# The Winston Churchill Memorial Trust of Australia

**Report by Claire Braund**

**2010 Churchill Fellow**

***To investigate the effect of gender quotas on public listed company boards in Norway and the progress of the public policy debate in the UK and France.***

**Claire Braund**

**Executive Director, Women on Boards**



| Signed: | Dated: |
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| Claire Braund | 11/01/2012 |

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# Executive Summary

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The purpose of my Churchill Fellowship was to examine what the UK, Norway and France are doing to increase the number of women on boards and in management/ executive roles. In six weeks I interviewed 60 people, presented to a professional women's network and a university forum and attended a global women's forum as one of 1,300 delegates.

**Key learnings**

- Australia is well placed to address gender diversity on boards, but needs to keep focussed to enable retain the momentum which has enabled it to be ahead of the UK on this issue.
- There is power in building international coalitions around the social and economic imperatives of a more gender equal world.

**Conclusions**

- Boardroom quotas get women on boards, improve governance and change thinking. They do not move women into the executive pipeline.
- Europe is moving towards quotation law at individual country and EU levels.
- The UK is following Australia in using its corporate governance code to push companies to set gender targets and report performance.
- Traditional role modelling, stereotypes and unconscious gender bias are as common in Norway, France and much of Western Europe as they are in the UK.
- Most companies are playing around the edges of reform to workforce practices and approaches to retaining and recruiting women into roles in management and above.
- The same issues affect women in the UK, Norway and France and include; child bearing and care, equal pay and insufficient retirement funds and perceived weaknesses in CVs
- Women appear to universally under-sell and under-rate themselves.

**Dissemination and Implementation**

The findings from my Churchill fellowship provide a relevant and timely international perspective on the current debate in Australia regarding gender balance on company boards and opportunities for women in the workplace in general. It will provide an important background report for further policy development within the corporate and government sectors where it will be made available to company chairs, CEOs, Government Ministers and policy makers. The findings have been, and will be, presented at several forums and will promoted to the Women on Boards network.

# Introduction & Acknowledgements

This report summarises the findings of my Churchill Fellowship research tour in London (United Kingdom), Oslo and Bergen (Norway) and Paris and Deauville (France) in September and October 2011. My research examined the policies and programs in place in these countries to increase the number of women on boards and in management/ executive roles. It specifically addressed:

- Implementation of the quota system in Norway and France
- Progress towards recommendations of the Davies Report[1] in the UK
- Economic drivers for diversity within the subject countries
- Workforce and diversity policies and their uptake by men and women
- Use and effectiveness of gender targets at general, management and executive levels
- Cultural effects of quotas and targets on companies and their leaders and staff
- New and innovative strategies being used to capture and retain talent
- The debate on quotas, targets, and the encouragement of women into director and senior roles

**Acknowledgements**

I would like to thank the Winston Churchill Memorial Trust for supporting my research.

Many others deserve thanks for their invaluable assistance. I am particularly indebted to Arni Hole, Director General of the Ministry of Children and Equality and Pino Kosiander, her senior advisor, for their time in bringing me up to date on developments in Norway post quotation law and for their work in putting together a program of government and related meetings.

Sincere thanks also to Harald Norvik and Mai-Lill Ibsen, Non Executive Directors of public listed companies in Norway, for introducing me to their fellow chairs, directors and CEOs who generously gave their time to meet me. Particular thanks to Mai-Lill who hosted an excellent lunch for me at her home and to Marianne Okland, a Norwegian Non Executive Director living in London, for their insights and friendship.

To Adeline Diab and Christine Valentin, professional women both, my thanks for the time we spent together in Deauville and Paris and for your anecdotes and companionship.

Alison Maitland, author and journalist with the Financial Times made many introductions as did Dr Ines Wichert. The latter also invited me to speak at the European Professional Women's

Network meeting at Mercer in London, thereby opening many new doors and channels for my research in the UK and Europe.

Thanks to Dr Ruth Sealy who gave me the opportunity to speak to the International Centre for Women Leaders at Cranfield School of Management and kept me up to date with progress in the UK on boardroom diversity.

I remain indebted to Vanessa Gunner, Fiona Hathorn and members of the Women on Boards network in London who passed on my letter of introduction and set up meetings for me.

# Recommendations

This report recommends:

- The Australian Government commission the Corporations and Markets Advisory Committee to conduct a review of the progress towards improving the numbers of women on the boards of ASX500 companies. The review should identify the barriers preventing more women reaching the boardroom and make recommendations regarding what government and business could do to increase the proportion of women on ASX boards.
- Arising from the CAMAC report and as per the arrangements from the Davies Report[1], the Government appoint and resource a six-person steering committee to meet every six months and report annually on progress. Representatives to include at least one ASX director and one representative each from the Australian Institute of Company Directors, Australian Human Resources Institute, Chartered Secretaries Australia, Women on Boards and a graduate business school.
- The Government commit to looking at boardroom quotas if ASX companies have not achieved 25% female representation at board level by 2014.
- The ASX Corporate Governance Council consults on Corporate Governance Principle 2 with regard to appointing independent members to the nominations committee.
- Executive search firms develop a code of conduct for best practice search methods to improve women's opportunities and access to jobs in the boardroom and at executive and management levels.
- Treasury conduct a study on the economic cost of keeping women out of the workforce in Australia and the value of improving funds for childcare and other services to improve workforce participation.
- Organisations need to give greater encouragement and support to women to move into more challenging roles.

