

Research Seminar on Gender Issues in Corporate Governance: What have we learned? Hosted by HCCG, 30.01.2013 - Report

On the 30 of January 2013 Hanken Center for Corporate Governance with the support of Solidium hosted a seminar on gender issues in corporate governance. Three prominent speakers from Denmark and Norway were invited to make presentation in front of the audience consisted of academics, students and practitioners.

The seminar started with the opening remarks by the Director of HCCG – Prof. Tom Berglund. He emphasized the need for well done research to establish what is likely to be efficient and what is merely costly window dressing based on popular misconceptions in attempts to improve the gender balance in business and governance. The three talks on the program for the seminar were selected as outstanding examples of this kind of research.



Prof. Øyvind Bohren, Norwegian Business School

The first speaker – Prof. Øyvind Bohren from Norwegian Business School - talked about “Changing organizational form to avoid regulatory constraints: The effect of mandatory gender balance in the boardroom” based on research that he has together with Siv Staubo. Their findings show that firms tend to respond to more restrictive regulation by changing their organizational form. This happens when the added cost of the new regulatory constraint makes the current organizational form less attractive than the best alternative. When the new gender balance law that mandates at least 40% of each gender in Norwegian boardrooms was introduced, half the firms chose to exit into an organizational form that is not exposed to the law.

According to Bohren’s and Staubo’s research exit is significantly more likely when the firm is profitable, small, young, and non- listed. Exiting firms also tend to have powerful owners, no controlling family, and few female directors. Even though listed firms exit much less frequently than non-listed firms, listed firms that do not exit may nevertheless carry the highest cost of the new regulation according to professor Bohren.

These results are also in line with earlier findings that board composition matters for firm value, and that compulsory gender balance in the boardroom shrinks the pool of competent directors and reduces stockholder wealth. The evidence supports the notion that optimal board composition and the best response to regulatory shocks varies from firm to firm. Moreover, regulation is likely to destroy less wealth if firms have the option to exit into organizational forms where the law does not apply. However, recent political signals in Norway indicate that the exit option Bohren and Staubo analyzed in their research may soon be closed, which would further increase regulatory costs. In particular, gender balance in corporate boards may be made mandatory for more than just one organizational form. These important findings suggest that the mandatory approach, and particularly one without exit options, is a costly way of regulating gender balance in corporate boards compared to the more flexible comply-or-explain alternative.

The second speaker on the program was Prof. Aleksandra Gregoric from the Center for Corporate Governance, Copenhagen Business School. She talked about “Breaking up the "Old Boys' Club"? Not so Easy. Female Directors on Nordic Boards” based on the research made by Prof. Gregoric together with her colleagues from Sweden, Norway and Denmark. Their study contributes to the understanding of internal organizational factors underlying board changes in countries where there is a pressure for higher gender diversity in the boardrooms. The authors show that organizations with a higher percentage of female directors, or male directors



Prof. Aleksandra Gregoric, Copenhagen Business School

who differ demographically from the members of the “old boys’ club”, are less inclined to increase the number of female directors. Researchers attribute this negative correlation to attempts by the controlling directors (and also some shareholders) to maintain control in the hands of the “corporate elite”. By doing so, the directors (shareholders) protect the dominance, distinctiveness of their own group, but also what they see as relevant expertise and experience in the boardroom. This likely perceived need for stability in the boardroom is confirmed by the positive relation between new female appointments and natural changes in board structure, such as directors’ retirements and changes in board size. In this study authors do not argue for or against gender quotas but the results suggest that countries

adopting gender quota may be advised to reduce some of the organizational costs of legal compliance by providing an adjustment period long enough to allow boards to increase gender diversity while still maintaining board continuity, and by ensuring there is sufficient transparency in future appointments. Finally, the resistance of the “old boys’ club” to female directorships (as observed in this study) may be countered by measures that ease women’s inclusion into directors’ social networks, thus fostering the emergence of a “modern” corporate elite.



Prof. Nina Smith, Aarhus University

The last presenter of the seminar was Prof. Nina Smith from Aarhus University. Professor Smith’s talk centered on the promotion of females into the top managerial positions in companies. In most OECD countries, according to professor Smith, only few women succeed in reaching top executive positions. Her research is based on extensive employer-employee for all Danish companies over the period 1997-2007. After controlling for a large number of family-related variables, including take-up history of maternity and paternity leaves and proxies for ‘female-friendly’ companies, there is still a considerable gap in the promotion probabilities for CEO positions. However, when controlling for the area of specialization as top executive, the gender gap in CEO promotions becomes insignificant. The presenter concluded that women in top management and VP positions tend to cluster in HR positions and VPs who are responsible for HR, or R&D and IT areas have significantly lower chances of becoming promoted into CEO positions than for instance CFOs and VPs in Sales or Production areas. The general implication of the findings, according to professor Smith, is that an unintended consequence of the way subsidies for parental leave in the Nordic countries have been organized may have been a worsened gender balance in business in this region.

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All three presentations got an active response from the audience in the form of questions and discussions during the seminar and the coffee break. Hanken Center for Corporate Governance expresses special gratitude to Solidium for the support in organizing this event.