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# **Gender Quotas on Corporate Boards in Iceland:**

*Attitudes within the Icelandic business community*

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## **Abstract**

Men traditionally dominate corporate boards of directors. In March 2010 the Icelandic government followed the Norwegian example and approved amendments to the legislations on public limited firms and private limited firms. The amendments require companies in Iceland with over 50 employees on yearly basis to have at least 40 percent of each gender represented on the their corporate boards of directors from September 2013 on. Iceland will be the second country in the world to put a law of this kind into effect. Gender quotas on corporate boards are controversial and recent law enforcements in Norway, Iceland and more European countries have triggered an international debate on quotas and their effectiveness and justifiability. This study explores the attitudes towards gender quotas within the Icelandic business community. Nine board members took part in the research along with an employee of the Icelandic Ministry of Economic affairs. A qualitative method is adopted although quantitative data is also obtained. Semi-structured interviews were conducted and analyzed while taking into account recent research on gender quotas and related literature. The findings indicate attitudes towards the importance of increasing the share of women on corporate boards in Iceland. The measures with which this is accomplished are however controversial. The study concludes that quotas are mostly accepted. This is largely because they seem to be the only way to effectively secure gender balance on boards within a reasonable time frame. Moreover, quotas are seen means to break down the various barriers women appear to face in terms of reaching corporate board positions. The thesis raises several issues that are worth further investigation, such as issues of compliance, a development of few women sitting on many boards and the emergence of shadow boards. This thesis makes a contribution to the literature on gender quotas in various ways. It can both be useful for companies who are preparing for the law enforcement and for companies outside Iceland and Norway who wish to increase the share of women on their corporate boards. Further, it can be valuable for countries considering adopting a similar legislation.

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## **1. Introduction**

In recent decades, gender quotas on corporate boards of directors have become of increased interest amongst policy makers, academics and within the business community. This seems natural in the wake of the growing emphasis on gender and diversity management in today's western societies following the adoption of different legislations and policy changes aimed at promoting equality of opportunity and fighting gender discrimination. Legislations and policy changes in Western Europe far and wide have for instance focused on providing equal opportunities for careers in management and equal pay irrespective of gender and ethnic background (Swan and Gatrell, 2008). Some progress has been made in this area since the early 1980's and women are, to a greater extent, breaking through the so-called glass ceiling<sup>1</sup> and reaching high corporate positions. However, whether or not the progress is and has been good and fast enough is much debated.

Interestingly, despite the promotion of equal opportunities, corporate boards of directors are still dominated by men. Hence, the underrepresentation of women on corporate boards and consequently women's absence from firm's strategy making and decision-making processes is becoming of increased topical interest (Seierstad and Opsahl, 2011). Moreover a decreased confidence in today's companies as a result of recent corporate scandals and the economic crisis has led to increased attention towards areas such as corporate governance, board composition, corporate social responsibility and the roles of corporate boards of directors. Accordingly, board diversity e.g. in terms of greater inclusion of women is receiving more attention and popularity amongst companies and policy makers (Huse et al., 2009). Companies are under increased pressure to appoint women to their corporate boards of directors and different countries use different methods in their attempts to boost women's representation on boards. These methods have differed substantially in terms of radicalism.

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<sup>1</sup> The glass ceiling can be explained as invisible barriers preventing women from reaching the top of organizational hierarchies (Swan and Gatrell, 2008).

Norway was the first country in the world to introduce and pass a gender representation law that requires at least 40 percent of all board members of publicly listed companies to be represented by each sex (appendix 2). Iceland followed the Norwegian example when a similar law was passed in 2010, which is supposed to be put in action in September 2013 (appendix 1). More countries are considering gender quota laws while other chose to adopt softer measures, such as codes and other voluntary actions to increase the representation of women on corporate boards (Nielsen and Tvarnø, 2012). Hence, the question of whether or not to take such radical measures as mandated gender quotas to increase the representation of women on corporate boards remains highly controversial. Yet, it appears to be the only way to successfully establish gender-balanced boards. The debate of quotas on corporate boards brings forth several issues related to gender and management, such as ownership rights, gender equality, gender and leadership and diversity and presents both opportunities and challenges to societies considering quotas. This study will deal with attitudes among managers towards gender quotas in Iceland.

### **1.1. Research question**

*What are the attitudes towards gender quotas within the Icelandic business community?*

### **1.2. Structure of the thesis**

Apart from the introduction, this thesis consists of six main chapters: a literature review, research methodology, the context of Iceland, main findings, discussion and conclusion. The thesis will research gender quotas on corporate boards of directors where the main focus will be on Iceland where a quota law has been passed and is to be enforced next year. Firstly, I will review the literature on corporate governance, from an international perspective, relating to gender quotas on corporate boards and present different challenges and opportunities faced by policy makers and the business community. Subsequently, the period leading up to the groundbreaking Norwegian legislation will be expounded. The Norwegian experience thus far will be accounted for which and will partly serve as a background study for the discussions on gender quotas in Iceland. Thereafter, the current

situation in Iceland will be presented so as to provide the context for discussion. In the results chapter the findings from the primary research will be presented and later discussed in the context of the literature review, i.e. the findings will be compared to theories presented in the literatures review.

## **2. Literature review**

In this chapter I will present selected literature on previous research in order to give an overview of the current context of gender quotas on corporate boards from an international perspective. This will later provide as a foundation for analyzing the case for quotas in Iceland. The chapter will refer to contemporary debates on gender quotas and gender in management. Additionally, common issues and questions that frequently arise in the literature will be pointed out. The review is structured according to themes; it starts rather generally by addressing factors concerning corporate governance, corporate boards, diversity and gender but then the focus becomes narrower and closer to the actual topic of gender quotas. In section 2.1, I address corporate governance and corporate boards of directors where some significant theories in the field are introduced in order to provide a background for upcoming chapters. Chapter 2.2 will touch upon research on board diversity and its effect on board performance. In chapter 2.3 I will explore the literature on gender balance on boards and why it is important. Then, chapter 2.4 will account for the barriers women are likely to face. Chapter 2.5 will address the means with which gender balance can be accomplished. Further, chapter 2.6 will present which European countries have adopted gender quotas and which countries have chosen other measures to increase representation of women on boards. In chapter 2.7 the focus is on the question whether or not men and women are different in terms of management qualities. Then, chapter 2.8 explores possible effects of having women on corporate boards. Chapter 2.9 presents a short overview of the pros and cons of quotas. Finally, chapter 2.7 expounds the Norwegian experience thus far.



## **2.1. Corporate governance and corporate boards of directors**

Corporate boards of directors are a part of the many mechanisms included in the corporate governance literature and are often said to be the most important internal control instrument of the firm. The board is among other things supposed to safeguard the interests of managers and shareholders and make sure that the interests of both parties are met and are in line (Kang et al., 2007). Moreover, the board of directors is charged with monitoring the management team and directing managers away from behaving in an opportunistic way (Rose, 2007). Further, the board of directors should provide the CEO and the management of firms with guidance and advice (Pande and Ford, 2011). Board composition is regarded as highly important and has become even more important in the wake of the global financial crisis as stakeholders and investors increasingly demand better corporate governance and question the activities and compositions of boards more thoroughly (Kang et al., 2007). Rose (2007) brings stakeholder theory into the corporate governance discussion, where he assumes that the role of boards should go beyond maximizing the value of shareholders and should also consider the broader stakeholder group of the firm. The corporations of today influence a broad group of stakeholders and therefore it has been argued that corporations should reflect society by and large. *“Therefore board diversity appears as a logical implication, which may even be mandated by law”* (Rose, 2007, p.405). However, an opposing argument given by Rose (2007) is that corporations are not democratic organizations and therefore a law would limit the freedom and rights of shareholders and owners to choose who should be on the board of their own companies. Moreover, corporate law in most market economies states that shareholders have a paramount rank (over stakeholders) as the owners of the firm and as such it is their right to select the board of directors for the most part (Heath and Norman, 2004).

Leighton (2000) argues that in recent years boards of directors have globally seen improvements in terms of management, organization and independence. He however notes that boards are highly resistant to change in terms of diversity of board members, which can be reflected in the fact that boards are still today dominated by a homogenous group of

males. He argues that the traditional process widely in use for selecting board members has its roots in a conservative board culture that seems unfavorable to women and others not belonging to the conventional group of managers and business owners. Nevertheless, Leighton claims that even though things are improving and the selection process is and has been becoming more sophisticated, especially in larger firms; the process is still characterized by informality and a lack of precision and planning.

As a result of the increased focus on board composition and its controversial nature, diversity and gender has become a heated topic in relation to corporate governance. The debate has specifically centered on whether and how diversity and gender influences the performance of firms. Thus, next section will deal with the literature on board diversity.