# Program

My Churchill Fellowship covered a period of six weeks between 29 August and 19 October. Meetings were held with: chairs of public listed companies; CEOs; executives responsible for diversity and talent; women in senior positions in business, government policy makers, researchers; executive search firms; and organisations with a similar charter to Women on Boards.

## France

- Hilary Ellis, President European Professional Women's Network
- Miriam Garnier, VP Women on Boards European Professional Women's Network
- Marie-Claude Peyrache, Director Board Women Partner Program
- Sarah Sweeney, Women Equity for Growth
- Christine Valentin, CEO CV Consultants
- Attendees at the Women’s Forum for Economy and Society in Deauville, France

## United Kingdom

- Robert Baker, Mercer
- Julia Bond, Non Executive Director
- Jo Cameron, Founder Network of Aspiring Women
- Jacey Graham Director Brook Graham
- Sir Philip Hampton, Chair Royal Bank of Scotland Group
- Marcus Hanke, CEO Avisen
- Fiona Hathorn, Angel Investment Advisor
- Sally-Ann Hibberd, COO International Willis International Limited
- Baronness Sarah Hogg, Chair Financial Reporting Council
- Alison Horrocks, Senior VP Corporate Governance & Company Secretary Inmarsat
- Margaret Johnson, Group CEO Leagas Delaney
- Ros Kelly, director Thiess and former Federal Labor Minister
- Martin Kendall Founder New Independent Directors Ltd
- Julia MacDonald, AlixPartners
- Alison Maitland, Business author, journalist and speaker Financial Times
- Sir Nicholas Montagu, Chairman of Council Queen Mary University of London
- Helena Morrissey, Founder 30 % Club
- Marianne Okland, Managing Director Avista Partners
- Maria Perez, Head of Diversity and Inclusion EMEA, UBS AG
- Helen Pitcher, Chairman IDDAS Limited
- Dr Ruth Sealy, International Centre for Women Leaders Cranfield School of Management
- Charlotte Sweeney, International Head of Diversity and Inclusion Nomura International
- Peninah Thomson, Director FTSE Cross Cultural Mentoring Program
- Helen Wells, Director Opportunity Now
- Helen Whitehead, senior advisor UK Government
- Dr Ines Wichert
- Suzanne Wood, Russell Reynolds Associates

## Norway

- Liev Askvig, Chair Oslo Bors
- Christian Berg, CEO Hafslund ASA
- Atle Degre, Partner Kluge Advokatfirma DA
- Anne Bi Fossum, Private Investor
- Anne Grethe Solberg, Director Futura
- Juliet Haveland, Senior Advisor Norwegian Ministry of Children Equality and Social Inclusion
- Arni Hole. Director General Ministry of Children and Equality
- Elin Hurvenes, Founder and Chair Professional Boards Forum
- Prof Morten Huse, Professor in Organisation and Management Norwegian School of Management
- Mai-Lill Ibsen, Non Executive Director
- Pino Kosiander, Senior Advisor Norwegian Ministry of Children Equality and Social Inclusion
- Idar Kreutzer, CEO Storebrand
- Ylva Lohne, Senior Advisor Equality and Discrimination Ombudsman
- Prof. Ellen Mortensen, Professor of Comparative Literature University of Bergen
- Ingvild Myhre, Non Executive Director
- Hilde Myrberg, Executive Vice President Orkla ASA
- Harald Norvik, Chairman and Director Telenor and others
- Svein Rennemo, Chairman Statoil ASA
- Christian Rytter JR. ADM. Direktor L Gill- Johannessen A/S
- Ludvik Sandnes, Executive Director Corporate Finance Nordic Region RBS
- Tove Solemdal, Ministry of Trade and Industry
- Tove Solend, Procurement Manager Karsten Moholt
- Nina Solli, Assistant Director NHO - Confederation of Norwegian Enterprise
- Turid Solvang, Managing Director Styre Institutt
- Prof Inger Stensaker, Professor Department of Strategy and Management at Norwegian School of Economics
- Dr Mari Teigen, Research Director Institute for Social Research
- Lina Tordsson, REFORM Resource Centre for Men
- Jarl Ulvin, Head of Investments Odin Funds
- Eva von Hirsch, Non Executive Director

# Research Project 1: United Kingdom

## Summary

> "There is the will but they are still looking for the way."
> *Helen Wells, CEO Opportunity Now.*

Activism for UK business to consider seriously the paucity of women on boards and in senior roles has been steadily growing over the last few years. The Government has indicated it wants to see change and there has been a burst of activity and reporting following the Government sponsored Women on Boards Report (hereafter referred to as the Davies Report[1]) of 2011. During my two weeks in London, I developed a better understanding of how companies are responding to this push and the level of commitment to improving gender diversity. As many large companies in the UK are part of global operations, the impact of these changes go beyond the UK.

The UK has decided to pursue a very similar track to Australia in its bid to get more women on boards. The Corporate Governance Code was updated in 2010 to include gender as a measure of company performance and will be updated again in 2012 in line with recommendations from the Davies Report[1]. The code is similar to the ASX Corporate Governance Council's Principles and Guidelines in that it requires listed companies to 'comply or explain' why they are not following its recommendations. It is clear that like Australia, the UK prefers companies to voluntarily take action to improve gender balance on boards and across management rather than legislate them to do so.

The business case for diversity in all forms in the UK is now well understood among the FTSE100 companies, less understood by the FTSE250 (101-350) and possibly disregarded entirely by most small to medium enterprises. Importantly though, the paucity of women on boards and in leadership roles in FTSE companies in the UK is warranting sufficient media and public attention to push companies to develop and implement policies to drive change.

