

For the few not the many? The effects of affirmative action on presence, prominence, and social capital of women directors in Norway

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draft date: September 30, 2010

Acknowledgements

We would like to acknowledge the valuable feedback received from Catherine Appleton, Brice Dattée, Gerard George, Geraldine Healy, Ammon Salter, and Janne Tienari as well as participants at Equal Opportunities 2009 Conference and the 2010 European Congress of the International Industrial Relations Association (IIRA).

Abstract

Governments have implemented various affirmative action policies to address vertical sex segregation in organizations. A gender representation law was introduced in Norway, which required public limited companies' boards to have at least 40 percent representation of each sex by 2008. This law acted as an external shock, and this paper aims to explore its effects. In particular, it explores the gender bias, the emergence and sex of prominent directors, and directors' social capital. We utilize data from May 2002 to August 2009 to analyze these aspects. The implied intention of the law was to create a larger pool of women acting as directors on boards, and the law has had the effect of increasing the representation of women on boards. However, it has also created a small elite of women directors who rank among the top on a number of proxies of influence.

Keywords: affirmative action; board of directors; Norway; prominence; social capital; women

Introduction

The division of labor by sex appears throughout human history, and tends to be hierarchical, where men typically retain top positions and women remain relegated to the bottom of such hierarchies (Hartman, 1976). Although forms and patterns vary across countries and between regions, this division is pervasive across economic development levels, political systems, and diverse religious, social, and cultural environments (Anker, 1997). The absence of women in decision-making processes, especially on corporate boards has become a key concern (Burke & Vinnicombe, 2009). This has led to a growing interest among policy-makers in ensuring that corporate boards are gender balanced. Moreover, Huse, Nielsen & Hagen (2009) argued that the recent lack of confidence in corporations has given renewed attention to the areas of corporate social responsibility, corporate governance, and the composition and roles of boards of directors. As a result, the inclusion of women and employee elected members on boards is of substantive topical interest (Huse et al., 2009). This paper aims to explore a recently introduced gender representation law in Norway, which required corporate boards to be composed of at least 40 percent of each sex.

Barriers for women's career advancement have been an important area for organizational research (e.g., Acker, 1990, 1994, 2006a, 2006b; Collinson, Knight & Collinson, 1990; Kanter, 1977). Singh & Vinnicombe (2004:479) found that women are virtually absent from very senior positions in the FTSE 100 companies, and argued that "male directors form an elite group at the top of the UK's corporate world, and few women break through this glass ceiling into this elite, despite making inroads into middle management". British women made up approximately 11 percent of directorships in 2007 (Sealy, Vinnicombe & Singh, 2009). Similar patterns are evident in the rest of Europe and the US, where women held approximately 14.6 percent of directorships in 2006 (Joy, 2009:15). This indicates that sex remains a barrier for career advancement to the boards of directors in large companies (Singh & Vinnicombe, 2003). This apparent lack of representation and exclusion of talent deprives boards of intellect and leadership from women (Huse & Solberg, 2006; Singh & Vinnicombe, 2004).

State intervention is used globally to counteract vertical sex segregation and the preferential selection of men over women. Such political strategies aim to create more equal, democratic societies, and leverage the human potential that exists. Chang (2000) argued that there are mainly two forms of state intervention to enhance the participation of women in the labor force. The first type is concerned with ensuring equality of access for both sexes. In this case, governments can intervene by passing legislation that either promotes or inhibits a sex's access to participate in an occupation. The second type is the provision of substantive benefits. For example, governments can support families by providing child care, which in turn, enables both parents to participate in the work force (Chang, 2000: 1662-1663). The focus of this article is on the former of these two types of state intervention.

Although the goal of all equality strategies is to increase equality among people and between specific groups, numerous strategies exist (Jewson & Mason, 1986; Miller, 1996). From a liberal perspective, the main focus has been on "soft" strategies. These strategies have highlighted the need for equality of opportunities. Conversely, a more radical perspective has focused on the equality of outcomes. From such a perspective, "hard" strategies using quotas and earmarking has been argued for. Although the use of "hard" strategies are fundamental approaches in certain countries (e.g., Norway), they are not

considered appropriate in others, such as the UK. In addition to the above mentioned perspectives, a set of new approaches has recently emerged. For example, diversity management has turned the debate on equality around by focusing on the business outcomes of employing a diverse workforce instead of justice, moral, and ethical issues (Wrench, 2005).

Equality strategies are often implemented through affirmative action policies. Affirmative action “is a generic term for programs which take some kind of initiatives, either voluntary or under the compulsion of law, to increase, maintain, or rearrange the number or status of certain group members usually defined by race or gender within a larger group” (Bacchi, 1996:X). It is an approach that has been used by governments in tackling vertical sex segregation in organizations as well as other forms of inequality and discrimination. For example, governments can ensure equality of access by passing legislation that either endorses or hinders a particular sex’s access to participate in certain occupations.

As affirmative action can be the preferential selection of a minority group’s members with the aim of eradicating preferential selection, it is controversial and debated (Huse et al., 2009). As a result, it has been on the political agenda in many countries (Teigen, 2000). However, the attitudes towards equality strategies and approaches in use differ. For example, in Norway, affirmative action is considered a key approach in reducing inequality. Conversely, in the USA where affirmative action has had a long standing tradition, the political climate has turned against it and diversity management has gained traction. In fact, diversity management has received a great amount of attention in recent years from academics and policy-makers, and become an important strategy for companies (Singh & Vinicombe, 2003). In particular, there has been a trend in shifting from equality management towards diversity management.