## **2.2. Diversity on boards**

Diversity in the context of corporate boards of directors can be defined as the variety in board composition. According to Kang et al (2007) there exist two main categories of diversity: Observable diversity and less visible diversity. The former is concerned with gender, ethnic background, age and nationality. The latter is concerned with educational background along with industry experience and occupational background. Kang et al argue that diversity of board members can provide a board with new perspectives and insights and thus have a positive effect on performance and value. Caspar Rose (2007) argues that board diversity has become a matter of substantial interest within the corporate governance literature especially in terms of how gender impacts performance of firms and how board diversity relates to the equality of the sexes in society. Rose presents several arguments where firm performance is positively affected by board diversity. As Kang et al (2007), Rose (2007) claims that increased board diversity may be beneficial for board processes as it is likely to bring more perspectives to the table based on the board members' different backgrounds and experiences. Huse et al (2009) are of a similar opinion but they claim that having board members with diverse backgrounds will lead to improved decision-making and that diversity is for instance likely to spur creative board discussions: "*The diversity*

*argument rests on the expectations that decisions by groups with diverse knowledge and expertise will be higher in quality than those made by persons with homogenous backgrounds, as long as knowledge and skills of all board members must be used”* (Huse et al., 2009, p. 584). However, Rose (2007) also argues that a high degree of diversity on boards may also lead to fragmentation and may obstruct effective decision-making. Finally, Rose argues that board diversity can have positive effects on a firm’s reputation if stakeholders regard diversity as being important as well as it can lead to a consideration of a broader talent pool.

The literature on diversity becomes interesting in connection to quotas in terms of whether or not observable diversity in terms of gender can justifiably be mandated by law, as is the case with gender quotas on corporate boards of directors. The next section will point out why gender balance on boards is argued to be important in a contemporary context.

### **2.3. Gender balance – why is it important?**

The issue of gender and corporate boards of directors is now more than ever in the spotlight as firms, associations and national governments have started adopting measures to reach increased gender balance on corporate boards. Reaching a gender balance on boards most often means increasing the number of women. This section will present arguments in favor of having gender-balanced boards.

While gender balance on boards is important in terms of gender equality, a balance is also favorable because of a possibly better allocation of available talent within a population (Teigen, 2011). According to Huse and Nielsen (2012), the general debate on boards of director gender raises two important cases in favor of gender balance on boards: A business case and a societal case. According to the business case, the representation of women on boards contributes to board effectiveness and board processes and thus firm competitiveness. The societal case holds *“that corporations and corporate boards are embedded in a societal context, and shareholders must accept that societal values can be more important than shareholder values”* (Nielsen and Tvarnø, 2012, p. 251). Hence, the

societal perspective would contain that as today's Western societies are becoming more equal and women are to an increased extent participating at all societal levels and are better educated than ever, boards should see their interest in including them and taking advantage of their skills and what they have to offer to an equal extent to that of men (Nielsen and Tvarnø, 2012). However, Sierstad and Opsahl (2011) address the underrepresentation of women on boards and in top positions and argue that sex remains a barrier for women in terms of career advancement to corporate boards of directors.

An equal representation of men and women on corporate boards can also be seen as a question of economic proficiency and democracy. Important decisions are taken in the private sector daily which often influence and concern society as a whole. Thus parity in decision-making, i.e. having representatives from both genders in influential business positions is argued to be important (Elomaki, 2012). Additionally, the exclusion and underrepresentation of women can deprive boards of talent and intellect (Seierstad and Opsahl, 2011). Nevertheless, in Europe women accounted for only 12 percent of board members in 2010 and women only occupied 3 percent of chairman positions. Moreover, a relatively large proportion of large European companies had no woman on their boards of directors in 2010 (Elomaki, 2012).

Evidence show that on average women are equally if not better educated than men. For instance, of those enrolled in tertiary education<sup>2</sup> in the Nordic countries, women represent the majority. Additionally in Norway, Iceland and Sweden there are 1.5 women for every man enrolled in tertiary education (Hausmann et al., 2011). Women also make up the majority of university graduates in Europe, or around 60 percent (Elomaki, 2012). According to these statistics it seems natural that boards should increasingly aim to include

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<sup>2</sup> Broadly defined, tertiary education refers to all post-secondary education, including but not limited to universities (World Bank Institute, 2010).

women. By that token, according to Benja Stig Fagerland the underrepresentation of women is a business problem rather than a women's problem, i.e. the fact that companies are not capable or willing to attract more women, who make up the majority of highly educated people, into their frontline can be seen as a sign of an underutilization of resources and weakness on the companies' behalf (Jonsdottir, 2011).

Although the literature points out several reasons in favor of having gender balanced boards and highlights the importance of including women at high business levels, women still appear to face various barriers in terms of reaching board positions. Subsequently, these barriers will be accounted for in the following section.

#### **2.4. Barriers women can face**

Since women are so underrepresented although they are for instance better educated than men on average it becomes interesting to review some of the reasons or rather barriers women are likely to stumble upon and why they are not filling up more board positions.

Teigen (2011) identifies a paradox when she highlights the leading position of the Nordic countries when it comes to gender equality and claims that the development in recent decades can be reflected in the high representation of women in the labor market. Consequently, she raises the issue of the so-called "*Nordic gender equality paradox*" where she considers why Nordic women have not become more equal to their male counterparts in terms of administrative and economic power. She claims that men persistently dominate management positions and positions of power in the economic sphere in spite of the leading position of the Nordic countries regarding gender equality.

##### **2.4.1. Family responsibilities**

Eagly and Carli (2007) argue women are more likely to interrupt their careers to attend to childcare or other family responsibilities. This can influence their career prospects for instance in the way that they may work fewer hours per year and thus have fewer years of work experience. Similarly Hewlett and Luce (2005) claim that much more highly qualified

women than equally qualified men take an ‘off-ramp’ from their careers to attend to family responsibilities. Pande and Ford (2011) argue that if such career interruptions occur frequently either by choice or by necessity women’s careers are likely to suffer. Costs of entering and re-entering can be high and as long as experience is an important requirement for selection of board members this can limit the supply of female candidates (Pande and Ford, 2011). Moreover, family responsibilities can also slow down networking activities of women. As so many women need to attend to work and family simultaneously, their time and ability to socialize and build effective networks may be limited. This can be harmful for women’s career advancement as having a strong network can prove to be crucial for career enhancement and it can even be more effective than spending time on traditional management activities (Eagly and Carli, 2007).

#### ***2.4.2. Lack of role models***

Another barrier, which is often mentioned in this context, is the lack of female role models at the board level. Women are less likely to be motivated to aspire for positions if they do not see other women holding similar positions demonstrating that women can be successful in these positions. The low number of women in positions at the board level can thus act as a barrier to entry (Pande and Ford, 2011).

#### ***2.4.3. Doing gender***

Moreover, the social construction of gender can act as a hindrance for women aspiring for board positions. Pande and Ford (2011) claim that traditional social norms postulate that leadership is associated with male qualities and that women should not be leaders. As this view can be deeply rooted in people, men are often preferred over women based on personal taste. Similarly, Acker (2000) argues that organizational change in this regard is slow and difficult because of deeply embedded and gendered assumptions about organizational structures and processes. Pesonen et al (2009) claim that women can face various organizational barriers one of which is reflected in the following quote: “*feminine ways of managing such as people orientation are inscribed to women and depreciated vis-*

*à-vis masculine competitiveness and business-orientation inscribed to men”* (Pesonen et al., 2009, p. 329).

Pesonen et al (2009) offer an interesting perspective on the gender-board discussion where they suggest a paradox that they claim has rarely been discussed in the quota literature. They focus on two perspectives; the first is termed the women-in-management perspective, which is concerned with making a business case argument for the inclusion of women on the top and the challenges that individual women can face (Pesonen et al., 2009). The women-in-management literature focuses more on women than on gender in management. The view is claimed to be essentialist in nature both in terms of culture and biology as it invites the danger of looking at all women as belonging to the same social group, sharing the same opinions and being alike. Instead of focusing on organizational processes and management the attention is on women as individuals or as a social group (Swan and Gatrell, 2008). The latter perspective introduced by Pesonen et al (2009) is about “doing gender” and focuses on social interaction from a gender relations point of view. Many of the arguments on the women-in-management side suggest that individual women are different from men and can somehow make a difference to boards. Differently, from the “doing gender” perspective gender is socially constructed by human beings through everyday interactions and according to the authors *“Studying how gender is done, then, is about exploring how gender figures in silencing, marginalizing, and excluding women from positions of influence”* (Pesonen et al., 2009, p. 330).

According to Pesonen et al (2009) the literature on gender and corporate boards often incorporates the notion of competence, which in theory is based on individual characteristics. However, competence from a “doing gender” perspective is socially constructed and key competence more often gets associated with male competence, i.e. emphasis are put on masculinities and qualities traditionally associated with men. Differently, when evaluating competence of individuals in supposedly gender-neutral ways, women repeatedly become constructed as deficient. The authors identify two discourses:

the discourse of gender on the one hand and the discourse of competence on the other and argue that the two discourses create a gender boardroom paradox. The paradox entails that the discourse of gender maintains that men and women are different while the discourse of competence builds on the sameness of men and women. Moreover, according to the discourse of competence, access to corporate boards and high business positions is based on meritocracy while the discourse of gender constructs the business world as a power game in favor of men. Gender concurrently matters and does not matter (Pesonen et al., 2009).

