

Breaking the Mould for Women Leaders: could boardroom quotas hold the key?

A Fawcett Society think piece for the Gender Equality Forum

Rowena Lewis and Dr Katherine Rake OBE, October 2008

At the inaugural Gender Equality Forum, businesses were frank in admitting that moving women into leadership roles was one of the greatest, and most intractable, challenges for workplace equality.

Despite an increasingly robust business case for female leadership, women's representation at the top is stagnating, and in some cases shows signs of regressing. We cannot afford to be complacent. Steering away from modest mechanisms to support women in the workplace, now is the time for a radical approach to driving a step-change in women's representation.

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Could boardroom quotas hold the key?

Norway was the first country in the world to insist on female quotas for company boardrooms. In the last six years women's representation as leaders of Norwegian business has risen from 6% to 44%. In the UK meanwhile, the 2008 EHRC **Sex and Power** report provoked a furore as national media digested the news that far from progressing, women's representation as UK leaders has for the most part regressed or stagnated¹.

In 2007, McKinsey and Catalyst's respective analyses made a significant contribution to the business case for women leaders. Both reports demonstrated a correlation between women's representation at board level and the financial performance of companies worldwide, pin-pointing a 30% turning point at which women's representation has a significant impact across a set of corporate performance indicators.

The business of attracting, retaining and promoting the best talent is of primary concern to all UK businesses, particularly in the current financial climate of uncertainty. In this think piece The Fawcett Society invites you to consider the potential impact of boardroom quotas in Norway - where the impetus to 'fish outside the pond' uncovered female talent and increased representation from 6% to 44%. What impact does this promise for corporate performance, and for inspiring greater female representation across all echelons of Norwegian business into the future?

When fellow European countries - including Spain, Germany and the Netherlands - are considering following suit, can the UK afford not to take radical action to tackle the downward trend in female representation in UK business? Can we dismiss the potential of boardroom quotas in the wake of success from all-women shortlists? And if we can be confident that quotas really aren't appropriate for the UK, what options are available to us that are radical enough to prevent the stagnation or gradual receding of women as UK leaders?

¹ One year on from the EOC's final Sex and Power report, women's representation had increased in only 8 out of 25 categories (and shockingly the number of women leaders had dropped in 12 categories)

The UK's female workforce

Women in the boardroom

- Just 11% of directors of the FTSE 100 are women
- There are only 8 ethnic minority women directors in FTSE 100 companies
- There are no Black British female directors in FTSE 100 companies
- Women's representation in boardrooms across Europe is increasing at a rate of 0.4% p.a.

The UK workforce

- Full-time workers in the UK work the longest hours in Europe
- UK occupational segregation by gender is significantly more pronounced than in other European countries
- Women have filled 6m of the 8m jobs created in the EU since 2000
- The UK will need an additional 5 million highly qualified workers within the next 10 years to compete globally

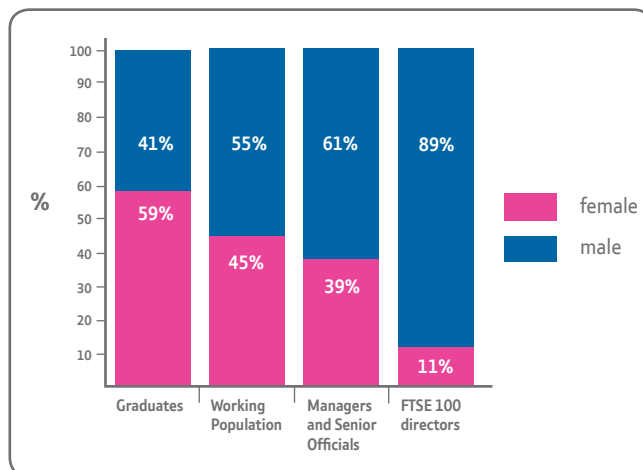
Current rates of change

- It will take 73 years to achieve equal number of female directors of FTSE 100 companies
- At the current rate of progress in growing women's representation in UK boardrooms, parity will be realised in 2225

Women's career trajectories

- 59% of university graduates in the UK are women
- 45% of the UK's working population is women
- 39% of the UK's managers and senior officials are women
- 11% of directors of the FTSE 100 are women