Corporations are critical actors in the public sphere, and as a result, directors on their boards can exert influence over society in general. In recent years, there has been growing awareness and public debate about the gender composition of corporate boards (Tienari, Holgersson, Meriläinen & Höök, 2009). This awareness has led to the identification of three stakeholder approaches to increasing women’s representation on corporate boards in various countries. First, the coercive approach, which supports the use of government legislation, has been implemented in Norway and proposed in Sweden and France. Second, the liberal approach assumes that organizations will voluntarily consider appointing women to boards. This has been the primary attitude in the US and Canada. Third, the collaborative approach, which emphasizes cooperation among various stakeholder groups, has been the main approach observed in the UK (Burke & Vinnicombe, 2009; Dattée and Barlow, 2010). As a consequence, there is not a collective agreement on dealing with the gender imbalance on boards.

Given that Norway is the first country to implement a gender representation law for the boards of public limited companies, it represents a timely case for other countries discussing similar strategies. Specifically, the Norwegian case sheds light on how companies comply with a gender representation law, and how such a law affects directors’ individual influence. In turn, an understanding of possible consequences might highlight issues and guide policy-makers considering similar laws.

The case of Norway

According to the 2009 Global Gender Gap report (the World Economic Forum, 2009), equality between the sexes is not achieved in any country. However, great disparity exists among regions, and the Nordic countries, including Norway, have consistently been ranked the top countries on the equality index. Norway is characterized by its woman-friendly social-democratic welfare approach and egalitarian society (Esping-Andersen, 1990; Hernes, 1987). This assertion is based on the facts that women's employment rate is almost that of men, women are well-represented in politics, and educational attainment is higher among women than men (Hausmann, Tyson & Zahidi 2008; UNDP, 2005). A possible cause of the high employment rate for women is that a variety of strategies for promoting gender equality has been employed. In addition, a long list of initiatives has been introduced over the past three decades with the aim to challenge and eliminate discrimination and inequality between the sexes. In fact, this was the main goal of the Norwegian Gender Equality Act of 1978. In particular, the act aimed to improve the position of women in all aspects of society. In 1981, the act was amended with legally regulated quota arrangements, which regulates the gender composition of publicly appointed boards, councils and committees (The Norwegian Government, 2008). The strategies that are most commonly used in Norway include preferential treatment, promotion procedures, and minimum representation rules (Teigen, 2003). Gender quotas have been a common tool in Norwegian equality policies, and employed to a greater extent than in the other Nordic countries (Skjeie & Teigen, 2005).

Although the elected part of the political arena is not subject to gender quotas, five out of seven of the main political parties in Norway have voluntarily introduced internal regulations for gender balance. This has resulted in women holding approximately 38 percent of the seats in the parliament and 44 percent of Cabinet seats between 2005 and 2009. Interestingly, a similar percentage is not found in other senior positions of society, such as in companies in the private sector and in academia (Hansen, 1995; Seierstad & Healy, in process; Melkas & Anker, 1997). The lack of women in senior positions and the strong pattern of vertical sex segregation in organizations in the perceived equal Norway can be seen as a paradox (Melkas & Anker, 1987; Raaum, 2001; Healy & Seierstad, in process). In particular, women have been underrepresented at the highest level of public limited companies, the board of directors (Grønmo & Løyning, 2003).

The Norwegian model for boards of directors is characterized by a one-board, two-tier system. This implies that a single board of directors exists, which in turn, is composed of shareholder representatives and employee representatives. In addition, a second tier exists where a managing director or CEO is delegated the day-to-day running of the organization (Huse 2007:106). The boards' duties, and sources of influence, include defining the company's purpose and broad objectives; selecting, appointing, supporting, and evaluating the chief executive; providing advice; tying the company to other organizations; financial stewardship; and monitoring and evaluating performance (Golden & Zajac, 2001; Lervik, Huse, Hansen & Svensen, 2005). To ensure that the senior management and the board do not overlap, the chief executive officer cannot be the chair of the board. Moreover, the employees are responsible for electing one-third of the directors if the firms have more than 50 employees (Huse et al., 2009).

Randøy, Oxelheim & Thomsen (2006) found that Scandinavian boards were surprisingly homogenous in terms of sex. They argued that the low levels of sex diversity seem puzzling given the participation of the women in the workforce. This finding was supported in a study of all the Norwegian banks and the 200 largest companies in 2000 by Grønmo & Løyning (2003), where 14.3 percent of directors were women.

As a result of vertical sex segregation in the private sector, in December 2003, the Norwegian Government included in the Public Limited Companies Act that the boards of directors of companies bound by the law should be gender balanced. In a dialog between the Norwegian Government and the private sector, it was agreed that the amendment should be withdrawn if the companies voluntarily complied by July 2005. However, the proportion of women had only risen to 16% (The Norwegian Government, 2008). Therefore, the Norwegian Government introduced in January 2006 a gender representation law requiring public limited companies to compose their boards of directors with at least 40 percent of each sex within a two-year period.^{1,2}

The introduction of gender quotas within the private sector has been controversial. Although strong arguments were raised by the opposing side, the Norwegian Government argued for introducing gender representation rules on the grounds of justice and utility (The Norwegian Government, 2008). From a justice perspective, equality between the sexes, a fairer society, and a more even distribution of power were important factors for the Government to introduce the law. On the basis of utility, the Government argued for making use of the entire workforce in an effort to utilizing all the potential human resources available. As women attain higher education to a greater extent than men, it is important to take advantage of their talent and competence. In addition, business cases were used to indicate that diversity has a positive financial impact on the companies. In turn, recruiting more women to the boards should increase diversity, and thereby positively influence the bottom line (The Norwegian Government, 2008).

