

UK schools**Skirting the boards**Richard Milne JUNE 15, 2009

Shortly after Norway proposed a law forcing listed companies to have women as 40 per cent of their directors, Mimi Berdal's telephone started ringing off the hook.

The former corporate lawyer was contacted by many of the 500 or so companies that were [scrambling](#) to fill their boards with the requisite number of women. She now sits on 12 boards and regularly tops newspaper lists of the most prominent businesswomen. But Ms Berdal is just one of what have become known as the "golden skirts", a group of Norwegian women who have become full-time non-executive directors on the back of the law.

"Everybody called the few women they knew from beforehand," the 49-year-old says. "Only last week I was asked to become a director at a very large company but I declined."

Politicians in egalitarian Norway, aware that by 2002 only 6 per cent of directors were female, legislated the following year to introduce the controversial [quota](#), which came into full force last year. As a corporate and public policy experiment it is being watched by businesses and governments around the world, in the wake of a global financial crisis that many argue might have been averted if bank boards in particular had less of a testosterone-fuelled culture.

So how is the Norwegian attempt turning out? For a start, the country now has the world's highest proportion of female board members. A study from [Egon Zehnder International](#), the headhunter, shows that 44 per cent of directors are women. Outside the Nordic region, the countries with the next highest proportion are the Netherlands and the UK, both with 12 per cent. The European average excluding Norway is just 9 per cent – a figure that has scarcely changed in five years.

The law has thus clearly achieved its goals on paper. But what about on the ground? The doomsayers argued that qualified male directors would have to quit in favour of incompetent women and there would not be enough females to fill the posts. Even now, Steinar Hopland, another headhunter, says: "I still believe that quotas should be applied in fishing and whaling but not for women."

Quotas are viewed suspiciously in many countries – indeed, neighbouring Sweden rejected a similar law three years ago. Yet Oslo's experience is being tentatively declared a success. "As a principle, I don't like quotas. But I have not been able to find any big problems with the legislation in practice," says Idar Kreutzer, the male chief executive of Storebrand, Norway's largest insurance group.

Although a similar view is expressed throughout corporate Norway, worries remain – such as whether women have replicated the old boys’ network with the same females getting the big jobs, or whether the focus has slipped from ensuring equality in executive positions both at board level and below.

As well as boosting the number of female non-executives, the law has succeeded in forcing nomination committees to cast their nets wider. “There are a lot of competent women out there. The challenge is finding them,” says Nils-Henrik Pettersson, a lawyer who sits on several nomination committees.

After one of her events presenting potential female directors, Elin Hurvenes, head of the Professional Boards Forum advisory service in Norway and the UK, says: “A 63-year-old Norwegian chairman said to me: ‘I had no idea there was such an abundance of suitable women. This has really opened my eyes.’ ”

Gender inequality on Norwegian boards stemmed in part from the country’s corporate structure. Nomination committees are separate from boards and are designed to allow shareholders to pick their own representatives as non-executive directors. “Most of the investors are male,” says Mr Pettersson, so they picked themselves or other men. Women also fell down because nomination committees looked for candidates with board experience and who worked as executives, criteria few women fulfilled,

As a result of the change, says Thorhild Widvey, a female full-time director, nomination committees have been forced to look in different areas for suitable female candidates. “They have turned to areas where there are lots of women such as lawyers, academics – and even ministers,” laughs the former energy minister, who now sits on nine boards. Early research on the law suggested many of the women were either economists or lawyers with plenty of experience too. Anne Breiby, another “golden skirt”, who has seven directorships, chairing the board in three of those, points to a database with several thousand women in it that companies can consult when they are looking.

Women are also changing the demographics of boards, with the latest figures showing 38 per cent of female directors are aged 45 or under, against only 20 per cent of men, while 71 per cent of women non-executives have higher education versus 62 per cent of males. More strikingly, it seems there are more “golden trousers” than “golden skirts”: according to the [Center for Corporate Diversity](#) in Oslo, only two in 10 women hold more than one board position while four in 10 men have multiple directorships.

More vexed is the issue of whether women have improved the quality of debate on boards. Academic studies are divided but Grace Reksten Skaugen, one of the country’s most prominent directors, who is on several Norwegian and Swedish boards, says female directors are less bound by convention and unembarrassed to admit they do not know something. “Women are more willing to ask questions without regard to whether they may be perceived as stupid or awkward questions,” she says.

Ms Skaugen was herself involved in one of the most prominent examples of that questioning approach: she was among female directors at [Statoil](#) who did not accept answers about a corruption probe and called an extra board meeting that led to the resignations of both the chief executive and chairman of the oil company.

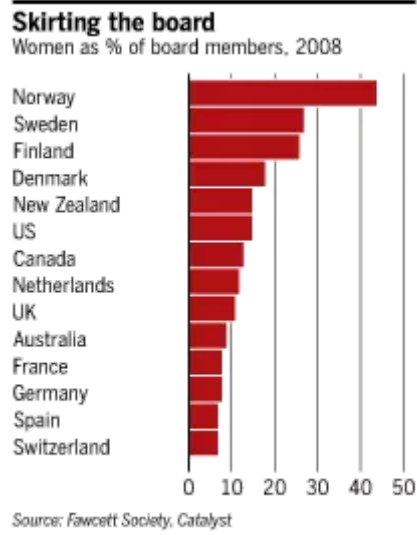
Ms Berdal says the quota law coincided with a debate on corporate governance in Norwegian companies and the combination has led “to a much better discussion”. Ms Breiby agrees, saying that directors no longer “sit” on the boards but “work” in them: “We have really raised the level of discussion in boards.”