The Global Financial Crisis highlighted concerns about the level of financial expertise at board level. As Helen Pitcher, of boardroom consultancy IDAAS said, '...risk and challenge are not encouraged in the behavioural dynamic of conflict adverse boards.' She has noticed a number of trends, including a rise in the number of Non Executive Directors on boards and Chief Financial Officers (CFOs) quitting in their early 50s for board roles. This may be due to the Financial Services Authority tightening the definition of who is a 'fit and proper person' to be on the boards of the many financial institutions in London. This action has drawn some criticism as it limits positions to highly experienced banking sector directors, CEOs and CFOs – ranks that do not include many women.

On the plus side, Pitcher said that companies give far more attention to corporate governance since 2009, including board composition and the dynamics of decision making on boards. This has led to an increased understanding of the need for greater general (and gender) diversity on boards, in particular in FTSE100 and private companies, housing (and other) trusts and charities.

Executive search firm Russell Reynolds noted that while it is 'early days yet', the media debate is starting to drive change at the top and FTSE100 companies are asking that women be included on director shortlists. It is one of 19 signatories to a voluntary code of conduct addressing gender diversity and best practice relating to board level appointments. Regarded by some people I spoke with as 'a bit weak' the code has seven provisions, including that search firms should ensure that at least 30% of the candidates on the their long lists are women.

There are a large number of programs to increase the numbers of women in management and other leadership roles since 2003/2004 in the UK. However their effectiveness is uncertain and there is something of a backlash against 'special treatment for women.' Human resources units still tend to run many of the programs under the Diversity and Inclusion banner, rather than operational business units integrating such programs into their operations.

**Other trends include:**

- Women are remaining with companies but not progressing far up the corporate ladder.
- The 'old girls network' is alive and well and pushing hard against quotas.
- Presenteism (being seen to be present at work) has worsened since the second global shock, with people wanting to be seen at work. This is working against women, in particular those who are part-time.
- Women are still working under the delusion that 'merit' will get them the job.
- Women are not putting themselves forward as they think merit will stand alone.
- Men are unsure with how to deal with the new diversity regime and what it means for them.

The under-recognised issue for the UK may be what Brussels is doing. Viviane Reding, the European Commissioner for Justice, threatened in March 2011 to impose quotas in all 27 EU nations if self-regulation does not result in women occupying 30 % of supervisory board positions by 2015, with that figure rising to 40 % by 2020. She has indicated that if self-regulation fails, legislation on quotas, backed up by credible sanctions will follow.

## The main drivers for change

In 2010, Lord Mervyn Davies of Abersoch CBE reviewed how the government could remove obstacles to women attaining board positions following the release of statistics showing almost no improvement in women's board participation in the UK's top 100 companies. Between 2003 and 2010, the percentage of women on the boards of FTSE 100 companies rose from 8.6 % (101 directorships) to 12.5 % (135 directorships among 1,076 FTSE 100 directors). The picture was even worse in the FTSE 250 companies, where 52.4 %of companies were found to have no women on their boards and the overall percentage of female directors was 7.8 %.

The Davies Report[1] was published in February 2011 and received much publicity. It followed the Higgs[2] and Tyson[3] reports of 2003, which had made similar findings and recommendations and gave impetus to several major programs and initiatives to improve diversity in major companies in the UK. These included the FTSE100 Cross Cultural Mentoring Program, the Professional Boards Forum (imported from Norway) and the Brook Graham specialist diversity and inclusion consulting service. I spoke with the principals of these organisations for this Churchill Fellowship. All agreed that the Davies Report[1] was the catalyst for action in getting some real momentum behind the push for better diversity on FTSE boards.

The Davies Report[1] made 10 recommendations including that FTSE100 companies should aim for a minimum of 25% female board members by 2015 and companies should publicly disclose the number of women working at board and executive levels and within the whole organisation.

In October 2011 the International Centre for Women Leaders at Cranfield School of Management[4], reviewed progress made following the Davies Report[1]. A summary of their key findings is below.

<u>FTSE100</u>

- 61 companies made statements that acknowledge gender diversity issues in relation to the current debate about corporate boards
- 33 set targets for the percentage of women on boards
- 22.5% of new board appointments went to women
- 14.2% of 1,092 director positions are held by women

- 56% of companies reported having a policy on boardroom diversity; however these policies are generally not supported by measurable targets or clear reporting
- Four companies set themselves a target of more than the recommended 25%

FTSE250 (100-350

- 55 companies made statements that acknowledge gender diversity issues in relation to the current debate about corporate boards
- 18% of new board appointments went to women
- 8.9% of director positions are held by women
- 35% of companies reported having a policy on boardroom diversity; however these policies are not generally supported by measurable targets or clear reporting

The Davies Report[1] also resulted in the Financial Reporting Council, the independent regulator for corporate governance, issuing a consultation document on whether to further amend the UK Corporate Governance Code's[5] recommendations on diversity.

Interestingly when the code went out for consultation in 2009, the question of diversity did not yield any concerns or submissions. It was not until the FRC included a recommendation on diversity in a 2010 draft document that people commented. By contrast, in Australia, the revision of the ASX Corporate Governance Code in 2009 was used by Women on Boards and others to lobby strongly for gender diversity to be part of the Code.

The revised UK Corporate Governance Code recommends listed companies report annually on their boardroom diversity policy, including gender, and on any measurable objectives that the board has set for implementing the policy and the progress it had made in achieving the objectives.  Supporting Principle B.2 states that "the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender."