Given that the main arguments for introducing the law were utility and justice, we aim to study the early effects of it. The boards of directors of public limited companies in Norway went through radical changes when the new gender representation law was introduced and there is little knowledge of its effects due to the recent implementation. The media has highlighted a number of stylized facts; however, a deeper investigation into the effects remains to be done. This paper is a first step towards

¹ The law also applies to all publicly-owned enterprises. This includes state-owned limited liability and public limited companies, state-owned enterprises, companies incorporated by special legislation and inter-municipal companies (The Norwegian Government, 2008).

² For boards with less than nine directors, special rules exist. With these rules, the minimum percentage representation of each sex varies between 33 and 50 percent. More specifically, each sex must be equally represented if a board is composed of two, four, or six directors (strict 50 percent balance), and if there are three, five, seven, or eight directors, the minimum representation of each sex is 33, 40, 43, and 38 percent, respectively. The legislation does not include employee representatives (The Norwegian Government, 2008).

such an investigation. Specifically, this paper explores the impact of the Norwegian gender representation law on the equality among directors on public limited companies board of directors.

The rest of the paper is organized as follows. We begin by stating our hypotheses. Then we present our data and the method used for collecting it. This will be followed by our findings. Finally, we will offer some conclusions and discuss a number of implications from our findings and areas of future research.

Theory development and hypotheses

The goal of affirmative action is to increase equality among specific groups. Although policy-makers often see equality as merely equal representation of each group, equality is multifaceted and can be measured along many parameters. In the specific case of investigating the use and effect of affirmative action on equality on boards of directors, we argue for the need to define our understanding of equality. For example, a key aim of the gender representation law was to increase the influence of women. Although representation is a first step towards influence, influence cannot be derived from representation. Following Kabanoff (1991), we argue that equality goes beyond representation, and understand equality as the ability to influence. In this context, we will look at three parameters of influence in addition to representation of women on corporate boards.

An interesting aspect is whether affirmative action is successful in creating equality where the affected companies moves beyond the minimum level towards a representation that reflects the wider society. An underlying motivation for the Norwegian Government in introducing the gender representation law was utility, which included the business case for diversity. Specifically, the Norwegian Government (2008) argued that competence to maintain a competitive position is homogenously distributed in the population, and thus, companies should draw on roughly the same number of men and women. Although a high number of women are in paid work and women are to a greater extent than men tertiary educated, a disproportionally high number of men compared to women were on public limited companies' boards. According to the utility argument, as the legislation brings more women onto boards, women will be seen as able for the task, and thus, companies will draw on women beyond the required representation.

The utility arguments have also been identified in gender research (for a review, see Skjeie and Teigen, 2005). The focus of the argument is on the organizational advantage gained by including women (Hernes 1987; Helgesen 1990). It states that women are an under-used pool of talent, have a distinct set of perspectives, a broader point of view, and extended legitimization bases. In addition, Helgesen (1990:xiii) illustrated the argument by stating: "working for a variety of companies over the years had convinced me that most organisations had absolutely no idea how to take advantage of the talent, skills, and ideas of the ever increasing number of women who were joining their ranks". She further argued that gender differences exist in management styles, attitudes, experiences, interests. Hence, a greater number of women in male-dominated companies will contribute to new thinking and ways of solving problems, which could result in higher productivity and a better working environment. In a board setting, Huse and Solberg (2006) found that women have the ability and do contribute positively to the company.

Given the focus on utility arguments for introducing the gender representation law in Norway, we would expect the proportion of women on boards to continue to rise after the end of the implementation period and increase above the minimum requirements. An interesting factor is therefore to investigate further whether the board or the election committee is persuaded of the business case for having women on boards. To investigate this question, we put forward the following hypothesis:

Hypothesis 1a: The proportion of women on boards will continue to rise after the end of the implementation period and increase above the minimum requirement.

The chair of the board is often seen as the most influential director on a board by being responsible for managing the board, setting its agenda, and having a close relationship with the chief executive officer. Fiss (2006: 1015) pointed out that “the relationship between the CEO and the board chair has been identified as a linchpin of successful corporate governance” and that, while the chair runs the board, the CEO runs the company. Hence, both positions are extremely important for companies, yet none of the positions are affected by any gender representation laws.

Through legislating, a minimum level of representation within a group can be reached by quotas. Several studies point to the importance of having a balanced setting for group characteristics (such as sex stereotypes) to be eradicated (Kanter 1977). Kanter’s (1977) seminal study emphasized the importance of numbers and how a roughly balanced setting will neutralize the group characteristics, expectations and stereotypes that are present in an unbalanced setting at the organizational level. Women are often considered simply token when there are less than 15 percent women in an organization. According to Kanter (1977), sex is still relevant in a tilted group (i.e., when women compose between 15 and 40 percent of the organization). Conversely, when each sex is represented with more than 40 percent, the organization could be considered balanced. In this case, as an absolute majority group does not exist, sex would not be a substantial group characteristic. In fact, groups are likely to be formed due to other characteristics.

As only one person can hold the chair-position on a board, legislation cannot be enacted to ensure a gender balance. Therefore, the proportion of women chairs across all companies is an ideal variable for studying whether the affirmative action aimed at the directors in general has removed barriers to entry for women in related positions of influence. As the legislation ensures that boards are balanced groups, gender should become irrelevant, even for the role of chair (Kanter 1977). Thus, we hypothesize the following:

Hypothesis 1b: Given that boards are balanced groups, we would expect that women have also increasingly occupied the role of chair.