Concerns still remain about the lack of board experience of some female directors. Mr Pettersson says that could lead to executives pulling the wool over the eyes of less qualified directors: “If there is a danger it must be that the board is weakened in its attitude to management.”

That returns to the issue most identified by the women themselves – that they are drawn from a small pool. Could it become an “old girls’ club”? Marit Hoel, director of the Center for Corporate Diversity, says: “What worries me is that we are on the edge of shaping a board culture among these women like the one we had ...I know so many well-qualified women who have not a single board seat.”

Many female directors point with dismay to rankings of the most prominent board members as a way of perpetuating that. “One of the problems is that nomination committees don’t look that hard,” says Ms Skaugen. But she adds that two pools of talent are better than how it was: “There is diversity because the pool of women is different to the pool of men.”

Another question is whether women are being diverted into becoming non-executives when they could instead be occupying top management jobs. Mr Kreutzer says: “Yes, it is a concern. Some of the well-qualified board members can live off it” – serving on a number of different boards rather than advancing through one company in a hands-on managerial role. “Even though they “could have been executives instead, [the problem] is not large enough to say this has been a bad experiment”.



Among executives, only a single-digit percentage is female. Yet few in business, male or female, feel there is a need for quotas to increase their number. As Ms Skaugen, a former investment banker, says: “Management is going to take longer [to change]. Not as many women want to be CEOs, because they find it hard to combine with children.” Ms Hurvenes even points to research that suggests women in Norway are reversing the traditional male career path of becoming executives first and then board directors. “Because being on a board is a stamp of approval, they are visible and they have contacts”, she says, offers of management positions do follow.

Companies such as Storebrand have taken matters into their own hands. Five years ago, Mr Kreutzer decided the long-term target was for 40 per cent of senior management to be female. Last year the insurer reached 39 per cent. “Competition in the corporate sector is more and more driven by getting hold of the right people,” he says.

Women are just one untapped pool of talent, he adds, pointing to second-generation immigrants as another that Storebrand is targeting.

Indeed, has the push to increase female representation on boards been at the cost of neglecting other ways to dilute the culture of “groupthink” that may have contributed across the west to a failure to challenge risky financial behaviour?

“The internationalisation of boards may be the most important form of diversity needed,” says Ms Skaugen, pointing to Statoil’s decision to recruit a Briton, Roy Franklin, as a director and introduce English as the language of board meetings. Mr Hopland, the headhunter, says Norwegian boards are still too homogenous in terms of age and origin and more effort should be put into increasing [diversity](#) in that way too.

Ms Berdal speaks for many of the women, though, when she says: “I agree they are important issues. But I don’t see how gender diversity is detrimental.”

Whatever worries remain, they fail to detract from the main achievement of the law. The presence of so many women on boards is as accepted now as it is in Norway’s government, where 40 per cent of ministers must be women. The touted problems of not finding sufficient

women or of companies suffering because of their inexperience have all been shown to be surmountable.

As Ms Breiby says: “The discussion was: are there enough competent women? Now it is clear there are in Norway. Now imagine how many there are in France, which is 10 times the size of Norway.”

‘PART OF THE INTENTION WAS ACHIEVED EVEN IF THE LAW DIDN’T MATERIALISE’

A French parliamentary delegation to Norway last month was only the latest in a stream of foreigners keen to see its experiment in board engineering. “They were very interested – there has been a lot of interest from around the world,” says Mimi Berdal, a female full-time director who met the French.

Norway has gone the furthest in pushing female participation in the boardroom but other countries are thinking of following its lead. Sweden proposed a similar law in 2006 but a change in government meant it was scrapped. Nonetheless, says Grace Reksten Skaugen, a Norwegian who is a director at Investor, the Swedish financial group, the mere threat of the law was enough to increase the number of women on Swedish boards.

“Part of the intention was achieved even if the law didn’t materialise,” she says.

In legislative terms, the next most advanced country is Spain. Long perceived as a macho society, Spain introduced an equality law in 2007. It recommends that women have an “equal representation” to men – defined as 40 per cent to men’s 60 per cent – on boards by 2015.

There is no compulsion – unlike in Norway where there was a theoretical threat to close down non-compliant companies – but a suggestion that if a company wants government work it should comply. A study by Adecco, the employment agency, and Madrid’s IE business school suggests one in five companies have acted to promote women but nearly half have started such plans.

Celia de Anca of IE says: “In Spain it is more of an indirect command. Norway is more drastic.” She also contrasts the approach of legalistic countries such as Norway with the more free-market UK or US. Elin Hurvenes, a board adviser in Norway and the UK, says British groups appear as keen as Norwegian ones to tap female directors.

But there remains a long way to go. Research by Egon Zehnder, the headhunter, shows that one-quarter of European boards are male-only and, excluding Norway, only 9 per cent of non-executives are female. Among executives, Germany has only one female director in all its top 30 listed companies.

Ms de Anca says egalitarian Norway felt obliged to act after companies failed to respond to its initial threat to legislate. “That Norway had to do it shows that the problem is a real problem.”

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