#### **2.4.4. Selection systems**

Pande and Ford (2011) argue that the current systems in use when choosing new board members are seemingly unfavorable to women. They further claim that board members are often chosen through networks of individuals who are already board members or through networks of high-ranking managers. Men normally dominate these networks and thus those selecting prospective board members may not even consider women, who may be qualified board members, because they do not belong to these networks.

#### **2.4.5. Social capital**

The importance of social capital has been known to be problematic for women, even if they do not have any responsibilities outside work. This can for instance be explained by the difficulty of getting into the ‘old boy’s network’. As a consequence, they may miss out on professional development opportunities (Eagly and Carli, 2007). Women additionally incline to get less support than men in terms of career making and career development (Pesonen et al., 2009). Ely and Rhode (2010) who hint that networking activities have traditionally been structured in favor of men argue that women face structural barriers and maintain that *“men’s predominance in positions of organizational power, together with differences in the composition of men’s and women’s social and professional networks, give men greater access to information and support”* (Ely and Rhode, 2010, p. 380).

This section has focused on the barriers women may face on their way to boards and other high business positions. It is evident that many of the barriers are somehow related to the



difficulty for women to reach important networks. Accordingly, women tend to get less often selected on boards because of the various aforementioned reasons. The ‘doing gender’ perspective also seems to act as a significant barrier as women repeatedly become constructed as deficient contrary to men who repeatedly become constructed as more adequate. Next chapter will assess the measures with which these barriers can be broken and how radical these measures are.

## **2.5. How can gender balance be accomplished?**

Several measures can be considered when trying to reach gender balance on corporate boards and as earlier noted it most often implies getting more women on corporate boards of directors. The measures differ in terms of radicalism and the way in which gender balance is best accomplished has led to a heated debate within Europe. The debate has centered on which measures are the most appropriate and/or effective in increasing the representation of women on boards (Storvik and Teigen, 2010). The most effective way seems to be enforcing legal measures in the form of gender quotas but their implementation is highly contested.

Sierstad and Opsahl (2011) discuss affirmative action interventions concerned with guaranteeing equality of access regardless of gender. They make a distinction between ‘equality of opportunity’ and ‘equality of outcomes’, where the former contains the use of soft strategies but the latter embraces harder strategies such as quotas and earmarking (Seierstad and Opsahl, 2011). Less radical or softer measures with the aim of increasing the representation of women on boards, which would fall under ‘equality of opportunity’ are for instance soft law initiatives in the form of corporate governance codes or the ‘comply or explain’ principle (Nielsen and Tvarnø, 2012) as well as initiatives promoting women, mentoring programs and voluntary gender quotas taken up by individual companies (Pande and Ford, 2011).

Storvik and Teigen highlight that whether or not a quota law is needed in order to increase the proportion of women on boards is highly contested (Storvik and Teigen, 2010).

However, in a report addressing the situation in Europe it is suggested that at the current rate of change in Europe, which has been calculated as 0,5 percentage points yearly, it will take 50 years to reach a gender balance of 40 percent (Elomaki, 2012). Thus, radical measures may be needed if real changes are desired since time appears not to be the answer (Lord Davies of Abersoch et al, 2011). Pande and Ford (2011) consider the impact of direct policy interventions set out to increase representation of women on corporate boards and argue that governments who are willing to adopt quotas and establish sanctions or punishments for non-complying parties will be able to reach a gender balance on corporate boards. By the same token, the ‘equality of outcomes’ argument by Seierstad and Opsahl (2011) maintains that quotas are prone to secure outcomes, outcomes being the increase of women on boards. Moreover, according to Teigen (2011), regulatory initiatives in the form of corporate quotas can be seen as a direct measure to break the so-called glass ceiling. Ahern and Dittmar (2012) argue that although the rules imposed by a gender quota are effective at reaching more gender diversity on boards, shareholders are likely to suffer if existing male directors are replaced by less competent women.

To sum up, the adoption of legal equality of outcomes measures such as quotas to reach gender-balanced boards remains highly controversial. However, this approach seems to be much more likely to secure outcomes than an equality of opportunity approach toward increasing the representation of women on boards. The debate often centers on whether or not it is justifiable to enforce such radical measures as quotas as it can limit the rights of shareholders and business owners to choose the best candidate irrespective of gender. The next section will cover which European countries have chosen to enforce quotas by law and which countries have chosen other measures.

## **2.6. Which countries have adopted quotas?**

Norway was the first country in the world to adopt and enforce a law on gender quotas with the underlying purpose of increasing the representation of women on boards (appendix 2). Norway’s law enforcement and the period leading up to it has set the ground for an

international debate on corporate gender quotas. Apart from Norway, Iceland, Spain, France, Italy, Belgium and the Netherlands have all passed a gender quota law largely corresponding to the Norwegian model (Elomaki, 2012). Additionally, some other countries are adopting or considering similar quota measures as well as commissioners within the EU have signaled that the union may address the issue (Storvik and Teigen, 2010).

Tvarnø (2012) gives an account of the situation in Scandinavia and few other European countries where she touches upon the Icelandic quota legislation. She claims that Finland has weaker measures or a '*comply and explain*' code where corporate boards are expected to have at least one female and one male director. In Sweden and Denmark soft law initiatives are in place in the form of corporate governance codes. She argues that Denmark is far behind the other Scandinavian countries both in prioritizing gender equality and in terms of board diversity according to a recent Nordic study. Similar to Norway, France has adopted legal rules on gender quotas applying to public limited companies including state-owned companies, which grants companies six years of adaptation. Britain has currently no legal requirements regarding the representation of women on boards although it is widely known that men fill up the vast majority of corporate board positions. Finally, when addressing the EU as a whole, the author expresses an excitement about the future of women quotas within the EU and considers whether or not the union will propose harmonized rules promoting equal opportunity of access to corporate board positions for men and women (Nielsen and Tvarnø, 2012).

More and more countries are taking up gender quotas in order to increase the representation of women on boards and the evidence above points to a development of quotas possibly becoming the norm but not the exception in Europe. Next section will deal with whether or not there are differences between male and female board members and may thus be useful for assessing the business case for quotas.

## **2.7. Differences between male and female board members**

Pande and Ford (2011) touch upon the literature on gender differences concerning economic outcomes and bring in evidence from the psychology literature, which demonstrates different behavioral tendencies between men and women as leaders. Female leaders are according to this school of thought said to demonstrate more democratic and transformational leadership styles while male leaders are more likely to be task-oriented, autocratic and transactional in their leadership behavior. They argue that as long as women and men differ in their managerial skills or other skills, as argued here, gender diversity is likely to matter. Jackson and Parry (2008) discuss gender and leadership and claim that there is no consensus in the literature on leadership styles and gender differences. They point out that according to the trait approach of leadership men seem to demonstrate better leadership than women. Differently, according to the behavioral approach women are better leaders than men. They maintain that leadership success is not correlated with gender but rather with power and communication and that gender differences regarding leadership – if any – are slight. Elliot and Stead (2008) point out that the literature on gender and leadership often includes biases. For instance, many theorists have embraced the view that feminine qualities concerning leadership can be highly advantageous; yet, in real life it appears to be vaguely significant as leadership continues to be reproduced according to traditional male norms and values.

Huse et al (2009) maintain that diversity on boards is much argued where the dispute sometimes revolves around whether or not male and female board members are dissimilar, or whether the differences are mainly dependent on the individual. Their research results support the view that experiences and backgrounds of board members go beyond gender and stress the need to look further than demographic diversity. Moreover they argue that though women may contribute to board effectiveness, diversity and competencies are not necessarily a consequence of gender representation.

Whether or not women and men are different in terms of management qualities is much argued and the literature seems to be inconclusive on the matter. However, the tendency seems to be that differences between individuals are regarded as being more significant than differences between the genders when it comes to management. Although this seems to be the tendency, the literature suggests possible effects of having female board members on board performance. These will be touched upon in the following section.

## **2.8. Women on boards – possible effects on performance**

The discussion of whether or not women or gender diversity has an effect on performance and effectiveness of boards and/or firms often appears in the quota literature. In these instances the discussion often centers on if and how women can make contributions to boards.

Huse and Nielsen (2012) stress the difficulty of finding a direct relationship between board composition in terms of gender and firm performance. They claim it is because of the differential impact women have on some of the tasks and maintain that *“To the extent that boards perform multiple tasks simultaneously and women have differential impact on some of these tasks, no overall performance differences can be detected between firms with high and low ratios of women directors.”* (Nielsen and Tvarnø, 2012, p. 252). Furthermore, the authors emphasize the importance of board processes, which they regard as essential in understanding how women can contribute to board effectiveness. In that direction, they state that higher levels of debate are found in boards with higher ratios of women directors where they highlight that debate is vital for the quality of board decision-making. Moreover, having a higher percentage of women on boards appears to result in less conflict, which they regard as positive since too much conflict can be harmful for board functioning. The authors touch upon the discussion of gender stereotypes where they assert that the gender of a women director does not matter in itself when it comes to board effectiveness and board decision-making, but rather the values and prior experiences they bring along (Nielsen and Tvarnø, 2012).