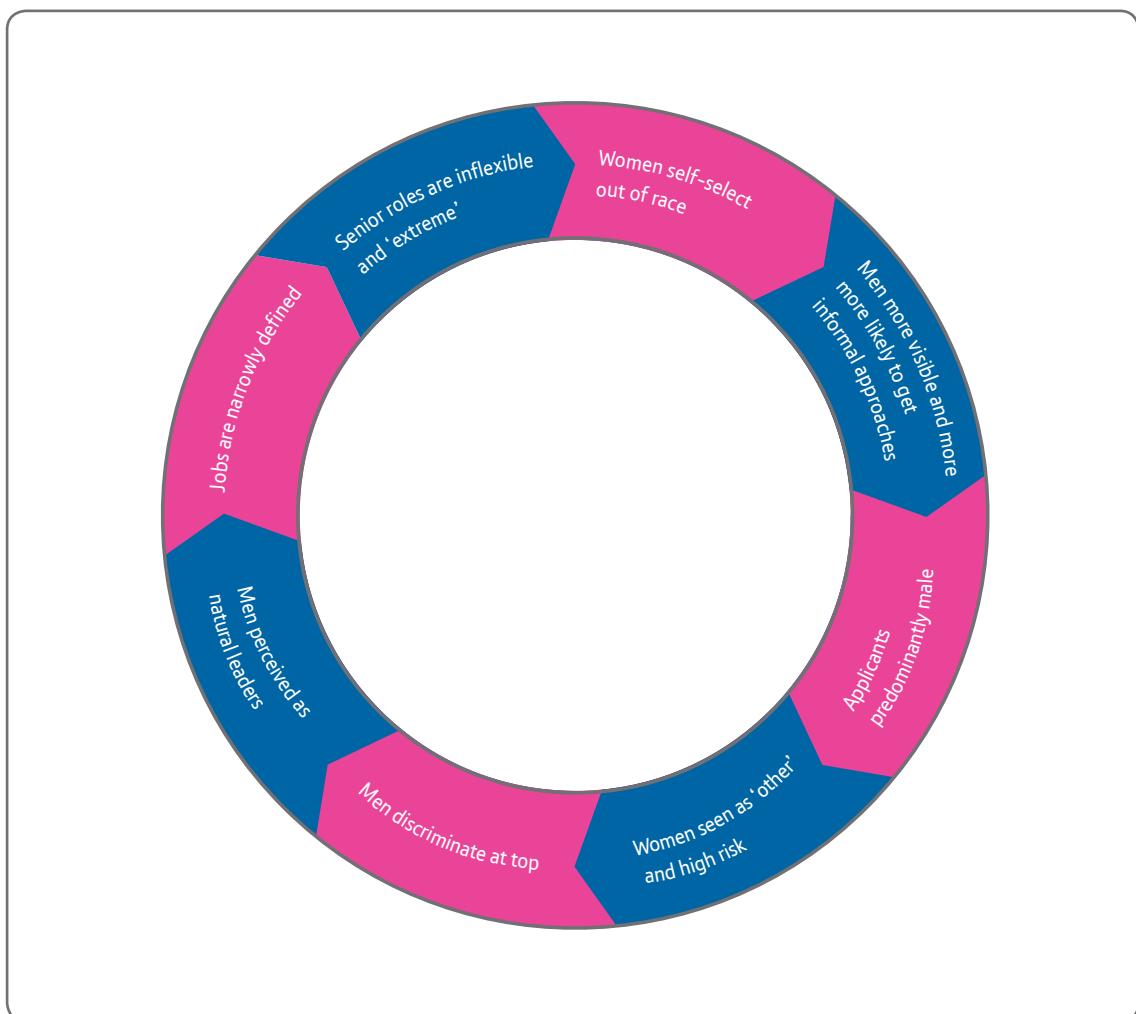
Trajectories of female and male workers



A vicious circle

The low proportion of women to men in leadership positions in UK business is testament to the fact that women in the UK face significant barriers to progressing to the very top of decision making structures. Formal selection processes for directors can teeter between casual to non-existent where “shoulder-tapping” and peer referral are endemic, in stark contrast to the rigorous processes laid down for the appointment of CEOs.

The vicious circle shows how barriers to supply and demand combine to create low levels of representation in the UK today.