The Davies Report[1] went one-step further, recommending the FRC update the Code to '<u>require listed companies to establish a policy concerning boardroom diversity</u>'. This created some controversy in the UK due to such prescriptive wording on a voluntary code.

FRC President, Baroness Sarah Hogg, released the result of the review in October 2011, saying that on 1 October 2012, Section 2 of the code will recommend FTSE companies:

- Include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.
- Consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness on boards in evaluations of the board.

How the FRC will advise companies of the new recommendations of the code is unclear. In my discussions with Baroness Hogg, I mentioned how the ASX Corporate Governance Council presented Australia-wide workshops with reference materials. These assisted ASX companies who had little idea of how to start a diversity and inclusion program in the boardroom and beyond. It is not clear how, or if, the FRC plans to update the market on the new provisions in the Code.

One potential issue for FTSE companies is that neither the FRC nor the Davies Steering Committee has established clear guidelines for report protocols. Dr Ruth Sealy, the lead author on the Cranfield review, said there was a certain amount of confusion about what categories in which to count women in order to set targets. This was particularly evident in multi-jurisdictional companies or those that are less diverse. Key to the success of both the new FRC guidelines and the ongoing work of the Davies Steering Committee will be the development of some clear and synthesised reporting guidelines.

## No quotas in the boardroom

**Business position on quotas**

The shock of the Global Financial Crisis of 2008, the public loss of face for the financial sector and the Walker Review[6] into the banking crisis created a climate of uncertainty in the UK. The previously unquestioned governance of many companies by boards was brought to public account and questions were being asked about how boards were being appointed. Derek Higgs, in his review of the role and effectiveness of Non Executive Directors in 2003, had sounded the warning bell when he noted that the boards of FTSE companies were stocked with a club of white Anglo-Saxon men close to retirement age, of which only a few chairs had taken heed.

One of these was Sir Phillip Hampton, the chair of Sainsbury's between 2004 and 2009. When I met him, he told a story of how during his five year chairmanship of the major retailer he appointed the first, second and third women to the board and witnessed the conversation around the table change to include items such as customer experiences and how these were being evaluated and acted upon.

> "You could argue this was a management issue, but the board needs to act as a goalkeeper for the stuff that gets missed – it's a balance between grand strategy and detail." Sir Phillip Hampton.

Sir Phillip, who resigned as chair of Sainsbury's in 2009 has been involved with nearly all of the influential programs to improve diversity in the UK over the past decade. These include the FTSE 100 Cross Cultural Mentoring Program, Professional Boards Forum and the more recent 30 % Club, a network of UK chairs, investors and business leaders using peer pressure to drive voluntary support for a target of 30% target women on boards and in management roles.

As a strong advocate for diversity, he said he is 'relaxed if there is a quota of 25% women on boards' as there is not 'a shattering absence' of women to fill what is a relatively few positions. However, he thinks setting a quota is fundamentally the wrong thing to do, as he believes companies should see the clear business imperatives for retaining and promoting women into leadership and board roles and take action themselves. Clearly, the better companies are doing this.

Sir Phillips' view that a quota is the wrong way to go is strongly echoed by many people interviewed for this report. It would be fair to say that there is almost unanimous opposition to mandatory quotas in the world of UK business; from women who do not want to be seen as 'tokens', men who think everyone needs to 'get there on merit,' and the more enlightened chairs, CEOs and executives who are doing something about it anyway and companies who do not want any more regulation.

**The Government position on quotas**

The Home Secretary and Minister for women and equality, Theresa May, announced in September 2011 that she had ditched a former Labour Government proposal to force companies to publish the pay of their women workers and a recommendation for compulsory gender quotas in the boardroom. Ms May abandoned the proposal, introduced by Labour's deputy leader Harriet

Harman during her time as women's minister, saying forced equality laws 'frighten the horses'. She is backed by the financial press, the Institute of Directors who labelled the idea as 'bad for business' and the business lobby group the Confederation of British Industry (CBI), who believe legislating on gender will simply create more red tape in a time of economic hardship.

However, British Prime Minister David Cameron has called for more women to sit on the boards of the biggest companies, saying current figures for women in boardrooms were "'simply not good enough." Hosting an event at 10 Downing Street in October 2011, Mr Cameron challenged businesses to set out their plans to increase female representation at senior levels and committed the government to monitoring and publishing via a website the number of women on the boards of listed UK companies.

## Voluntary targets preferred

Many of the people interviewed for this report were in favour of companies setting gender targets for boards and management. However, some privately questioned just how effective these targets would be if the culture of the company did not change and targets were seen as a means of 'favouring women.'

Jacey Graham, partner at Brook Graham, a specialist diversity and inclusion consulting company, said that companies are erring towards aspirational rather than absolute targets. One could argue that this gives them room to move should the targets not be met. The Davies Report[1] recommended that FTSE100 Chairs publish their aspirational gender targets for their boards. Only 33 met the September 2011 deadline.

After experience working with women's advancement at Shell and Lloyds TSB, Graham believes that the key to making real progress on diversity is "totally about the CEO and well placed questions from the Chair." She is a fan of 'hard wiring the system' to ensure that measurable practices are put into place that gain awareness and engagement from the staff and the board.

The recently founded 30% Club supports a target of 30% women on boards and in management roles. The club works to influence the political and media debate in order to promote women into the boardroom pipeline. Helena Morrissey, the co-founder of the 30% Club and CEO of Newton Funds, believes that pressure to improve governance from the investment sector could well be the answer to the diversity issue.