Adams and Ferreira (2009) argue that women can effect outcomes and have an influence on board input. They claim that women seem to be less likely to have attendance problems than men, and that greater gender balance on boards can also positively influence the attendance of men. Further, they argue that diverse boards in terms of gender are more likely to hold CEOs responsible for poor stock price performance, because women are tougher monitors than men. This argument is made under the assumption that “*The sensitivity of CEO turnover to stock return performance could be considered a measure of the intensity of board monitoring.*” (Adams and Ferreira, 2009, p. 301). However, although they list several factors in favor of having women on boards, particularly factors concerning governance they conclude by claiming that the average effect of gender diversity is negative. While some value-relevant factors can follow increased gender diversity their evidence do not provide substantial support for enforced gender quotas (Adams and Ferreira, 2009). Pande and Ford (2011) similarly argue that gender diverse boards are positively correlated with firm financial performance through monitoring. However, they note that since most of the studies only present correlations they are not successful in identifying the true impact of female leadership or diversity (Pande and Ford, 2011).

Huse et al (2009) stress the need of a better understanding of board work and looking beyond financial performance of firms and composition of boards when examining the business case for how women can contribute to corporate boards. In conclusion, the authors claim that women may contribute to board effectiveness, yet it is not so much a question of demographic or observable diversity as it is about the effects of, what they call, ‘real diversity’<sup>3</sup>. Rose (2007) sets out to find out if a higher degree of women on boards has a positive impact on financial performance. He concludes that if measured by Tobin’s Q<sup>4</sup>, there is no significant link between firm performance and board diversity in terms of female

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<sup>3</sup> Real diversity corresponds to less visible diversity introduced earlier.

<sup>4</sup> Tobin’s Q can be defined as the ratio of a company’s market value to the replacement cost of its assets (Chung and Pruitt, 1994).

board representation on Danish boards. He considers possible reasons one of which is that unconventional board members i.e. those not belonging to the ‘old boy’s club’ are likely to have assimilated with the conventional board members by adopting their norms and behavioral patterns.

The difficulty of measuring if and how women contribute to board performance is frequently stressed in the literature. The section nevertheless introduces some arguments in favor of having women on boards, such as improved monitoring and attendance but there is not an agreement between authors in terms of whether or not radical measure such as quotas should be taken to increase the number of women on boards. The following subsection will address tokenism, a concept that often appears in the quota literature.

### **2.8.1. Tokenism**

Pesonen et al (2009) argue that from a women-in-management perspective, research suggests that women can face organizational barriers when trying to reach board positions. They claim that people may consider those women who do become board members tokens and their contributions to the board may thus be questioned. Huse and Solberg (2006) differently argue that tokenism does not necessarily have to have negative implications. They argue that although being selected as tokens can put great pressure on women, tokenism makes it easier for women to be selected as board members. In line with that they state that while tokenism can generate problems *“the signaling effect and representation of diversity possibly involve more advantages and challenges than problems”* (Huse and Solberg, 2006, p. 121). Being selected as tokens can give women the opportunity to improve their status and influence corporate decision making to a greater extent (Huse and Solberg, 2006). Differently, Huse and Nielsen (2010) discuss tokenism from a slightly different perspective. They highlight that a coercive approach such as gender quotas with the purpose of increasing the representation of women on boards may add burden to equality of women relative to men. If women directors are regarded as tokens it may further

spur existing stereotypes and prejudices and as a consequence women as a group may be regarded as less valuable board members.

According to the literature, tokenism can both be positive and negative for women and can be seen both as an opportunity and a challenge. Next section will shortly touch upon the pros and cons of quotas.

## **2.9. Quotas: Pros and cons**

Pande and Ford (2011) list the pros and cons of quotas from an efficiency perspective on the one hand and an equity perspective on the other. These will be presented here.

On the positive side from an efficiency perspective the authors claim that given that talented women are excluded from high business positions by structural factors of the private sector, or because of other discriminatory factors, quotas can be effective in allocating talent in an advantageous way in the labor market. Further, quotas can lead to improved selection methods of board members. Moreover, quotas can change attitudes in regard to female leadership by having an impact on discrimination and by correcting biased beliefs about women in leadership positions. Further, quotas can have a role model effect for women who wish to pursue board positions and may improve their aspirations. Finally, the effect of quotas can encourage women to invest more in their education and career if they see leadership positions as available (Pande and Ford, 2011).

On the negative side of the efficiency perspective, the authors argue that if women and men are different in terms of leadership abilities quotas may have a negative effect on allocation of board members. For instance, if experience has a positive effect on performance and quotas lead to the appointment of less experienced female board members this may result in worse performing boards. Moreover, quotas can have negative effects on potential female board members in two ways. Firstly, if a woman thinks that a quota has made her advancement path easier she may be less likely to invest. Secondly, quotas can also have a negative effect on attitudes if owners and shareholders are restrained in their choice of



board members and are forced to choose women on a board against their will (Pande and Ford, 2011).

From an equity perspective the positive sides of quotas are that they can directly increase the number of women on boards. Moreover, when and if women face structural barriers on their path towards advancement, quotas can provide a more reasonable representation of women by sidestepping discrimination and reserving a certain number for women on boards. Furthermore, if women and men have different policy preferences quotas can help giving women's policy interests a stronger voice. On the negative side of the equity perspective on quotas, the authors point out that a crowd-out is a possible development, meaning that if a certain proportion of board seats are reserved for women it can negatively affect other socioeconomic groups in the way that there are fewer positions available for these groups who may also be underrepresented (Pande and Ford, 2011).

This section has dealt with the positive and negative sides of quotas where both sides present challenges and opportunities faced by countries considering adopting quotas. Next section will deal with the Norwegian experience but Norway is currently the only country in the world where a gender quota law has been put into effect and thus the only country that has obtained some experience of such a law.

### **2.10. The Norwegian experience**

As earlier noted, a legal act covering public limited companies was accepted in Norway in 2003 and was put into force in January 2008 (appendix 2). Siersad and Opsahl (2011) expound the coercive approach taken in Norway where they explain how the government argued for adopting rules on the grounds of utility and justice. The utility case was highly influenced by the argument of tapping a broader talent pool and taking greater advantage of women's talent and competence. Differently, the main factors of the justice case argument were gender equality, a more even distribution of power and consequently a fairer society. Furthermore, in line with the utility argument the authors argue for a possible and a desirable development of mandating gender quotas: *“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”* (Seierstad and Opsahl, 2011, p. 47). Meaning that the quota law will increase the extent to which women are voluntarily chosen on boards.

Teigen (2011) makes a similar case where she highlights that the debate was intense and prolonged where politicians mostly represented supporters whilst business managers and members of employers’ organizations mostly represented the opposing side. Both sides found the question of justice to be key where the supporters were e.g. concerned with fair and ideal resource redistribution and the need for positive action. The opponents differently raised the issue of autonomy and private managerial rights of business owners. The issue of gender equality was also debated where the main arguments of opponents were related to profitability, or rather the likely impairment of it as it would be hard to find women who are qualified enough to sit on boards. Similarly, Ahern and Dittmar (2012) argue that a great proportion of business leaders were against the quota claiming that there were not enough ‘qualified’ women for carrying out board work. Storvik and Teigen (2010) maintain that although the quota met some resistance before the law was passed, it has now become widely accepted and female board members largely express that they feel welcome and valued (Storvik and Teigen, 2010). The quota law is an example of a radical measure to reach minimum representation and the establishment of the law is, according to Teigen, largely in line with Norway’s quota history as a policy for promoting equality (Teigen, 2011). Sierstad and Opsahl (2011) state that in Norway, affirmative action is considered a key approach in accomplishing equality. Accordingly, the approach taken in Norway of making corporate gender quotas obligatory by law in order to increase the representation of women on corporate boards of directors highlights their commitment to equality of outcomes when it comes to the equality of the sexes. Both the report by Teigen and Storvik (2010) and the article by Teigen (2011) emphasize that notwithstanding the law and the clear transformations in gender composition on Norwegian corporate boards of public

limited companies since the law was enforced, women are almost never chairpersons and men continue to be highly dominating managerial positions.

Storvik and Teigen (2010) stress the importance of fairly tough sanctions as a part of the quota implementation in order for it to be successful. They report that non-complying companies in Norway can face dissolution. Teigen (2011) advises other countries who are looking towards adopting gender quotas to specify and implement appropriate sanctions, as Norwegian companies did not reach full compliance until sanctions were imposed. Moreover, Storvik and Teigen (2010) touch upon the differences between male and female board members in Norway in the wake of the law and find out that female board members are in general younger and more educated than their male counterparts, but the skills profiles of men and women in terms of type of education and type of occupation are more or less the same. However the new female board members have less CEO experience on average than male directors.

Ahern and Dittmar (2012) describe the Norwegian quota law as an exogenous shock and initially assume that the law will lead to substantial changes on boards since an average board will have to change 30 percent of board members in order to comply with the law. From studying 248 Norwegian publicly listed firms in the time period from 2001-2009 they find that the forced changes to board structure resulting from the law has had a great negative effect on firm value. Additionally, they find that industry-adjusted Tobin's Q is also negatively affected by the quota law. Ahern and Dittmar conclude that since boards are chosen to maximize value for shareholders, a quota sets substantial limitations to the choice of directors, which in turn results in decreased value. They argue that as a result of the quota the arrival of new female directors who are on average substantially less experienced and younger than current male directors, have brought several changes to board characteristics. They hint that these changes may have played an important part in the value decline as they point out that boards with less experienced directors are likely to be less

capable. However, they are not able to measure the separate effects of gender, age and experience on firm value.