While most directors generally are only part of a single board, some directors are part of multiple boards (Grønmo & Løyning, 2003; Huse et al., 2009). We refer to these directors as prominent directors. By being prominent, directors gain access to other directors and knowledge. Grønmo & Løyning (2003) found in their qualitative study of Norwegian directors that prominent ones are more influential and their views carry more weight than others. Moreover, through interviews, they found that the directors believed that being prominent is a valuable way of acquiring knowledge and experience.

One of the main goals for the Norwegian Government (2008) in introducing the gender representation law was to create a more equal setting between the sexes. In particular, it focused on distributing power in the board room more equally as “reaching a balanced participation is a question of democracy”. Given that prominent directors are influential, it is interesting to study the evolution of prominence as this might contradict the goal of equality. In particular, if the maximum number of directorships that a single director holds has greatly increased, there has been a concentration of influence. More generally, if directors have become less similar in terms of prominence, this could signal that a select group of directors have gained a high level of prominence and created an elite group. Although it is beneficial to be prominent, if this benefit is only enjoyed by a select few directors, this might decrease equality. In order to achieve a more equal setting with a more even distribution of power, the maximum number of directorships that a single individual holds has not increased substantially, and therefore similarity among directors’ prominence has increased. To explore this issue, we put forth the following hypothesis:

Hypothesis 2a: The maximum number of directorships that a single individual holds has not increased.

The gender representation law has been a center of attention for the media. In particular, the media has highlighted the fact that certain women directors have attained a large number of directorships. These directors have been labeled the “Golden Skirts” by newspapers like the Financial Times.^{3,4} If this is a wide-spread issue, it is a relatively new phenomenon as Grønmo & Løyning (2003) found that the proportion of women dropped from 14.3 percent to 8.7 percent when only considering prominent directors in their dataset from 2000. The existence of a disproportionately large group of prominent women would be a contradiction of the Norwegian Government’s intention of creating a more equal setting with an even distribution of power. To investigate the existence of “Golden Skirts,” we put forth the following hypothesis:

Hypothesis 2b: Women and men are equally represented when only considering prominent directors.

Many scholars have applied a network perspective when studying boards of directors (Burt, 1978; Mizruchi, 1996; Zajaz, 1988). A network is a system whose elements (or nodes) are connected through ties (Wasserman & Faust, 1994). An investigation into the boards of directors can be conducted in two ways. First, it is possible to study the interdependence among companies. For example, Levine (1979) studied how companies were connected by having the same individual on both their boards of directors. By being connected, communication, knowledge transfer, and coordination are facilitated between companies (Zajaz, 1988). It has been found that firms which are highly embedded in the network of firms are more likely to survive (Uzzi, 1996). Second, it is possible to study the interpersonal relationships among individuals that are directors on a set of boards. In this case, individuals can be

³ The Financial Times on June 14, 2009: <http://www.ft.com/cms/s/0/c6d8c8a2-5902-11de-80b3-00144feabdc0.html>

⁴ In Norway, the common term for prominent directors is “Styregrossist,” which is gender neutral.

linked by being directors on the same boards. Each director is assumed to possess unique knowledge, and by being connected to others, directors gain exposure to their knowledge. In this paper, we focus on the interpersonal network among directors.

Several scholars have argued for the benefits linked to certain types of networks (Burt, 1992; Freeman, 1978; Opsahl et al., 2010; Uzzi, 1996; Wasserman & Faust, 1994). While human capital is referring to individual qualities, social capital exists in relations among people (Coleman, 1988). Simmel (1950) was among the first scholars to explore which positions in a social network are advantageous. He argued that people in a position of *tertius gaudens*, or powerful third-party, gained some form of capital. Burt (1992) formalized this idea through the theory of structural holes. An individual can create structural holes by being connected to people who are themselves disconnected (i.e., broker between them). The theory assumes that an individual gains some form of social capital by having the ability to, for example, control the information flow between the others in a network. As Burt's (1992) brokerage measures are defined using the existence of ties among an individual's contacts, the measures are not well-suited for co-occurrence network data, such as the interpersonal network among directors (Opsahl, 2010; Wasserman & Faust, 1994). This is due to the fact that many ties exist among individuals' contacts in these networks by construction (e.g., the directors of a single board are all connected, and thereby form a fully-connected clique). However, the extent to which an individual is in 'the thick of things' and is able to broker can also be quantified by centrality measures (Freeman, 1978). One such measure is betweenness centrality, which assesses whether, and the extent to which, a node funnels the flow among others. In a social network, Freeman (1978) assumed that a piece of information flows between two people along the shortest path (i.e., the path that includes the least number of intermediate people). In turn, this assumption implies that the intermediate people are in a position of control. Formally, he defined the betweenness score of an individual as the number of shortest paths between others that passes through that person.

In a similar vein as with prominence, control over the flow of information among directors can be seen as a proxy of influence. Thus, it is interesting to study the evolution of social capital as this might disagree with the Norwegian Government's goal of equality among directors. To investigate whether the gender representation law has led to a dispersion of social capital or increased a select few directors' social capital disproportionately, we hypothesize the following:

Hypothesis 3a: The maximum level of a single individual's social capital has not increased.

Women and men may have distinct interaction patterns, and might form and utilize their personal networks in different ways. According to Kanter (1977), male dominated power structures, especially in the corporate world, are reinforced by men choosing men of similar background and interests. Nevertheless, as the gender representation law forced a change within the boardroom, directors' networks and their level of social capital would be affected. To assess the extent to which social capital is associated with a particular sex, we put forward the following hypothesis:

Hypothesis 3b: Women and men have equally levels of social capital.

