talent, but no company wants to be the first to do something that is seen as risky.

"The other thing that will start to happen in the medium term is that women will see a flexible Ned portfolio career as an alternative to an executive career," he said. Women who might otherwise have aspired to a long career as chief executive, say, might instead take on a handful of non-executive positions.

Rising to the top

The proportion of women on the boards of big British companies has risen from 11.5% in 2008 to 13.6% in 2010. Across Europe, the proportion has increased from 9% to nearly 12% over the same time. Norway still leads the rankings, with women taking almost 38% of board roles — down from 44% in 2008, but still considerably higher than the 29% registered in 2006 before the quota legislation came into force.

Spain introduced a quota recommendation in 2008 and has since increased the number of women on boards by 67%, although they still make up only 11% of directors. Legislation is being discussed in France, which has contributed to a 57% increase in women directors, to 12%.

Nearly 85% of British companies have at least one woman on the board, compared with 81% in 2008.

Source: The European Professional Women's Network Board Women Monitor 2010

Recommend (5)
Print