Differently, according to an article based on a discussion paper by Knut Nygaard it is claimed that the introduction of gender quotas in Norway has on average had a positive effect on the share prices of the firms covered by the law (Bolhaug, 2011). In his research, Nygaard (2011) compares his results to those of Ahern and Dittmar and criticizes their results in several ways. Nygaard includes the factor of information asymmetry between insiders and outsiders of a firm. He claims that with the law Norwegian boards have seen an increase in outside directors<sup>5</sup> (corresponds to independent board members) partly because according to his research, female directors do to a great extent classify as outside directors. Nygaard finds that firms with low information asymmetry can gain from increasing the number of women on boards e.g. because outside directors are more likely to be better monitors of the CEO on behalf of shareholders. The firms with low information asymmetry were found to experience significant and positive cumulative abnormal returns<sup>6</sup> while boards with high information asymmetry appear to experience the opposite, i.e. they are likely to experience negative but insignificant cumulative abnormal returns (Nygaard, 2011). Nygaard's results can be supported by Kang et al's research where they argue that having women on boards can increase the value of a firm because women usually are not members of the 'old boys' club, which provides them with increased independence (Kang et al., 2007).

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<sup>5</sup> Outside directors are defined as board members who are not current or former employees, not employees of closely related firms, not relatives of officers, and not persons with a business relation to the firm (Nygaard, 2011).

<sup>6</sup> In stocks, it is defined as the sum of the differences between the expected returns and the actual returns up to a given point in time. It is utilized to assess the effect of extraneous events on stock prices (<http://financial-dictionary.thefreedictionary.com/Cumulative+Abnormal+Return>).

### ***2.10.1. Unexpected developments in Norway***

Sierstad and Opsahl (2011) identify an unexpected development in Norway after the quota law was enforced which is that certain women directors, labeled the “Golden Skirts” by the media, have attained a large number of director seats. They stress that since the enforcement of the law the number of prominent directors has increased substantially. This especially applies to female directors and can signify that few individual directors are able to have a lot of influence and responsibility. This development can be said to be controversial concerning the initial equality intent of the gender representation law, as what has emerged is a disproportionately large group of prominent women: “Golden skirts” (Seierstad and Opsahl, 2011).

Another unforeseen development in Norway is that a number of companies have changed their legal status from being a public limited firm to becoming a private limited firm possibly in order to avoid being affected by the law. Ahern and Dittmar (2012) identify a stable decline in the number of public limited firms from 2003, the year the quota law was passed, and at the same time they identify an increase in the number of privately listed firms. More specifically, in 2009 there were more than 30 percent more private limited firms than there were in 2001.

In this section the period leading up to the adoption of quotas in Norway and the Norwegian experience has been expounded. It shows that the adoption of the law has proven to be a success in terms of increasing the share of women on boards and that the law has become widely accepted despite its controversiality. The section nevertheless reveals some unexpected developments as a result of the law, which provide interesting topics for future research.

### **3. Methodology**

In this chapter the methods that were used to collect and analyze the data will be explained, the setting in which the research took place will be described and the participants of the research will be accounted for.

#### **3.1. Data**

A mixed methods approach (Lewis et al., 2007) is used as both qualitative and quantitative data are collected and used in the research. However, the qualitative data has more weight. The qualitative data are both in the form of primary and secondary qualitative data. Interviews classify as primary qualitative data along with an unrecorded phone conversation. Moreover, books, journal articles, reports, newspaper articles, websites and government publications classify as secondary qualitative data. The secondary qualitative data is used to provide an extensive literature review and partly provides as a theoretical framework for the research. Moreover, in the findings chapter the literature will be brought in to support arguments of respondents. In the discussion part of the thesis, parts of the literature review will be compared to the results of the primary data to see if some similarities or differences can be detected and in order to assess the case for quotas in Iceland. The quantitative data collected are all of secondary nature and are mainly in the form of statistics gotten from reports or previous research and from governmental publications. The quantitative data along with secondary qualitative data will be used to assess the current situation on corporate boards in Iceland with regard to the representation of women on boards so as to set the ground for the context in which the research takes place. It will then further be used when discussing the findings of the study and when concluding on the research. The following section will describe the interview process.

#### **3.2. Interviews**

I took a trip to Iceland in the time period from 10 May to 27 May 2012 to collect primary data in the form of interviews. Qualitative research interviews or semi-structured interviews (Lewis et al., 2007) were conducted with a sample of nine people from the Icelandic

business community: Five women and four men. Additionally, a phone interview was conducted in the end of July with a contact person within the Ministry of Economic affairs where the main purpose was generating answers concerning sanctions. The interviews were taken with the underlying purpose of gathering data, which would then be analyzed qualitatively in order to get closer to answering the research question (Lewis et al., 2007). The interviews are used to seek opinions and explanations and explore events in order to extend my understanding of gender related boardroom dynamics and to get an idea about the attitudes towards gender quotas within the Icelandic business community. The interviews will not be used to make generalizations about an entire population because they only cover a small non-representative sample, rather they will be used to get an idea of what the respondents think and feel about the topic. I set out to ask the questions in an open manner in order to reduce the possibility of bias, both interviewer bias and response bias (Thorpe et al., 2008). Furthermore, because of the controversial nature of the research both in terms of gender equality and the measures with which gender equality is reached, and because of the constraints that are put on business owners with the enforcement of such a law I made an attempt to formulate the interview questions in a neutral manner in order to avoid making the interviewees uncomfortable. Next section will explain how the sample was chosen.

### **3.3. Sampling**

A non-probability sample was chosen consisting of nine board members and business people. The sampling method can be described as a purposive sampling as I used my judgment to choose individuals I believed were well suited to help answer the research question and meet the objectives of the research (Lewis et al., 2007). The sampling method can also be described as a snowball sampling where I initially identified one contact and asked that contact to identify other contacts etc. (Lewis et al., 2007). Because this research project deals with issues revolving around the importance of gender balance I set out to have a gender balance among respondents, this was however not entirely reached.

The interviewees, who are not board members are somehow related to the topic, e.g. are stakeholders or former board members. I had a list of questions and themes I wanted to get into although these varied depending on interviewees and development of conversations. Further, the interviews were all conducted on a one-to-one basis where the interviewer and interviewees met on face-to-face meetings. The duration of the interviews varied quite a lot; the shortest interview was 27:08 minutes and the longest one was 59:21 minutes. The duration of other seven interviews was somewhere in between although the majority of the interviews were around 40 minutes. Table 1 will show further information about the conduction of the interviews.

<b>Fake name</b>	<b>Date and time of interview</b>	<b>Place of interview</b>	<b>Length of interview in minutes</b>	<b>Gender</b>
John	21 May 2012 at 14:00	John's office	46:38	Male
James	15 May 2012 at 16:00	Cafeteria of James's workplace	51:02	Male
Mark	22 May 2012 at 11:00	Mark's home	59:21 minutes	Male
Brad	16 May 2012 at 09:00	Brad's office	Damaged	Male
Daisy	11 May 2012 at 11:00	Daisy's office	37:54	Female
Rose	14 May 2012 at 15:00	Conference room at Rose's workplace	36:10	Female
Karen	16 May 2012	Conference room at Karen's workplace	27:09	Female
Jenny	15 May 2012	Conference room at Jenny's workplace	47:03	Female
Mary	21 May 2012	Mary's office	42:00	Female

Table 1. Interviewees, time, place and gender.



I considered ethical issues and got the permission from all respondents to record the interviews and highlighted that the respondent had the right to refuse to answer any question. I decided to give all the interviewees fake names (see table 1) to protect their identities because some of them preferred to be anonymous. All interviews were recorded with the consent of the interviewees but unfortunately one recording was largely damaged. I contacted the interviewee who's recording got damaged and got confirmations of answers that I found to be of a special importance. In the following section, the approach taken when analyzing the interview will be accounted for.

### **3.4. Analysis of interviews**

The interview recordings were transcribed in Icelandic and thereafter each interview was translated roughly into English to make the analysis more approachable. Thereafter, the transcribed and translated interview text was analyzed and categorized into themes largely corresponding to the themes of the literature review. I attempted to find similarities and differences in the opinions of the respondents as well as to discover dominant attitudes. After the first level of analysis: the categorization, I did a second level of analysis where I compared the interview text to the literature review. I did this second level of analysis in order to see if the results corresponded to what has already been written on the subject and with the purpose of contextualizing the interview results within the wider field of the study. The goal is for instance to find out how my results contradict or support previous work in the field and thereby endeavoring to spot how the members of the study perceive quota related issues and opportunities (Ridley, 2008). Moreover, I juxtaposed the interview results with the chapter on the context of Iceland with the purpose of situating the results within the Icelandic context. Next section will deal with the research philosophy of the study.