Sample and data collection

To test our hypotheses, we collected a list of all the 384 public limited companies in Norway (Allmennaksjeselskap or ASA) that were available online through the Norwegian Business Register's website on August 5, 2009.⁵ We chose these companies as they are the ones bound by the gender representation law. Based on the list of companies, we collected all official announcements made to the register that were online. These announcements contain changes to the composition of the boards of directors since November 1, 1999. Since all companies did not change their boards immediately after the Register started publishing the announcements online, our observation period only starts in May 2002, and extends to August 2009. The choice of starting the observation period in May 2002 is based on a trade-off between the inclusion of companies and the length of the observation window. Of the 384 companies, 196 were incorporated after November 1, 1999. These companies are included in our dataset on the first of the following month of their incorporation. The additional 188 companies (incorporated before November 1999) changed their boards at various times. We chose to start the observation period in May 2002 as 90 percent of these companies had at least changed their board once by that time. Thus, information on their board compositions was published online. The remaining 10 percent (19 companies) are included in the dataset as soon as they changed their boards' compositions. Companies that filed for bankruptcy are removed from the sample in the month following such an announcement.

From the board compositions, we extracted a list with the names of all directors. From this list, we excluded employee representatives as the legislation does not affect them in the same way.⁶ Since mistakes could have occurred while entering the data and people may change their name, this list was manually cleaned by studying the compositions over time and comparing changes. For example, Alexandra Bech Gjørsvik was a director of Schibsted ASA from 2001 until 2007. However, in 2001 and 2002, her name was listed as simply Alexandra Bech. Without the manual cleaning, she would have been included as two separate people in the dataset.

To determine the sex of the directors in our dataset, we collected lists of all male and all female first names belonging to more than 200 people in Norway from Statistics Norway.⁷ We cross-referenced these two lists with the first names of the directors. However, some first names were not in either of the lists, and some first names were included in both lists. In an effort to avoid having missing data, we conducted a web search to determine the gender of directors with these names.

⁵ <http://www.brreg.no/>

⁶ We have run the analysis with and without the employee representatives included. Our results are substantively similar.

⁷ <http://www.ssb.no/>

Findings

We start by investigating the direct effects of the gender representation law. Specifically, we look at whether the proportion of women on boards has continued to rise above the minimum requirement after the end of the implementation period. Figure 1 shows the average proportion of women on boards. This proportion shows that representation of women on boards has increased greatly over the observation period. In particular, the highest increase occurred between mid-2005 and 2008, which is the period between the enforcement of the law being announced and coming into force. The most dramatic increase happened in 2007, the final year of the implementation period. Moreover, from January 2008 to August 2009, there has been little change in the proportion of women. This could signify that companies are simply complying with the law, and not moving towards further equality between the sexes. As the proportion of women on boards has not continued to rise after the end of the implementation period and not increased above the minimum requirement, hypothesis 1a is rejected.