The business case

Greater company performance

The case for increasing female leadership in UK boardrooms is simple and powerful, and can no longer be dismissed. Diversity at the top is a key to corporate competitiveness.

In 2007 both Catalyst and McKinsey have shown a correlation between gender diverse boards and greater company performance. A recent McKinsey report measured organisational excellence across 231 companies worldwide to reveal that companies with three or more women in senior management functions score more highly for each organisational criterion than companies with no women at the top. The study showed that performance increases significantly once a critical mass of 30% women at board level is attained; noting, however, no significant difference in performance for companies below the threshold.

McKinsey also looked at the European companies with the highest level of gender diversity in top management posts to analyse their financial performance relative to the average for their sector. McKinsey concluded irrefutably that these companies outperform their sector.

Meanwhile Catalyst has shown that Fortune 500 companies with the largest representation of women board directors and corporate officers achieve higher financial performance.

Greater potential to meet consumer needs

A diverse board reflects, and is better equipped to meet the requirements of a diverse consumer base. As long as women continue to make the majority (80%) of consumer purchasing decisions, increasing female representation in company boardrooms is a no-brainer.

Business cannot afford to pass up the opportunity for women to be involved in leading corporate strategy because of the potential to develop and tailor products to women.

Greater likelihood of attracting and retaining talent

Seventy five per cent of senior human resource managers around the world list attracting and retaining talent as their greatest priority. Competition for skills and experience is fierce, and increasingly relevant in an insecure economic climate. Diversity is key to attracting the best talent. The divide between public and private life is eroding and women and men increasingly seek workplaces with values that resonate with their own.

Meanwhile female entrepreneurship is thriving. But can companies afford to lose out on a talent pool of accomplished business capabilities increasingly applied to growing successful small businesses?

The global picture



Sources: European Professional Women’s Network; Catalyst; Centre for Women and Democracy; and R Harwenden, New Zealand Women Directors

Analysis of women’s representation as leaders across business and politics shows a subtle correlation between political representation and representation in the top echelons of business, with Scandinavian countries (Norway, Sweden, Finland and Denmark) and the Netherlands occupying the top positions.

From here the correlation is not so forthcoming. The baton is handed outside Europe with impressive levels of representation in New Zealand, and then mid-range figures for the US, Australia, Canada and the remaining European countries. The UK, meanwhile, sits low on the league table of countries worldwide with among the lowest levels of representation in both business and politics.

Several countries have achieved higher representation very recently. This includes the Spanish figure for political representation, and the Norwegian figure for directorships. Indeed, while women’s representation is lower in business than in politics in each country, following the recent impetus on boardroom quotas Norway is the sole exception to this rule, where the 44% representation in business now outstrips 36% for political representation.

Norway's boardroom quotas

An unlikely approach...

In 2002 just 6% of board positions in Norway were occupied by women. Six years on and board representation has risen to an unprecedented 44.2%. During that same period European board representation has risen from 2% to 9.7%.

Nothing short of taking a sledgehammer to the glass ceiling could have led to such a revolution in Norwegian leadership. Indeed shock tactics employed by Conservative minister Ansgar Gabrielsen in 2002 were brusque but effective. Gabrielsen went public with the introduction of a 40% quota for women on publicly listed boards, before consulting cabinet colleagues.

**“Sometimes you have to create an earthquake,
a tsunami, to get things to change”²**

At the time of Gabrielsen's announcement 470 out of the 611 affected companies were without a single female board member. Private companies were initially given until July 2005 to increase the number of women on boards. By this time representation had quadrupled to 24%, but was still shy of the 40% target. Legislation was drafted giving companies until 1st January 2008 to meet the quota.

In spring 2008 the Norwegian government announced full compliance, with between 560 and 600 women voted onto company boards.

...or a model to be replicated?

Spain passed similar legislation in 2007, where just 6.6% of board seats are currently filled by women. Companies will have until 2015 to ensure women make up 40-60% of board positions; companies fulfilling the quota will then gain priority status in the awarding of government contracts.

This legislation is set to revolutionise Spanish boardrooms. It is one of a series of emerging initiatives to promote gender equality in public and private life, including Spain's first majority female cabinet in April 2008, and the introduction of a housework-sharing clause in civil marriage contracts.

Germany has taken up the challenge with the introduction of 'soft' quotas in the form of a voluntary charter to gender equality; meanwhile the Netherlands is pledging the same commitment to move women into leadership roles.