### **3.5. Research philosophy**

I embrace an interpretivist epistemology because I work under the assumption that the complexity of the world of corporate boards of directors does not allow for law-like

generalizations. Moreover the understanding of the differences between individuals in their roles as social actors is important in the attempt of generating answers to the research questions. Interpretivist epistemology maintains that the researcher enters the social world of the research subjects, in this study the social world of corporate directors, and attempts to understand the world from their point of view (Lewis et al., 2007). The principles of the interpretivist epistemology upholds that generalizability is not of key importance both because of the multifaceted and unique nature of business situations and also because of the fast changing landscape of the business world. The ontological stance taken in the study is subjectivism or more specifically social constructionism, which follows from the interpretivist tradition (Lewis et al., 2007). The interpretivist position highlights the essentiality of exploring the subjective meanings working behind the actions of social actors in order for the researcher to understand the actions of the social actors. Moreover, the interpretivist ontological view maintains that social reality is comprised of multiple realities, meaning that a single situation may be interpreted in multiple ways when attempting to make sense of the situation. Thus, reality is regarded as context dependent implicating that *“each reality is specific to a particular social context”* (Risberg, 1999, p. 94). Some of the findings are divided by gender, i.e. the opinions of the men and women will be separated and then later compared. This is done to show if the men and women have different ideas about the topics and if and how they construct gender differently. The following chapter will present the Icelandic context, which will later partly provide as a foundation for findings and discussions.

#### **4. Empirical data – The Icelandic context**

This section will deal with the context under investigation, Iceland, based primarily on secondary data, both quantitative and qualitative. The data are on gender equality in Iceland, corporate governance, characteristics of Icelandic board members and statistics on the representation of women on Icelandic corporate boards. Additionally, attitudes towards equality on boards and towards the gender quota law will be presented. Later, these data will serve as a foundation for the findings and discussions.

#### **4.1. The case of Iceland**

Iceland has long been regarded a highly egalitarian state where women fill 42,9 percent (in 2009) of the national government seats (Centre for Gender Equality, 2012) and which elected the first female president in the world. Furthermore, Iceland ranks highest in the 2011 World Economic Forum's Gender Gap Report and has done so for the past three years (Hausmann et al., 2011). The report investigates gender equality based on gender balance in different countries in terms of education, political participation and women's participation in the labor force. However, despite Iceland's leading position, the report reveals that the gender pay gap is still too high and of concern and that women are still highly underrepresented in executive management positions. The current Gender Equality Act dates from 2008 and its aim is *"to establish and maintain equal status and equal opportunities for women and men, and thus promote gender equality in all spheres of society. All individuals shall have equal opportunities to benefit from their own enterprise and to develop their skills irrespective of gender."* (Ministry of Welfare, 2008, p. 1). Despite the emphasis on equal opportunities it has still not translated to the board level where men are still dominant.

Moreover, according to the Icelandic Centre for Gender Equality (2012), Iceland ranks highest among the OECD countries in terms of women's participation in the labor market which counts for 77,6 percent. Furthermore, women represent 45,5 percent of the total labor force and work on average 35 hours per week while men work 44 hours per week on average. The increasing rate of women entering the Icelandic labor market in recent decades has been met with a generous and supportive system for parents. Nevertheless, in the wake of the gender equality act, despite Iceland's leading position in terms of gender equality and the high participation of women in the labor market Icelandic corporate boardrooms are still highly dominated by men (Centre for Gender Equality, 2012). The share of women on corporate boards of firms the law will cover has been nearly stable at 22-24 percent during the last ten years (Snorrason, 2012).

As a response to the underrepresentation of women in high business positions, especially on corporate boards, the Icelandic Association of Women Entrepreneurs (hereafter, FKA), Iceland Chamber of Commerce (VÍ) and the Confederation of Icelandic Employers (SA) signed a collaboration agreement on May 15, 2009 expressing the necessity of increasing the share of women in corporate governance of Icelandic companies (appendix 5). The agreement was based on the reasoning that the Icelandic nation must fully take advantage of its human capital. Further it is stated in the agreement that these three parties will, in the next four years, encourage and put emphasis on increasing the number of women in the leadership of the Icelandic business community so that the proportion of each sex on corporate boards will not be below 40 percent by the end of the year 2013. Moreover, with the agreement the business community takes on responsibility and leadership in this urgent matter. Furthermore, representatives of all political parties in government signed the agreement expressing its support. Parallel to the agreement CreditInfo, Iceland's leading local provider of credit information, did a research showing clearly that mixed boards deliver the best operating profit for firms and that homogenous boards, no matter if they mainly consist of men or women, lead to increased risk seeking behavior and inferior results (appendix 5).

#### **4.2. The Icelandic law on gender representation**

The aforementioned agreement was never really put to the test because on March 4, 2010, the Icelandic government approved an amendment to the laws on public limited companies (No. 2/1995) and private limited companies (No.138/1994) requiring companies with over 50 employees on yearly basis to have both men and women on their company boards. Public limited companies are required to have at least three board members. The same goes for private limited companies unless shareholders are four or fewer, and in such instances it is sufficient that one or two people occupy the board. If the number of board members exceeds three (this should always be the case for public limited companies) the percentage of male or female board members cannot be below 40 percent (appendix 1). The

amendments to the law will be enforced in September 2013 (Centre for Gender Equality, 2012). Additionally, companies with over 25 employees are obliged to make public information on how many women and men are employed and the number of men and women in management positions. Gender balance should be considered when hiring (executive) managers and the Register of Corporations should be given information about the share of each gender amongst executive managers (appendix 1). Out of 63 members of parliament 32 members from all parties except for the Icelandic Independence Party accepted the bill and 11 abstained from voting (Westlund, 2010). For the full version of the law in Icelandic see appendix 1.

#### **4.3. Corporate Governance in Iceland**

In March 2012, the Icelandic Chamber of Commerce, Nasdaq OMX Iceland hf. and the Confederation of Icelandic Employers published the fourth edition of instructions for corporate governance. It is the second publication since the collapse of the Icelandic banking system. In the preface of the instructions it is claimed that since the collapse, extensive reckonings have taken place on most societal levels including the corporate sphere where many firms have been working to improve their corporate governance and flow of information. The collapse of the Icelandic banking system has led to an increased demand for more honest and improved corporate governance and an increased awareness of good corporate governance seems to becoming a widespread tendency as more and more companies are using instructions and manuals for corporate governance. Furthermore, the publishers claim to have witnessed improvements in annual financial statements after the collapse. Further, they argue that more and more companies are now to a greater extent embracing and increasing diversity on their boards (Vidskiptarad Islands et al., 2012).

The instructions point out the main tasks and obligations of the board where it emphasized that the board bears the main responsibility of a firm's operations as it holds the supreme authority of the firm between shareholder meetings. The main tasks of the board are for instance to promote long-term success, supervising overall operations and monitoring

managers. Moreover, the board should safeguard the interests of all shareholders at all times. Additionally, the board is responsible for the recruitment and the dismissal of a company's CEO if such events turn up. The board should establish its own working rules and procedures and regularly make assessments of its own work. Further the instructions suggest that the size and composition of a board must be in a way that allows it to effectively attend to the firm's duties. The board must consider and include diversity and breadth of board members in terms of experience, capabilities and knowledge. Moreover, because of the monitoring role of boards of directors, independence of board members is highly emphasized where it is suggested that the majority of board members are independent from the firm and its daily managers. Finally, the instruction suggest that boards should make an yearly assessment of the operations of the board, size, procedures and performance in order to be able to improve the work methods of the board (Vidskiptarad Islands et al., 2012).

The section has presented information from the Icelandic guidelines on corporate governance, pointing out various factors according to which corporate boards are advised to act. The factors will be later be discussed in relation to the interviews in order to see if the interviewees of the study have similar ideas to that of the instructions in terms of what constitutes good corporate governance. The next section will further touch upon board members duties and responsibilities.

#### ***4.3.1. Board member duties and responsibilities***

Successful corporate governance requires the possession of knowledge surrounding the operations of the firm. Thus, the board should consist of board members who complement each other with diverse knowledge, skills and abilities. Each board member must have enough time to tend to the board tasks for the benefit of the firm. Moreover, an understanding of the role of the board, the board member role and the responsibilities that follow as well as an understanding of the legal framework within which the firm operates is important. Board members should study all data and information they need in order to have

a complete understanding of the companies operations so as to secure well-informed decision-making (Vidskiptarad Islands et al., 2012).

#### **4.4. Corporate boards in Iceland, a research among Icelandic board members**

In 2011, KPMG Iceland conducted a research among Icelandic board members with the underlying purpose of mapping out some key issues regarding the activity and work of corporate boards and directors in Iceland (Hardardottir and Gudmundsdottir, 2011). A request for participation was sent out to 814 individual directors resided in Iceland whereof 280 participated, 25 percent women and 75 percent men. The report does not take a stance as to whether or not the results are statistically significant. Rather the report is supposed to provide an indication about the opinions and backgrounds of those board members who participated and could therefore be used to give an idea about how directors in Iceland are in general, what education and experience they have and other relevant information concerning their directorships. The report reveals some noteworthy results. Firstly, it discloses that 98 percent of Icelandic female directors, 50 years old or younger, have received university education compared to 82 percent of male directors in the same age range. Moreover, 74 percent of the women aging 50 and younger have finished advanced university education<sup>7</sup> compared to 53 percent of the men. On the whole, 80 percent of the participants have a university education, either basic or advanced degrees. Further, the research shows that female directors are on average considerably younger than male directors; 41 percent of male directors are in the age range of 51-60 while the majority of female directors age 41-50 or 49 percent. Moreover, 68 percent of female directors are under 50 years old compared to only 38 percent of male directors (Hardardottir and Gudmundsdottir, 2011).