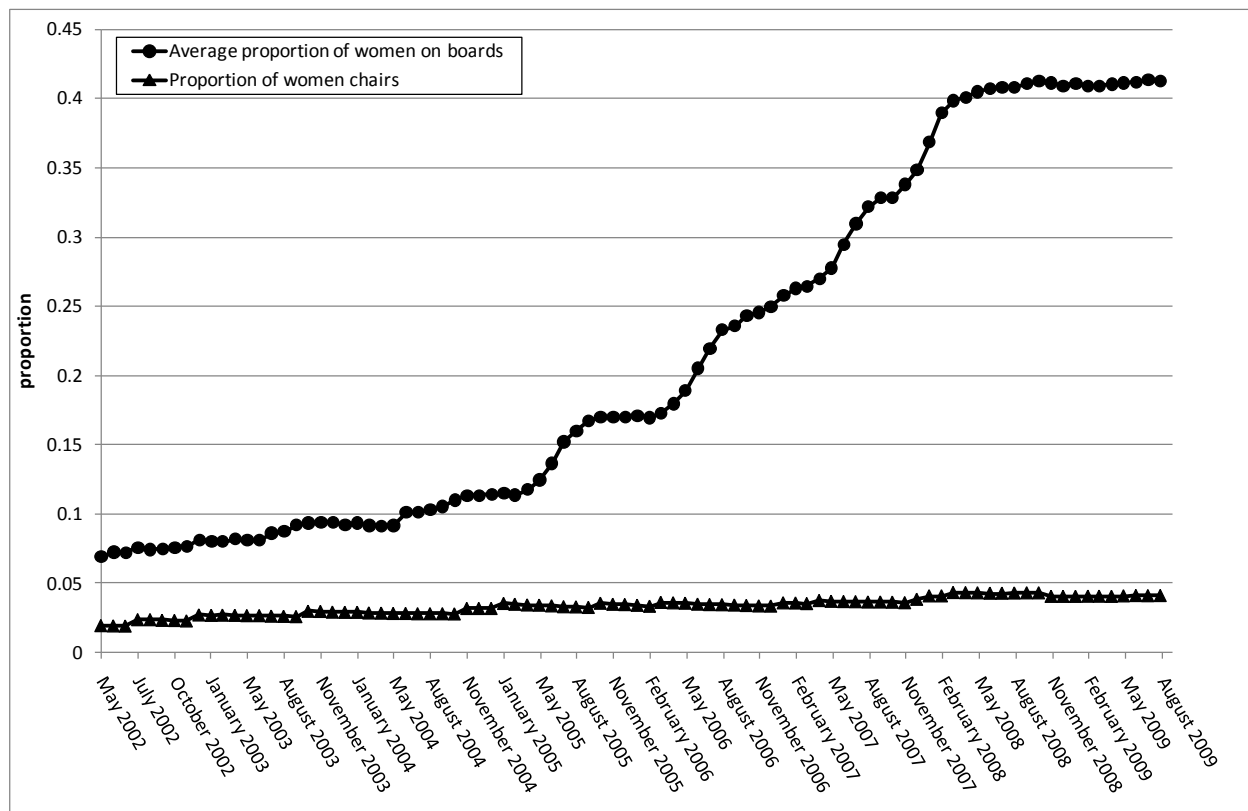


Figure 1: The average proportion of women across the public limited companies' boards of directors, and the proportion of boards with a women chair.

Hypothesis 1b questioned whether the gender representation law had any effects on the sex of the individuals in the most senior positions. Although women have become better represented during the implementation period of the law, Figure 1 also shows that few boards are chaired by a woman. From the beginning of the implementation period to August 2009, the proportion of boards led by a woman has increased from 3.4 percent to 4.3 percent. This suggests that the law has had a marginal effect on the sex of the chair and the boards remain internally segregated. As women have not gained a

substantial increase in access to the most influential position on the corporate boards in the period of the law, hypothesis 1b is not confirmed. The fact that both hypothesis 1a and 1b are rejected indicates that the private sector is unconvinced by the utility arguments for introducing more women. It is also possible that the time frame for utility arguments to be revealed is longer than the existing time window chosen for this study. If this is the case, then we would expect a similar study conducted after the lapse of five or ten years to show a greater number of women chairing these boards.

A reduction of prominent directors would be aligned with the goal of the Norwegian Government to create a more equal setting. Yet, we found that the number of prominent directors has increased substantially during our observation period. More specifically, the number of prominent directors rose from 91 to 224. Moreover, the maximum number of directorships that a single director holds has increased dramatically as shown in Figure 2. In fact, the maximum number has doubled. More specifically, in May 2002, one woman and two men were among the most prominent directors by being members of four public limited companies' boards each, whereas in August 2009, one woman held eight directorships. To further investigate the emergence of highly prominent directors, we calculated standard deviation to gauge the dispersion of directorships. Low dispersion would reflect equality as people have a similar value, whereas high dispersion would signal inequality. Dispersion has increased for most of the observation period. However, during the implementation period of the law, the rate of increase soared. As this finding corroborates the increase in the maximum number of directorships held by a single director, we do not find that the law has increased equality among directors when focusing on prominence. Therefore, we reject hypothesis 2a. On the contrary, we find that influence has been concentrated on a few individual directors, which further contradicts the equality intention of the gender representation law.

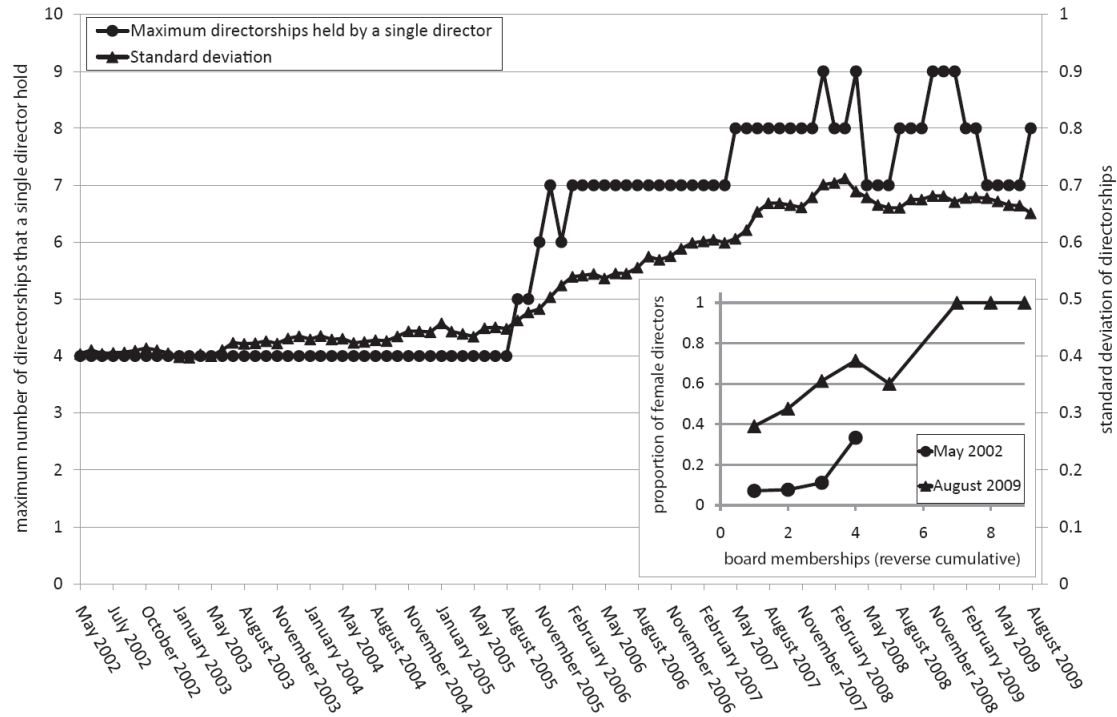


Figure 2: The evolution of the maximum number and standard deviation of directorships held by a single director each month. The inset shows the proportions of women at different levels of prominence (reverse cumulative) as of May 2002 (circles) and August 2009 (triangles). Similarly to Opsahl, Colizza, Panzarasa & Ramasco (2008), the reverse cumulative perspective is applied to highlight features of the most prominent individuals.

