

National Initiatives

Recently, Bündnis 90/Die Grünen (the Greens) in Berlin announced the establishment of an online database (www.aufsichtsratinnen.de) in which women can register who are willing to be a supervisory board's member (Biehl, 2005). The cause for the establishment of this database was the fact that the Landesgleichstellungsgesetz (LGG – State Equal Opportunitites' Act) which provides for gender parity in all committees and supervisory boards was not complied with according to the Beteiligungsbericht (Involvement Report) 2004 (Klotz, 2005). In fact, the quota was 15.37 percent instead of the provided 50 percent. The major reason named in this context is that the number of women willing and qualified to perform as a committee or supervisory board members is too low. In the opinion of the Greens the Berlin Senate does not actively try to increase the number of women. Thus, the creation of this database is inevitably and will provide companies with the opportunity to find qualified women for their committees and supervisory boards (Klotz, 2005).

With this database, the Greens copy a Norwegian initiative where more than 4,000 women have registered in a database and with that shown their interest to accept a chair in the supervisory board that was created in order to prove wrong the argument that there are no qualified and interested women (Aviva Redaktion, 2005; Klotz, 2005). From September 2005 on, 40 percent of supervisory board's members of private and state-owned enterprises must be women in Norway by law. If companies cannot prove until 2007 that they comply with this requirement these companies are excluded from trading at the Oslo Stock Exchange. Currently, on average for the top companies 8 percent of women are members of supervisory boards in Norway (Egon Zehnder International, 2004), compared with 3 percent in Germany (Aviva Redaktion, 2005)

Research on the field

We have taken these two initiatives as the trigger to explore academic research in this field. In this context, two academic tracks can be identified: (1) research on the status-quo of boards' and supervisory boards' diversity, and (2) research on the impacts of diversity of boards and supervisory boards.

(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 seen as the first survey in this context that is pan-European. 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), were available, but aggregated figures on a comparative European basis 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 less 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 percent of the corporate boardroom seats in Europe. However, the percentage varies from 22 percent in Norway to 2 percent in Italy (for details see Table 1). Even though some of the data seems to be quite promising it has to 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 of 41 and in Germany 66 of 83. Additionally large firms must not be representative for the national situation. For instance leads the recalculating of the Norwegian data including all public-listed companies instead of only the top ones to an average number of women on boards of 8 percent, instead of the 22.

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

Table 1: Average of women on national boardrooms

With respect to female appointees, it can be said that 28 percent of the surveyed companies have at least one women on their boards, while 28 percent have even more than one woman, the remaining 44 percent of these companies do not have a female appointee (for details see Table 2). Comparing this data with recent data on Northern America (Catalyst, 2003a and 2003b), 13.6 percent women are members of the board in the US and 11.2 percent in Canada, compared with 8 percent in Europe. Only 10.8 percent of US companies and unexpected high 51.4 percent of Canadian companies do not have women on their boards, compared with 44 percent in Europe. In comparison to US companies, it comes across quite clearly that European companies have a lot to catch up on.

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

Table 2: Number of female appointees in companies

(2) Research on implications

Research on corporate governance has focused on the monitoring and control role of (supervisory) boards explained by agency theory for quite a while (Daily et al, 2003). However, the importance of board members' ethnic, educational and professional background is increasingly recognised (Hillman et al, 2000; Hillman et al, 2002). Consequently, research has focussed on implications of foreign (Oxelheim/Randoy, 2003; Ruigrok/van der Linde, 1999; Ruigrok et al, 2005), respectively female board members (Canyon/Malin, 1997; Singh et al, 2001, Singh/Vinnicombe, 2004), and on barriers for these groups to being appointed (Burke, 1997; Ruigrok et al, 2005; Singh/Vinnicombe, 2004) not only in Europe, but also in Northern 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 members' characteristics that make the difference. Below some interesting findings are presented.

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 higher degrees of debate and

disagreement. Furthermore, in Pearce's and Zahra's nomenclature proactive and participative boards were associated not only perceived with higher 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 as to their financial performance that was examined by two measures, the return on equity and the total return to shareholders, and found that companies with a higher representation of women in top management have higher returns on both measures. Even though 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 and identified 18 companies that appointed 19 women in 2003 and 19 companies that 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 general economic downturn. In less unsettling times, the share price was kept stable. However, the conditions of appointment appear being 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'" resulting in appointments more precarious than those of men. However, the authors also point out that the company's performance in reality is determined as much by shareholders' perceptions and confidence especially in the short-term as it is by abilities of the board members. In this context, the appointment of a 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.

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 directors tend to come from a non-business background, to hold advanced degrees, and to join multiple boards at a faster rate than white male directors. Overall, researchers do not agree whether women do increasingly have (Daily et al, 1999) or do not have a business background (Kesner, 1998; Hillman et al, 2002). Additionally, it is a widely accepted assumption that female and foreign members of (supervisory) boards are more independent, because they are not part of the “old boys’ network” (Carter et al, 2002).

Recently, some researchers (Ashkanasy et al, 2002; Jackson/Joshi, 2001; Jackson et al, 2003) stress that all diversity dimensions should be considered simultaneously, because they are based on the assumption that the effects of each type of diversity are independent of the presence of other types of diversity. Carpenter et al (2004) urge to see directors even as a “bundle of attributes” that should be explored as to the interactions of the various characteristics of their personalities in order to understand their combined and cumulative effects on organisational outcomes.

Outlook

This brief report was aimed to give an overview of two recent national initiatives in order to increase the number of women in supervisory boards and to present roughly some research findings on the current situation of gender diversity in Europe and Northern America, on key-characteristics as well as on impacts of gender diversity on performance and on board dynamics and processes. However neither a complete picture of the current research landscape on the field was drawn nor were research gaps identified. Nevertheless this report might be seen as the starting point for a deeper pan-European exploration of the field.

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