² Ansgar Gabrielsen, the minister responsible for introducing 40% boardroom quotas for women in 2002

How did they make it work?

Scandinavian countries are reputed for their progressive approaches to gender equality across public and private life, so it is perhaps unsurprising that Norway leads the race towards boardroom parity.

At 36%, Norway boasts one of the highest proportion of female political leaders in the world, and a progressive welfare state where free childcare is widely available, maternity leave on full pay lasts a year and paternity leave lasts six weeks.

Even within this context, the Norwegian government faced stiff opposition to quotas. Extreme scepticism was shown by leading bodies including the Confederation of Norwegian Enterprise (NHO) who quoted the risk of tokenism, and the loss of male board representatives to make way for poorer quality women candidates, as arguments against the move.

However six years on companies 'found the local waters better stocked than expected'. Ex-cabinet members were brought in to fill the positions, cross-border recruitment drives took place, as well as company-led initiatives to cherry-pick and promote existing female talent. Inevitably some male board members did step aside, but to avoid losing male directors, a small number of companies merely expanded the size of their boards to introduce a greater female presence.

Female Future

Following the 2002 announcement, the Confederation of Norwegian Enterprise (NHO) surveyed Norwegian companies and found that whilst 84% were positively in favour of increasing women's representation at management and at board levels, these same companies considered that there was a lack of female candidates for the leading positions.

Despite its earlier scepticism, the NHO established the internationally acclaimed Female Future - a unique 18 month training and networking programme to identify and fast track talented women in the Norwegian workforce into leadership positions. Female Future followed a strategy of "pearl diving", where NHO member companies would nominate a minimum of three women candidates for further training and support to reach the NHO's network of boards.

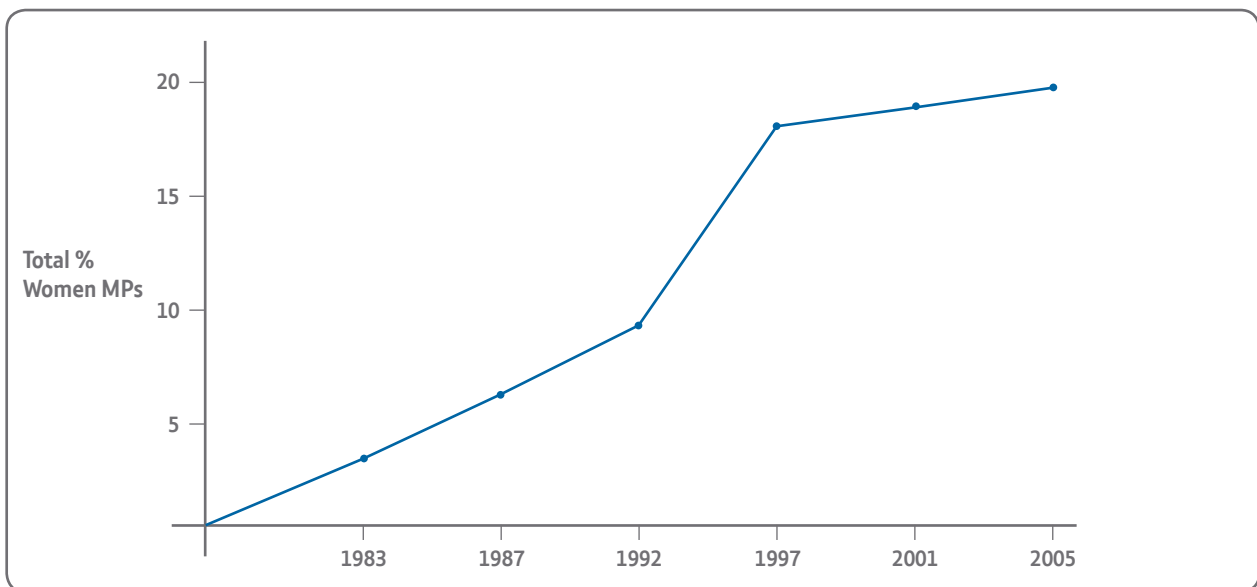
Of the 600 women who have successfully completed the programme, 60% have gone on to receive invitations to join Norwegian boards.