> "Put diversity into governance monitoring and have fund managers approach companies to ask why (they have not set targets, measured and reported their workforce or board statistics or put diversity programs into place)," Ms Morrissey said.

Charlotte Sweeney, head of diversity at investment bank, Nomura, said that the UK needs better governance and risk management around targets. These are needed to get past the underlying, and often male, assumption that the best person will not get the job if there is a target to meet.

Sweeney outlined where the UK financial services sector might have shot itself in the foot in relation to gender targets in the workforce. She said Barclays Bank introduced them in 1999 and they were seen not to work. The bosses were concerned, peers thought the females getting the appointments were not good enough and women would not put themselves forward for roles. "In hindsight there was a lack of sophistication in the implementation and debate around the use of targets - we needed the sociology and psychology around it first," Sweeney said.

Rebecca Worthington, an asset manager with five NED roles, believes targets are the answer, but is concerned about the lack of women in senior corporate roles with the capacity to step onto boards. Until recently the only female financial director in the listed property sector in Britain, Worthington said she rarely comes across other women at senior levels in banking, property and insurance and questions whether there is a pipeline.

## Structural and cultural issues

Worthington also said that both structural issues and cultural perceptions about how people work loom large in Britain. As the only member of her mothers group who went back to work, she was conscious of the thin veneer of social acceptance about her being a career woman. This can be compounded if a woman has a career husband to 'earn a living for the family.'

Certainly British professional women are not as outspoken as their American and Australian counterparts. Maria Angelica Perez, the diversity manager at UBS in the UK, said there is a strong sense in Britain that performance results in promotions and rewards. Many women do not want to be associated with women's networks and gender issues as it is seen as not being their struggle. Margaret Johnson, the Mexican born, half Spanish, half Scottish CEO of advertising firm, Leagas Delaney, sees it as a lack of aspiration that can be cultural. She said she was "socialised from the cradle about equality – I grew up with it...I don't personally relate to the debate because it's not my experience, but intellectually I see it and can empathise".

Charlotte Sweeney commented on the lack of pushback and questioning from women in corporate UK who are passed over for positions they are clearly capable of doing. “They are either too polite or don’t care, but what it means is no-one is really being held to account.” Along with others, Sweeney agrees that addressing the societal and structural issues around how the UK works is the key to improving women’s participation in the workforce and on boards. This includes corporate idiom, definitions and practical applications of flexible work practices, workforce culture and male insecurity around the rise of women in positions of power and leadership.

Helen Whitehead, lead researcher on the Davies Report[1], said many of the submissions to the review focussed on the structural and cultural issues that prevent women from moving forward in their career; having children, cost and availability of childcare (the too hard factor), issues associated with part-time work and CVs not matching those of the men around them.

## Which sectors are best?

Pitcher says the diversity discussion is taking place effectively in the financial services sector and in major retailers, such as Tesco and Sainsbury, and the telco sectors. However many sectors have put their head in the sand and are simply paying lip service to the idea.

Investment banking has a poor reputation for gender diversity, and appears to be caught in the paradigm of ‘fixing the women rather than the culture.’ Retail banking fares better when it comes to long-term sustainable diversity programs. Companies doing diversity well, such as British Telecom, IBM and Cisco, have seen a direct impact on the bottom line.

# Research Project 2: Norway

## Summary

Norway is known for; being a wealthy country whose citizens enjoy the highest standard of living in the world and; for its famous quotation law requiring its public listed company boards to comprise at least 40% of the under-represented gender. During my two weeks in Norway, I was able to look at the philosophy underpinning the quotation law and the impact on the culture of boards, companies and Norwegian business and society.

I was also able to delve more deeply into what is not working in Norway. I discovered that like many industrialised countries it has:

- A gender pay gap
- Low numbers of women in management roles
- A highly segregated labour market
- Difficulty attracting young women into the science, IT and engineering professions
- Traditional perceptions about the role of men and women that are hard to change.

However, it was interesting to note that the Norwegian Government has identified these areas of inequality and developed a national action plan to address them. Arni Hole, the Director General of the Ministry for Children and Equality, said in Norway they are trained to see inequality and to develop legislation and economic incentives to change “culture, behaviour and unsound stereotypes.” She cites the father’s parental leave quota as the biggest intervention Norway has made to challenge culture and stereotypes.

Liss Schanke of KS, a representative body for local and regional authorities, puts it well when she says; "Women in decision-making leads to decisions being made differently and a change in behaviour, attitudes and roles.” This was supported by the male CEOs and senior women from major Norwegian companies that I spoke to, where there is a strong focus on workforce equality and integrating family and work life in a sustainable manner.

## Understanding Norway

The key to understanding Norway is to realise that it is a social democracy. All political parties and people have a strong financial and moral commitment to the common principles of equity and social inclusion. Founded in its current form in 1814 by 130 men who wanted self-government for Norway after hundreds of years of being tied to the Danes and Swedes, they drew up a

Constitution in which power was vested in the peasantry and farmers rather than in the professional or business classes.

There are 163 Norwegian Parliamentarians who sit in their regional areas rather than in party blocks, thus minimising conflict and argument and maximising opportunities for discussion and agreement. Government is strongly decentralised in Norway, with 430 municipalities across 19 regions. All Governments have a commitment to ensuring that the infrastructure, standard of living and educational and health services in remote and rural areas in Norway are equal to those of the larger cities.