As the proportion of women on boards has risen, we also investigated whether this was the case among the prominent directors. At the beginning of our observation period, only 7 of the 91 prominent directors were women. The gender balance among prominent directors has changed considerably through the period, and at the end of the period, 107 women and 117 men were prominent directors. Thus, the increase in prominent directors is mainly driven by an increase in the number of women, which has led to a substantial change in the gender balance among prominent directors. In order to test hypothesis 2b, we calculated the proportion of prominent directors who were women and the proportion of all directors who were women every month of our observation period. The relationship between these two proportions has changed in the last decade. In May 2002, the proportion of prominent women was approximately the same as the proportion of women (7.1% of all directors were women, whereas 7.7% of prominent directors were women). However, in August 2009, the percentage of women among prominent directors was 47.8%, whereas the percentage was only 39.1% among all directors. Interestingly, by applying more restrictive definitions of prominence, the proportion of directors who are women generally increases, as can be seen from the inset in Figure 2. More specifically, if only considering directors with at least three directorships, 61.4% of them are women. When considering directors with seven or more directorships, all of them are women. As there is a distinct association between prominence and sex, hypothesis 2b is rejected. A disproportionally large group of prominent women (“The Golden Skirts”) has emerged.

In order to study whether the gender representation law has achieved a more equal setting and even distribution of power, we investigated whether the maximum level of social capital that a single director possesses has increased substantially, and whether similarity among directors' social capital has increased during the implementation period of the gender representation law. We constructed the network each month of all the directors that were a member of at least one board on the first of that month, and linked two directors if they were part of the same board. Given that only prominent directors are able to funnel information in the network, we calculated their betweenness score (Freeman, 1978). Figure 3a shows both the maximum and standard deviation values throughout the observation period. Although the values fluctuate each month, the values are roughly stable from September 2002 until the implementation period. Conversely, the values soar during the implementation period. As the maximum betweenness and standard deviation increase instead of decrease, hypothesis 3a is also not supported. Our findings suggest that inequality has increased rather than decreased as a result of the law.

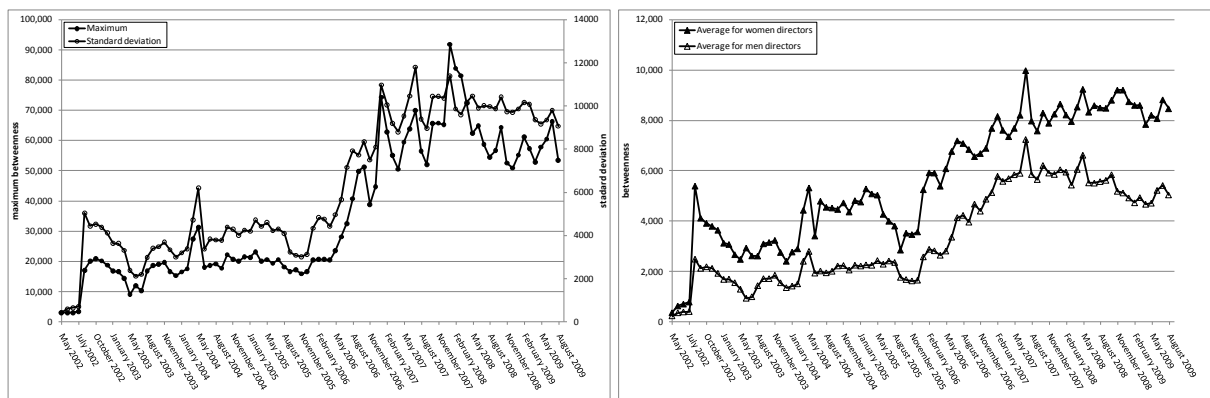


Figure 3: (a) The maximum betweenness (solid circles) and standard deviation of the betweenness scores for prominent directors (hollow circles), and (b) the average betweenness score for prominent women (solid triangles) and prominent men (hollow triangles). We chose to calculate the standard deviation and averages on the prominent directors as the non-prominent ones do not have a betweenness score by definition.

Figure 3b shows the average betweenness score for prominent women and men. These measures shed light on the effect of the law on each sex's average level of social capital. We found that in 2004 when approximately only 23% of directors were women, the average betweenness score of women was roughly twice that of men. This was followed by a sharp decline towards parity at the end of 2005. When the law was introduced in 2006, both women and men's betweenness scores rose; however, the rate of increase in women's betweenness score was much greater than men's. More specifically, women's betweenness score was approximately 70 percent larger than men's throughout 2009. As women and men do not have an equal level of social capital, we reject hypothesis 3b.

Conclusions

The paucity of women in corporate decision-making processes poses a democratic problem as large companies have substantial social and economic roles in society (The Norwegian Government, 2008). The number of women on corporate boards has increased over the last decade due to pressure from investors and the wider society in general (Huse et al., 2009). Although women are better represented,

policy-makers and researchers have noted that this process has been surprisingly slow. As organizations are still “managing to discriminate” (Collinson et al., 1990) after the introduction of equal opportunity legislation, a renewed focus and strategies for achieving equality is needed. Various governments have tried to combat discrimination with different strategies. The Norwegian gender representation law is a radical approach aimed at making the private sector and corporate boards more gender balanced. The Norwegian Government envisioned that a gender balance within the private sector would lead to greater equality between the sexes.