Positive action

All-women shortlists

The UK has seen an increase in the representation of women in British politics due in large part to legislation that has made it possible for political parties to take positive action in the form of all-women shortlists.

In the run up to the 1997 general election, all the main three political parties undertook some equality promotion measures such as extra training for women, but only the Labour Party used positive action in the form of all-women shortlists in some seats. The leap in women's representation at this time was significant, with the total number of women MPs doubling from 9% in 1992 to 18% in 1997.



UK quotas: lawful or unlawful?

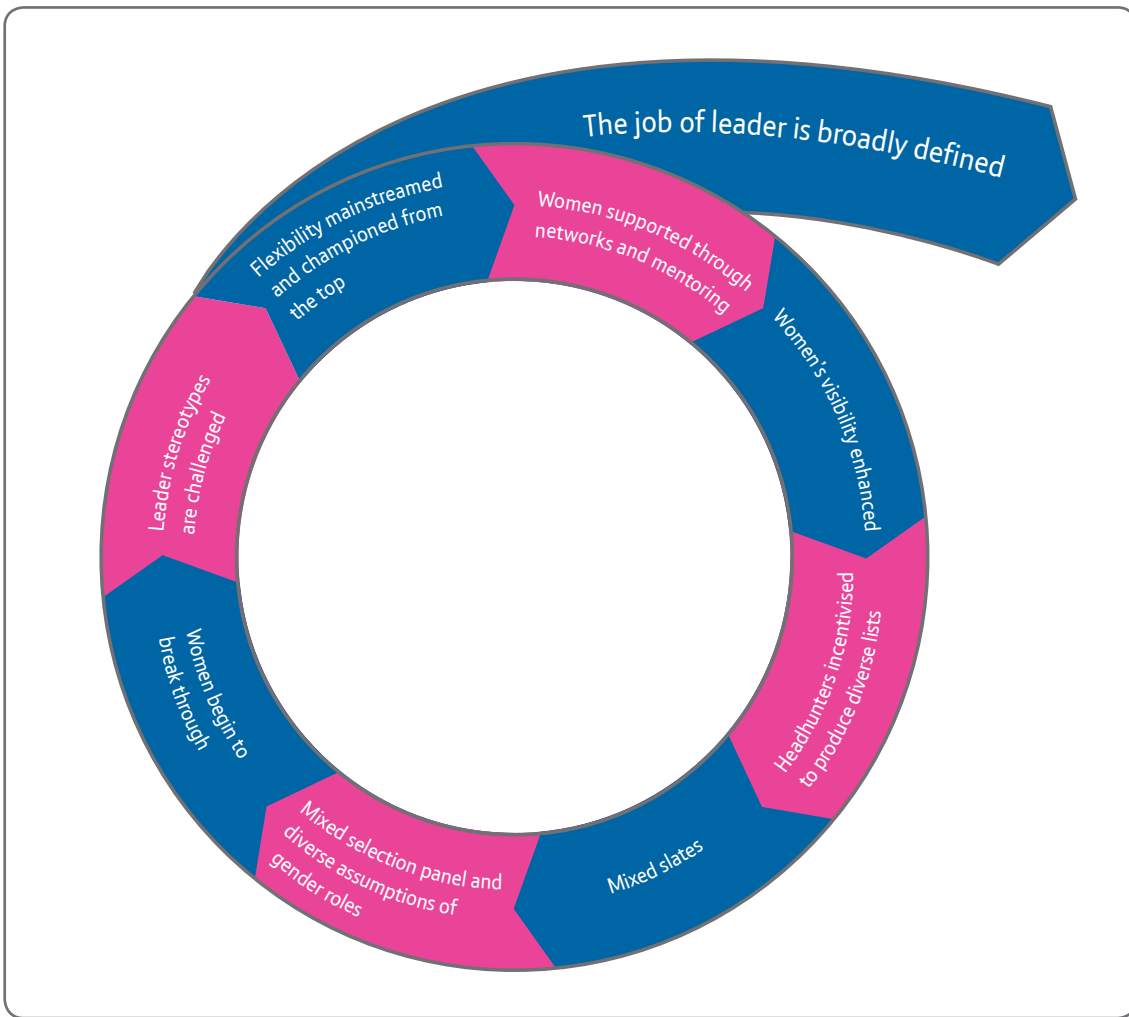
Positive discrimination in the UK is unlawful. However international human rights law recognises that affirmative action may be necessary in order to overcome past discrimination. Article 4 of the Convention on the Elimination of Discrimination against Women (CEDAW) provides for 'temporary special measures' in order to accelerate de facto equality between men and women.