The social reforms in Norway are funded in large part by returns from the Government's investment in Norwegian companies, which can be up to 60% and 70% in some cases. The Government also takes an annual return of around four per cent from its Government Pension Fund, which receives the monies from the 80% tax on profits from the oil and gas industries. The fund is worth around US$600 Billion and controls approximately 1.25% of all listed shares in Europe and more than 1% of all the publicly traded shares in the world. The country's citizens also pay relatively high rates of tax compared to global counterparts and companies are expected to contribute to generous pension and other benefit schemes.

However, while it is tempting to say that without oil Norway could not fund its many generous social programs, we must remember that the country was a global leader in social equality and inclusion when it was a simple agriculture and fishing economy. Eva von Hirsch, an anthropologist and Non Executive Director from Bergen, said that everyone has always worked in Norway and children are taught to be physically and mentally independent from a young age. The state has always supported families as it regards its human capital as its single greatest asset.

**Examples of this include:**

- The world's most generous paid parental leave scheme of 46 weeks fully paid or 56 weeks at 80 % of full-time salary. The father's entitlement of 12 weeks is part of the package, but cannot be used by the mother and is lost if not taken.
- The National Insurance Scheme, covering almost all welfare issues such as minimum pensions for all, health insurance, parental benefits, reproductive rights and gender issues. The financing of this Scheme / Law is tripartite: State, employers and employees and the self employed.
- A nationwide program to provide full coverage of early childcare places from 1st year of age, with 80% subsidies from the State.

In a speech to the European Parliament on 24 March 2011, the Minister of Government Administration, Reform and Church Affairs, Rigmor Aasrud, outlined a basic precept of Norwegian government. “The modern Norwegian welfare state is founded on women’s participation in the work force. This is the backbone of the Scandinavian welfare model.” In short, the Norwegian economy benefits from having women in the labour force, so the Government puts major resources into making family and work life mutually inclusive, not mutually exclusive.

**Characteristics of Norwegian corporations**

It is important to understand some of the characteristics of Norwegian corporations when reviewing the quotation law.

- There are two major types of Norwegian corporations; (PLC) Public Limited Company (ASA) and Private Limited Company (AS).
- The Government has major investments in critical Norwegian ASA and AS companies, mainly under the control of the Ministry of Trade and Industry.
- The employees of a PLC have a right to be represented on the board of directors and/or in a corporate assembly (which is responsible for electing members of the board of directors) if there are more than 30 employees in the company.
- Companies with more than 200 employees must elect a corporate assembly with at least 12 members of which two thirds are elected by the owners (shareholders) and one third by and among the employees. The main duty of the corporate assembly is the election of the board of directors.
- Nominations committees are independent and not drawn from the board. The committee is responsible for evaluating the board selection processes and recommending directors for election to the general assembly. It can meet up to 30 times per annum.
- The Chair is elected annually by the general assembly and is often not a serving director of that company, but someone with expertise identified as being crucial to the company.
- The chair is expected to remain completely independent. This includes maintaining a separate office to the company.
- Recommended terms of office for directors are two years, but many serve longer.
- Most companies follow the Norwegian Code of Practice for Corporate Governance, which recommends that remuneration of the board of directors is not linked to the company’s performance and share options are not granted.
- Directors frequently hold large portfolios, due to the relatively low remuneration.

**Remuneration of executives and directors**

Section 11 of the Norwegian corporate governance code states the remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board. Director and executive remuneration is low by global standards. For example, the Chair of Statoil (world's 36th biggest company) earns approximately AU$120,000 per year, chairs of medium sized PLCs earn between AU$50-$80K and the top CEOs would earn between AU$1m - $2m.

A number of people I spoke to brought up director and executive remuneration, as Norway is losing some of its top talent overseas. While Norvik believes executive salaries in the UK and USA are too high, he says Norway's are too low for the top executives, directors and chairs. Jarl Ulvin, head of investments at Odin Funds, said that there is a push from the investment community for directors to be better paid, in order to compensate them for their work and attract outside talent.

## How has quotation law worked?

Almost all of the chairs, directors and CEOs I spoke with were opposed to the quotation law when it passed through the Norwegian Parliament in 2003, principally because it was in conflict with shareholder rights. They now recognise it was necessary to drive change, happened relatively painlessly and produced good outcomes for company governance and society. Leiv Askvig, chair of the Oslo Stock Exchange, summed it up when he said, "Voluntarily it would never have happened – the quota was the only path."

It was during the discussion with a group of directors and executives at the house of Mai-Lill Ibsen, one of the Norway's celebrated Golden Skirts (nickname in Norway for qualified women who are in high demand for board positions) that I discovered one of the reasons the implementation of the quota system was relatively smooth given the outcry it originally generated.

In 2001 the Minister for Trade and Industry, Angsar Gabrielsen, convened a meeting of influential public and private companies with the Olso Stock Exchange to set up a corporate governance code. This came into effect in 2004 and was a catalyst for restructuring many boards. It also established the independence of the nominations committee, a critical plank in Norwegian governance and one that Askvig and the Chairs I spoke with strongly support.

> "The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel." (Section 7, Norwegian Code of Practice for Corporate Governance)

One of the people working on the code, Ludvik Sandnes, an investment banker with the Royal Bank of Scotland, said the independence of the nominations committee 'really helped with the implementation of the quotation law' as it gave the older male board members who in truth needed to step aside, somewhere else to go.

Svein Rennemo, the Chair of Statoil, confirmed this saying that the reform occurred during a period of change, a coincidence of timing that resulted in a new generation of board members of both sexes with different experiences being appointed to PLCs in Norway.