The main occupation of the board members who participated in the research is in most instances CEO or managing director or 34 percent. Middle manager is the second most

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<sup>7</sup> An advanced university degree corresponds to a masters degree or a Ph.D degree.

common occupation of the board members or 29 percent. More specifically, male directors are in 37 percent of instances CEOs or executive managers while female directors are in most instances middle managers or in 35 percent of instances. The typical board in Iceland consists of five board members and holds approximately 10-12 board meetings per year. Moreover, according to the results board members in Iceland believe that the board is composited in the right way in terms of gender balance, experience and education (Hardardottir and Gudmundsdottir, 2011).

According to these statistics, current female board members are on average younger and more educated and most often hold middle management positions. Moreover the fact that the majority of the board members believe that the board is composited in the right way in terms gender is interesting since women are highly underrepresented. The next section will reflect upon the homogeneity that characterizes Icelandic board members.

#### ***4.4.1. The typical Icelandic board member***

The report describes the typical Icelandic board member based on the evidence as a 51-60 years old male who has a degree in business administration and holds an advanced university degree. Further, the typical board member currently sits on one board and has been on the board for one year. The board member has been on ten or more boards during his career and his main profession is CEO or a managing director. The typical board member is regarded to be independent and claims to know his legal responsibilities. The board member spends six to ten hours on average on board related tasks per month and receives a monthly amount of 50.000 – 150.000 ISK (approximately 315-950 Euros) (Hardardottir and Gudmundsdottir, 2011). This stereotypical description of the typical Icelandic board member illustrates quite well the homogeneity that has been dominant among boards of directors in Iceland.

#### ***4.4.2. How well are board members prepared?***

All female participants claim that they have studied relevant material prior to board meetings compared to 91 percent of male participants. When the participants were asked



whether they used instructions on corporate governance more women expressed that they use it always or often or 56 percent compared to 33 percent men. Additionally, much more men than women claim that they seldom or never use instructions or 40 percent men compared to 17 percent women (Hardardottir and Gudmundsdottir, 2011).

#### ***4.4.3. Does the board make an assessment of its activities?***

When the participants are asked whether or not the board they are on carry out a formal assessment of the board's activities on yearly basis in terms of size, compositions, work procedures etc. as is advised in the instructions on corporate governance, only 29 percent claim that they do it. 31 percent answer that they do not do it but plan to, and 40 percent claim that they do not do it and do not plan to do it (Hardardottir and Gudmundsdottir, 2011). This is something that is missing

#### **4.5. Corporate boards in Iceland: Women on boards**

An extensive research was carried out by CreditInfo Iceland in 2009 on the participation of women in the Icelandic economy, prior to the introduction of the Icelandic quota law. The research was done in the wake of the initiative taken by FKA, Iceland Chamber of Commerce (VÍ) and the Confederation of Icelandic Employers (SA) with the goal of increasing the representation of women on corporate boards (appendix 5). The report is based on data from a sample consisting of all companies in Iceland (Sigurðardóttir et al., 2009). Since all companies belong to the sample, also those with only one board member, the statistics may give biased view of the situation. Also, the research does not make a distinction between types of companies so it is impossible to know from the results what companies would fall under the (then future) Icelandic legislation on public and private listed companies. However, it is used here to give an idea of the overall share of women in the Icelandic business community. More weight will be put on statistics where it is made clear that the companies have boards of directors with more than one director because some of them are likely to be covered by the forthcoming legislation. It is important to keep in mind that the research is conducted the year before the law enforcement of gender quotas

came to reality. The research was done as a part of a preparation and an encouragement for voluntary increasing the representation of women on boards and no legal measures had been decided upon or taken.

The report points out that of all companies listed with a CEO, 18,5 percent are women compared to 81,5 percent of men. Moreover, the report discloses that in 2009, approximately 71 percent of Icelandic firms had a board of directors only consisting of men and boards of directors only consisting of women accounted for roughly 14 percent. Finally, around 15 percent of firms had a board composed of both genders. The share of companies with both genders increases according to company size. In little less than one fourth of Iceland's biggest companies, both gender are represented on the board of directors. Furthermore, for companies with more than one director on the board the share of firms with both genders represented on the corporate board is 43,2 percent. 53,2 percent of these firms have only men represented on the board and 3,6 percent only have female board members. The results do however not indicate how many women or men are on the board (Sigurðardóttir et al., 2009).

According to the results, companies where both genders are represented on the board are less likely to have serious corporate defaults than companies with boards only consisting of either only men or only women. The authors conclude that in order to increase the share of women in the Icelandic economy the first step is to increase the number of women on corporate boards. By having gender-balanced boards, the likelihood of an increase of female CEOs and managers grows. Additionally, according to the results mixed boards in terms of gender of board members do better with regards to return on equity (ROE) and diminished likelihood of corporate defaults (Sigurðardóttir et al., 2009).

#### **4.6. The current situation in the 130 biggest companies**

According to a research done by Frjáls Verslun (2011) on women on boards of the largest companies in Iceland one can see that a lot of changes are needed before the law will be enforced in September 2013 if companies are to comply with the law. The research shows

the number of board members and thereof the number of women on corporate boards of the 130 largest companies in Iceland<sup>8</sup>. Of the 130 largest companies, 82 companies do not, at the time of the research, fulfill the gender balance required by the upcoming gender quota law or approximately 63 percent. 44 companies do already have the gender balance in order, i.e. have 40 percent or more women represented on the board or 33 percent of the 130 largest companies. Only one company out of the 82 companies who have to change the board composition in terms of gender in order to comply with the law has to increase the number of male directors on the board. Moreover, four companies, or three percent, do not have any information neither on the number of board members nor the number of women on those boards (Hauksson, 2011).

These statistics show that a high percentage of Iceland's largest firms need to make changes on their boards in order to comply with the law. Next section will address the attitudes towards quotas and gender-balanced boards both among the public and among managers.

#### **4.7. Attitudes of the public and of high-ranking managers**

A research on attitudes towards gender equality on corporate boards and towards the gender quota legislation on the boards of public and private limited companies was conducted among the public in 2011 and among high-ranking managers of private and public limited companies and public institutions in 2010. The managers were additionally asked why there are so few women in high-ranking management positions (including board level) (Rafnsdóttir, 2011). The results for the public reveal that the majority of both men and women agree that it is important to equalize the proportions of both genders at the highest level of corporate governance: 85 percent of the female respondents and 72 percent of the male respondent "agreed" or "strongly agreed". Moreover, the dominant attitude of both men and women towards gender quotas on corporate boards of limited companies is positive: 72 percent women and 51 men claimed to "in favor" or "very much in favor" with

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<sup>8</sup> I calculated the percentages myself from the information given in the list.

quotas. However a significant difference is detected between the answers of men and women where women are more often in favor. When the managers were asked about their attitudes towards gender quotas on corporate boards the result were quite different: 62 percent of female managers are in favor of gender quotas but only 25 percent of male respondents claim to be in favor. However, 97 percent female managers and 74 percent male managers think it is important to equalize the proportion of men and women on boards (Rafnsdóttir, 2011). When the managers were asked about why there were so few women in high-ranking management positions, six statements were put forth to reflect the their attitudes.

Firstly, the managers were asked about four statements all beginning with the sentence: The fact that fewer women than men are involved at the highest level of corporate governance is caused by/due to: followed by a statement they were asked to agree with or disagree with. 76 percent women and 66 percent men “agreed” or “strongly agreed” that the underrepresentation of women is caused by systematic factors regarding the organization of work (e.g. long and inflexible working hours, travelling etc.). 78 percent women and 48 percent men “agreed” or “strongly agreed” that it is due to factors based on conservative stereotypes, traditions and habits about what suits men and women best. 33 percent women and 54 percent men “agreed” or “strongly agreed” it is because women are less interested in this type of work than men. 76 percent women and 31 percent men “agreed” or “strongly agreed” that it is because men are not interested in choosing women to these positions. The fifth statement is that a profession of this kind is less suitable for women because of biological factors that will not be changed. Here, four percent women and ten percent men “agreed” or “strongly agreed”. The sixth and last statement is: a profession of this kind is less suitable for women because of social factors that will not be changed where four percent women and 12 percent men “agreed” or “strongly agreed”.

These results show that the public is considerably more positive towards gender quotas than the managers. However, the majority of both managers and the public think that it is

important to equalize the share of men and women on boards. Women, both among the managers and among the public, are more positive towards quotas and equal representation than men. Moreover, the results from the research among managers regarding the low number of women in high-ranking management positions reveals substantial differences between the opinions of women on the one hand and the men on the other hand. In the next section the findings of the study will be presented.