The European Court of Justice set a prohibition to discriminate at point of selection on the basis of sex; this does not however prohibit the introduction of measures to remedy an historical situation. In Norway, quotas were used to set an aspirational target of 40% representation.

In the UK, the European Court of Justice would allow for a similar pathway towards boardroom quotas; however primary legislation would be advisable and the Equality Bill would provide an appropriate vehicle for this. Indeed the UK is well placed to proceed based on the pre-existing model of all-women shortlists.

From vicious to virtuous circle

We have seen how barriers to supply and demand combine to create low levels of representation in 'the vicious circle'. Now we consider a future where we have overcome challenges to moving women in to leadership roles, and where the percentage of women leaders in the UK has risen from 11% to closer to what McKinsey coined the 'critical mass' of 30%. In this future, we have broken the 'vicious circle' and replaced it instead with a state of diverse leadership as the norm.



What other practical but progressive options exist?

Boardroom quotas are a radical but not unthinkable means of affecting a paradigm shift in women's leadership. The Fawcett Society is well placed to challenge practitioners and policy makers to debate boardroom quotas, but what other steps might take us closer to increasing women's representation at the top?

- **Widen the search for talent**

Headhunters must take the lead on revolutionising approaches to filling executive roles. Searches should be based on skill sets and knowledge, and must look beyond the existing pool of experienced executives to bring new potential to light

The UK could consider following the New Zealand model of maintaining a transparent and accessible range of available databases maintained by public, private and voluntary sector organisations to hold the details of aspiring directors

- **Harness the power of procurement**

Learning from the impact of the Gender Equality Duty on the public sector, Government should use procurement channels to incentivise businesses to increase representation of women leaders

- **Frame diversity as integral to corporate performance**

The business case for diversity must be recognised and supported from the very top. McKinsey recommends the implementing of key performance indicators – such as proportion of women in company's various business lines, at each level of management, and among new recruits; pay levels and attrition rates between men and women in similar functions; ratio of women promoted to women eligible for promotion

- **Take action to counter even subtle forms of discrimination**

Managers and all those involved in recruitment processes must be trained to recognise the value of diversity and to identify prejudices that affect decisions

Businesses can encourage women's progression into leadership roles by ensuring there is at least one woman on every shortlist for promotion

Conclusions

The case for harnessing the power of female leadership in UK business is incontestable. The case for the economy is equally robust, given that the UK stands to gain £23bn (the equivalent to 2% of GDP) by better harnessing women's skills.

Whilst it is still too early to measure the real impact of Norwegian quotas, we must acknowledge that this bold move has overturned claims of any absence of female leadership potential, has demonstrated that a significant step-change in women's representation is achievable, and has established clear pathways to support female talent into company boardrooms.

In the words of the former Equal Opportunities Commission some form of 'mechanism or intervention' is required to break the vicious circle we currently reside in, so that women's representation can progress to a virtuous circle. Can we confidently dismiss boardroom quotas for the UK? And if so, what radical mechanisms are available to us, to enable UK business to release the dormant potential of an underutilised workforce and ignite the potential for women's leadership?

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Gender Equality Forum

In 2008, the Fawcett Society launches the Gender Equality Forum as a new and progressive space for businesses to drive the future of gender equality across a series of focussed debates.

This think piece was developed to extend and challenge contemporary thinking on mechanisms towards greater female representation in leadership positions in the UK workforce. It follows the inaugural think piece - **Women and the Future Workplace: a blueprint for change** - calling for transformed UK workplaces fit for women, and the second resource - **Harnessing the Power of Difference: race, gender and the future workplace** - that challenged leading diversity practitioners and policy makers to tackle the 'double invisibility' of ethnic minority women in the workplace.

The Fawcett Society

The Fawcett Society is the UK's leading campaign for gender equality. When individual women are able to realise their potential, the benefits will be felt across society. The Fawcett Society makes a difference by campaigning for legislative change, influencing practice, and empowering women and men to effect change at a grassroots level.

www.fawcettsociety.org.uk