As he told 30 European Chairs early in 2011, their thinking was where he was at 10 years ago in terms of over-playing the challenge of a quota system and under-estimating the benefits of change that doing something different can bring.

He believes that the quotation law in Norway has delivered:

- More educated directors
- Improved board governance
- Younger board members
- Directors with different experiences
- A closer connection to company executives

The last point particularly is worth noting, as Rennemo believes there is a role for people on the board who have middle and senior management experience. "You should have CEO and CFO experience on the board, but you should also have something else, something different," he said, "like people are more alert to execution issues."

One outcome of quotation law has been the development in the understanding that diversity is not just about gender but background, understanding, experience, age and nationality. This echoes the comments made by Margaret Johnson in the UK, in relation to culture influencing your tendency to self-advocate.

Harald Norvik, the Chair of global Telecoms company Telenor said non-Norwegian experience is of value in itself and PLC boards increasingly need this outside expertise. In November 2011, Telenor appointed its fourth overseas director, former British Telecom executive Sally Davis, to the board.

If there is a downside to the quotation law, it can be seen in the number of women in management and executive positions who quit their jobs to take up board roles. Leiv Askvig said the quotation law resulted in a number of ‘hotshot women in their late 30s’ and early 40s’ leaving executive careers early; which he believes was a mistake. Norvik is also sceptical of people quitting executive roles to become career directors, saying a certain level of work and life experience is needed to participate fully on a board.

The flipside is that for many women, being a director is more flexible than working in an executive role and allows them to combine family and work life. Turid Solvang, who started the Norwegian equivalent of the Institute of Company Directors, believes the quotation law killed off the myth that board work is so onerous that you cannot combine it with being a parent and opened the boardroom up to all comers.

## Women in the workforce

In Norway close to 80% of women work and the country has the fourth highest birth rate in Europe. Clearly Norwegian women feel comfortable having careers and children. However, statistics can hide a bigger picture as there are a large number of women working part-time (67 % with children under the age of 10) in traditional roles (teaching, healthcare) who are saying no to management roles because of the dual demands on their time created by family and work.

Professor Ellen Mortensen of Bergen University, said women still see themselves as caregivers, own just 20 % of the nation's wealth and do worse in divorces than men. She spoke of a movement to 'go back to being housewives' as a symptom of Norway's great wealth creating a lack of aspiration among young women. Marianne Okland, a Norwegian rugby loving, British based investment banker turned Non Executive Director, said mass media in Norway is contributing to the lack of career ambition as, 'everyone just wants to be the wife of a footballer". She calls it the Beckham factor.

Prof. Mortensen cited the university sector as one area that had been resistant to change and highly patriarchal. Less than 20 % of full professors across Norway are women. Professor Inger Stensaker from the Norwegian School of Economics said that 10 years ago there were no female professors and now there are 13. It is being forced to come into line with the advent of quotas for public listed boards.

Nina Solli, assistant director at the Confederation of Norwegian Enterprises (NHO), said that if women feel the personal price being paid is too high then work will lose out. "To feel like a good mother you need to gather the family for dinner," she said. This somewhat old-fashioned notion was confirmed by several Norwegians and perhaps reflects the agrarian roots of Norwegian society, where women kept the animals and children alive while the men fished the North Sea.

Solli, who coordinates the Female Future Program for the NHO believes the main focus for Norwegian business should be skilling and encouraging more women to move into management and executive roles. The NHO program has been running since 2004 and challenges enterprises to make a long term commitment and set up objectives aimed at recruiting more women into management and the boardroom, and women to build networks and attain board membership. To date 1,251 women have qualified to take up board posts and more demanding leadership tasks.

For CEO's Idar Kreutzer, the CEO of Storebrand, and Christian Berg, CEO of Hafslund ASA, creating a dynamic and flexible work environment is core to retaining female (and male) talent. Both ran extensive talent programs which function equally for men as well as women. Storebrand, a financial services company with most of its activity related to life insurance and pension savings, offers:

- Full top-up of 46 week paid parental leave payment – ie, the difference between what the government pays and the applicants salary
- Five weeks annual leave
- 10 days elder care per year for employees to care for aging parents etc
- An agreement with recruiters that at least one man and one woman are included on the final list
- Technology to support working from outside the office

When I spoke with Berg, he had the male company secretary to the board and man in charge of a big power generator away on four and six months' parental leave respectively. He said that this level of flexibility is required from employers who cannot demand 100 % in the office perfect service from employees.

Harald Norvik believes it is time for the discussion to change and for Norway to look at recognising the experience women have as mothers and professionals as relevant to boards and other roles. He cites conflict resolution, motivating skills and the capacity to manage a multi-dimensional career, experiences and people as key requirements for people in executive and later board roles.

> "Leadership is advantage by people with different experiences...we need society to accept a career path where people can work, live and then come back to work again, without being disadvantaged," Norvik said.

# Research Project 3: France

*French men see French women as women first, then as French, then as professionals. They see other women of other nationalities as American/ Australian/ British first then as professionals then as women.*

A consummate Parisian female corporate executive used this to explain why two thirds of the new entrants to CAC40 boards in France in 2011 were foreign.

## Summary

France was the country in which I was able to gather the least information for my Churchill Fellowship. This was in part due to the few contacts I had in France and difficulties in obtaining meetings with those introduced to me via email. However, those I did meet gave me an overall picture of a more complex, but inherently gender diverse society, in which women's workforce participation is high (more than 70%) due to excellent childcare, a strong sense of independence and a general belief that everyone should work.