Our analysis shows a substantial increase in the proportion of women on boards in Norway occurred only during the implementation period of the gender representation law, and especially towards the end of that period. This suggests that the law has successfully challenged the under-representation of women on boards of public limited companies, and made the boards more balanced in terms of gender. At a fundamental level, our data indicate that the legislative mandate of the Norwegian Government was a successful enabler for improving gender balance on corporate boards.

Nevertheless, more remains to be done. While the minimum representation level has been met and a balanced group created (Kanter, 1977), the share of women has not increased further. In addition, women’s access to the most senior positions within boards remains restricted as the share of companies with a woman chair has remained low and stable after the implementation period. This might indicate that, even though utility arguments were used for introducing the gender representation law, companies are not persuaded by them, and have not yet included more women in the chair position on the boards. The utility argument assumes that skills drive decision-making choices, but these skills take several years, perhaps decades, to manifest. For example, the newly introduced women directors will gain experience over time, which might translate into new capabilities. If this is the case, then we would anticipate seeing more women occupying chair positions in the coming years. At this time though, our data indicates that, while women participation has increased, senior positions remain restricted to men.

In addition, our analysis indicates possible counter-effects of the law. Although more women have entered the boardrooms, our study finds that differences among directors have risen when looking at proxies for influence. First, we investigated changes in the number of boards that individual directors are part of. Being part of multiple boards (i.e., prominent) is highly beneficial to directors as they gain exposure to knowledge from a greater number of companies than others. In turn, this could allow them to make more informed and better decisions than others. Our findings show that the maximum number of boards that a single director is part of has increased considerably. In fact, this number has doubled during our observation period. This has led to the concentration of the benefits associated with prominence to a select few.

Moreover, women have not only entered the boardrooms, a select group of them have also become the most prominent directors. Since this benefit is only enjoyed by a few directors and associated with a particular sex, the intention of the Norwegian Government in creating a more equal setting can be questioned as “The Golden Skirts” have emerged. Creating an external shock through legislative mandate creates a temporal shortage of skilled and qualified women available to take up such positions. The easy implementation for legal compliance is to select from available women directors with

governance experience. The repeated use of a select few women creates a “Golden Skirts” phenomenon. One could anticipate that supply of eligible women directors would increase over time, and such prominence effects could decrease. However, at this time, the prominence of a few women directors largely skews the equality debate.

Second, the changes to the composition of boards have affected directors’ social capital. By linking organizations, directors gain social capital as they control the knowledge flow between others. In turn, this has enabled them to become knowledge brokers (Burt, 1992). In a similar fashion as prominence, our findings show that the maximum level of social capital has increased and women’s average social capital is more than twice the average for men. This effect indicates that, instead of women taking up peripheral positions, they are the knowledge brokers between others. Here again, the social capital effect may decrease with a rise in the number of experienced women directors.

There are a number of limitations with our study. First, although our findings are striking and the law acted as an external shock, we cannot determine the causal relationship nor test the generalizability of the findings as we have only studied one particular affirmative action policy in one country. Second, we did not verify the accuracy of the information downloaded from the Norwegian Business Register. If two people have the same name, they would be recorded as one person. In addition, although the names were manually cleaned and some mistakes and name changes found, we cannot guarantee that all mistakes and name changes have been removed from the data. For example, if an individual changes her or his surname, the individual will be listed as two different people unless they have kept the original surname as a middle name. Third, we included only companies affected by the law (i.e., public limited companies). Directors in our dataset might also be directors on other companies’ boards, such as limited liability companies (Aksjeselskap, AS). Fourth, we did not take into account the senior management team of the included companies. Since the chief executive officers of the major companies are likely to be part of the boards of other companies, by considering them, we would improve our analysis. Fifth, the law is a recent event as the implementation period finished just 20 months before we collected the data. Although it would be beneficial to have a longer period, we traded the length of the observation period (possible inclusion of early effects) against the urgency of providing an analysis of a gender representation law for policy-makers in other countries considering similar legislation. The supporting website of this article provides up-to-date data for the analysis performed.⁸

This paper raises a number of topics for future research. Equality between the sexes on corporate boards is only one aspect of creating a more equal society. Moreover, multiple proxies can be used for inferring influence on corporate boards. These proxies are not necessarily properties of individuals; they can also be the existence of group structures, such as the existence of an “old boys’ club”. In addition, an important area for future research is to look at the other types of boards, and thereby investigate if the gender representation law for public limited companies has affected these organizations. The early effects of the law indicate that women have higher social capital and that “The Golden Skirts” have

⁸ www.boardsandgender.com

emerged, yet it is still too early to test the longer term effects. The concentration of board positions on a select few directors might reflect a temporary adaptation to the new law. Furthermore, equality is difficult to define and judge. In our case, a qualitative study of the women affected by the law could offer valuable insights. Their experiences in getting access to the influential positions could highlight a number of issues and considerations that quantitative analyses do not incorporate.

Policy-makers can benefit from this study in multiple ways. By putting a focus on the effects of the gender representation law, they can learn from its design and implementation. For example, the implementation represented a major and sudden intervention in the selection of directors. If the law has been implemented in incremental steps (e.g., slowly increasing the required gender balance from the current level to a target aim over a 10-year period), a group of extremely prominent directors might not have been created. In addition, an option would be to cap the number of boards a director could sit on. In turn, by considering these aspects, policy-makers might be able to devise affirmative action policies that increase equality across a range of parameters. This is vital due to the impact that these policies have on both individuals and the wider society.

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