I met with five women in Paris, who gave me a strong sense that the quota law introduced early in 2011 has been quickly adapted into the day to day of French corporate life, but the twist has been the large numbers of foreign women appointed ahead of Frenchwomen. Marie-Claude Peyrache, a former senior executive at France Telecom, member of the French Legion of Honour and founder and director of Board Women Partners, said by appointing women from overseas, boards were ticking several diversity boxes, not just the one on gender. It also helped Frenchmen save face when it came to giving up their boardroom seats to women.

An issue that was harder to grasp in France was the complexity of the secondary and tertiary education systems, which from my basic understanding effectively determines your path in life. To be a top-level civil servant you have to go to École Nationale d'Administration, while to be an engineer you must go to École Polytechnique. It appears that your school, rather than your work experience, then plays a large part in how high you go in administration and onto boards.
Civil servants also have their retirement funds calculated on the position they occupy for the last six months of career, whilst everyone else takes an aggregate of the best 25 years.

As one English woman working in France whom I spoke to suggested, "France has a lot to learn on governance... and the vectors for change are women."

**The French Stock market**

In order to understand what quotation law means in France it is important to have a working knowledge of the French stock market of which the following are the most important indexes:

- CAC 40 represents a capitalization-weighted measure of the 40 most significant values among the 100 highest market caps on Euronext Paris.
- CAC Mid 60 represents the 60 largest French equities after the CAC 40.
- SBF 120 is the most actively traded stocks listed in Paris. It includes all 40 stocks in the CAC 40 index plus a selection of 80 additional stocks listed on the Premier Marché and Second Marché under Euronext Paris.
- SBF 250 represents all sectors of the French economy.

The Premier Marché, Second Marché and Nouveau Marché comprise the three divisions of the French equities market.

## Impact of quota law

> "We tried everything and it did not work...we needed to get them moving.
> A code is voluntary so there is not enough adherence.
> If you don't do something special for women you won't increase the numbers at the top."
> Marie Claude Peyrache

In January 2011, the French Parliament passed a law requiring large companies to reserve at least 20% of their boardroom positions for women by 2014 and 40% by 2017. The quota law had been mooted for some time, however France first had to change its constitution to allow for sex equality before proposing the bill. The French legislation applies to some 2,000 companies in France which are either listed, have more than 500 employees or revenues over 50 million euros.

Just six months later the largest companies on the French stock exchange had exceeded the 20% quota, with close to 70% of new entrants appointed to the CAC40 being female. This was a big rise from 2004, when women held only 7.2% percent of board seats. Banks and telecoms companies have led the way.

Interestingly and somewhat controversially, there is no law for Government boards and committees. This has caused some disquiet in Paris, a city that is very used to the 'monarchy of civil servants' that reign supreme in France, running all Government boards and chairing several listed boards despite having little real experience for the position.

## Mentoring women on boards

Board Women Partners is a leading not-for-profit mentoring program launched in 2007 by Marie-Claude and her partner, Preaux-Cobti, Director General of Diafora, with the support of McKinsey and France Telecom. The program is based on Peninah Thomson's FTSE 100 Cross Company Mentoring Program, mentioned previously in this report. Board Women is a cross-mentoring program that puts decision-makers (the mentors, Chairmen of major companies) directly in contact with the mentees: senior level women who are able to aspire to these positions within a period of three years or less.

Each Chairman selects one woman (or several) from their own company who matches the profile and who are then mentored by the Chairman of another company taking part in the program. Mentors and their mentees meet regularly two to three times per year. All Chairmen reunite once a year and the mentees two or three times a year.

As of December 2011, the program comprises 29 Chairmen and 44 mentees. There have been 11 mentees join the board of an SBF 120 company.

## Women's Forum for the Economy and Society

France provided one of the highlights of the Fellowship in that I was able to attend the Women's Forum for the Economy and Society in Deauville. This was an extraordinary experience, giving me an opportunity to meet male and female leaders and champions of change from around the world. The global meeting drew a record audience of 1,430 participants from 84 countries. I was the only Australian attending, which marked me out in the crowd.

A discovery program ran as an adjunct to the main sessions and provided delegates with the opportunity to follow specific streams in more depth that the plenary presentations allowed. The range of topics addressed under the theme banner of "What If" ranged from the Arab Spring to Tweeting, and showcased scores of women leading from the edges to the core of our societies.

I took part in the stream on women in the boardroom, which included a US-style boot camp. It was instructive that there was nothing new in any of the sessions and some of them were presenting ideas Women on Boards has been advocating for years. The concept of Women on Boards was very new to everyone I spoke to and there is clearly nothing like it anywhere globally.

# Conclusions

- Boardroom quotas get women on boards, improve governance and change thinking. They do not move women into the executive pipeline.
- Europe is moving towards quotation law at individual country and EU levels.
- The UK is following Australia in using its corporate governance code to push companies to set gender targets and report performance.
- Traditional role modelling, stereotypes and unconscious gender bias is as common in Norway, France and much of Western Europe as it is in the UK.
- Most companies are playing around the edges of reform of workforce practices and approaches to retaining and recruiting women into roles in management and above.
- The same issues affect women in the UK, Norway and France and include; child bearing and care, equal pay and insufficient retirement funds, and CVs perceived as weaker due to career gaps and less experience in operational, overseas and big client roles.
- Women appear to universally under-sell and under-rate themselves, needing greater encouragement and support to apply for, and move into, more challenging roles.

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