## **5. Findings**

In this chapter the results from the primary research are presented. In section 5.1 I will describe the ideas the board members in the study have about good corporate governance and what they regard as good qualities for board members to have. In section 5.2 the findings concerning diversity will be accounted for. Section 5.3 will present the ideas the board members of the study have about what is hindering women from reaching board positions. In section 5.4 the results on how to motivate women to aspire for board positions will be presented. Subsequently, in section 5.5 the attitudes towards the gender representation law will be introduced. Section 5.6 will presents likely effects on performance resulting from the law. Further, section 5.7 will account for the results on whether or not male and female board members are different from each other and further whether women have something special to offer to boards that men have not and vice versa. Section 5.8 will present the findings on attitudes towards the list of women published by FKA. Subsequently, section 5.10 presents likely developments as a result of the law. Section 5.11 accounts for the results on selection methods and finally, section 5.12 covers the topic of sanctions. In cases where I detect meaningful differences between the opinions of men and women the following sections will be divided into sub-sections of men and women.

### **5.1. Good corporate governance**

Corporate governance was an important theme in the discussions with the board members where many of them mentioned that the homogeneity and rashness that was in place prior

to (and even partly leading up to) the Icelandic economic collapse is something that has to change. The board members note that this has slowly been improving, as various stakeholders have been demanding better corporate governance. This is in line with the instructions on good corporate governance, which maintain that pressure from stakeholders has urged firms to improve various factors concerning corporate governance (Vidskiptarad Islands et al., 2012). Factors the respondents attach to good corporate governance vary quite a lot but the dominant factors that are mentioned are e.g. visibility and transparency of board activities and responsibility towards shareholders. One board member is of the opinion that traditional values such as honesty and trust highly apply to the work of corporate boards. Further, acting according to legal and ethical standards is highly valued among the respondents but many of them argue that this was sometimes missing on boards prior to the collapse. Rose stresses the importance of professional, disciplined and sophisticated working methods and the prioritization of issues. Monitoring of operations is important to follow this through according to Brad. Rose hints that the formality of working methods and planning in advance cannot be overemphasized and that many lost track of formalities in Iceland's global expansion, which was according to her often characterized by rashness and quick decision-making where things were not very well thought through. Karen suggests that handbooks on good corporate governance can provide as a good tool to ensure good corporate governance on boards.

Brad argues that corporate governance is about protecting the interest of the company and of the whole and he stresses that communication with the CEO and employees on the one hand and with shareholders and owners on the other hand are important factors in fulfilling that. Board composition becomes a matter of interest where breadth and diversity of board members in term of age, gender, and knowledge are regarded by most respondents as important factors to have on each board. Mark maintains that corporate governance should be based on equality and the discussions within the board should evolve around choosing tasks according goals and then evaluating these tasks according to the goals. Jenny claims that the boards ought to be a place where discussion and active exchanges of views should

take place and argues that good boards are those that raise critical questions for the purpose of high quality decision making.

The board members attach various factors to good corporate governance, many of which frequently come up in the literature on corporate governance, e.g. the protection of the interests of shareholders (Kang et al., 2007) and monitoring of managers (Rose, 2007). Many of the factors mentioned center on the economic collapse and what can be done to improve in the area of corporate governance. The findings on corporate governance will later be discussed in relation to gender quotas.

#### ***5.1.1. Qualities of board members***

The board members gave an account of what they regard as being good qualities for board members to have where several types of qualities were pointed out. Many stressed the importance of independence in thoughts, opinions and decisions making and the ability to think ‘out of the box’. Independence was also stressed in terms of board members not prioritizing the interests of one shareholder over another. John, who is a CEO of a large company, highlighted that it is important that board members do not always agree with the CEO. Rather, debate should be encouraged and board members should challenge the CEO and each other. In a similar direction Rose maintains that it is good to have a certain degree of conflict. Jenny suggests that a good quality is to be able to take on a second guessing role, asking critical questions and not going with the flow. In order to be capable of that she argues that it is important to have a solid background to support one’s opinions and comments. Huse and Nielsen (2012) present similar views to that of the board members where they touch upon levels of debate and conflict on boards. They argue that a high level of debate has positive effects on board decision-making but note that too much conflict can harm board functioning (Nielsen and Tvarnø, 2012). Rose argues that it is good to have diverse people with different emphasis on the boards, e.g. that some are safeguarding good corporate governance, while others emphasize speed and agility. Similarly, Mark argues for

the merits of having counterbalance among board members, e.g. in terms of defense versus offence and men versus women.

James notes that the definition of good qualities for board members to have is not universal and that it depends on what you are looking for at each time. He suggests that specialization can be good, i.e. to be good at something specific. It is also stressed that board members must possess knowledge and understanding of the industry in which the firm operates. Further, an interest in the industry and the firm is also regarded to be important. Daisy and Karen find basic financial knowledge to be an essential quality and Karen also argues that having general knowledge in law and the legal environment in which the firm operates is meaningful. Other qualities that frequently come up in the interviews are the essentiality of experience, education, communication qualities, and leadership qualities. Finally, a good mix of some of the qualities already mentioned such as education, experience and knowledge is likely to constitute good board members according to many of the respondents.

Here, I have shown what the board members thought to be good qualities for board members to possess. Various factors come up where independence, experience and a counterbalance among board members are for instance emphasized. These factors will later be discussed considering the context of Iceland and the justification for taking up quotas.

## **5.2. Diversity of board members**

The general perception among the respondents is that diversity on boards is very important. John claims that diversity of board members definitely matters and as an example he maintains that a pharmaceutical firm should not only have people from the pharmaceutical industry on the board. He however highlights that someone on the board must know the industry. James also claims that diversity matters, as there is a need for breath especially in terms of age and knowledge. He finds it interesting to know how very male oriented companies who only employ engineers are going to structure their boards in the wake of the law enforcement. Brad gave a somewhat different perspective, he did not really express



whether or not he finds diversity important but explains that in his firm (which almost only employs engineers and is a partnership) there are no independent board members because only employees qualify as board members. Moreover, he claims that as the firm mostly consists of engineers it is difficult to have much diversity on the board. Mary argues that diversity in the widest understanding is ideal and underlines that it is great for an individual to have something that others do not. Karen stresses that the more diverse the group, the more perspectives are available and thus better choices are likely to be made. The arguments made by Mary and Karen are supported by the literature on board diversity where it is frequently argued that diversity brings about more perspectives, which will result in improved decision-making (Huse et al., 2009, Rose, 2007, Kang et al., 2007).

Most board members regard diversity to be an important factor for boards where the main merit seems to be that diversity provides the board with more perspectives. Boards in Iceland are however currently not very diverse, at least not in terms of gender. Thus the next section will focus on one of the factors contributing to the homogeneity on boards, i.e. the barriers women face on barriers women face in terms of reaching board positions.

### **5.3. Barriers women face**

Most of the respondents agree that a lot has changed regarding factors hindering women from reaching board positions during the last years and that women face less barriers today than some years ago. This section will be divided into two sub-sections based on the opinions of the men on the one hand and the women on the other hand. The reason for dividing the findings is because the opinions between the genders are quite different which invites the opportunity of discussing these differences when assessing the case for gender quotas.

#### **Men**

The male respondents provided several reasons regarding barriers women face, many of which were about how women themselves are the reason or that there are no specific

barriers. However, in most cases when the respondents got further into the matter many possible reasons came up. For instance, John maintains that women are more cautious and that men are more likely than women to take on board positions without thinking too much about it. Further he hints that it may be because women think that they cannot do it. He suggests that it may be because women want to be secure and certain that they will deliver, he said:

*“þær eru svona frekar líklegri til að undirselja sig heldur en yfirselja sig sko og þær taka ekki skrefið eða bjóða sig ekki fram í skrefið nema að vera alveg 150% öruggar um að þær munu standast kröfurnar sko”* (John, 21 May 2012).

The quote can be roughly translated to: They (women) are more likely to undersell themselves than to oversell themselves and they do not take the step or do not offer themselves as candidates unless they are 150 percent sure that they will fulfill the demands. Similarly, Mark claims that women are sometimes afraid to take some positions and states that he has had to persuade talented women into taking high-ranking management positions. Moreover, he mentions that women often lack courage and that they often have to be convinced by others that they are good enough. James who has experience in choosing board members for various boards argues that women should be more ambitious, aspire for board positions to a greater extent and show more interest as he claims to have experienced a lack of supply of female directors. He maintains that it is more difficult to get women on boards and that there are fewer women than men who desire being on boards. To support his argument he takes an example of a board position that was recently advertised by the fund he is a chair of where around 80 percent of the applicants were men.

The men mention lack of experience as one of the barriers where it is argued that it may partly be due to lack of opportunities for women in the area of management. Brad, who works within the engineering industry, says that the barriers are only a matter of time, as the number of women in the engineering field is increasing, however not to the same extent as the increase of women in other fields. He claims that the men who have been in the field

for a long time and have gathered a lot of experience are more likely to be chosen to the boards. Moreover, John points out that there has been a lack of role models but argues that there is a domino effect starting as we are seeing much more female role models. Consequently, he thinks that more and more women will follow and say that they are able sit on boards. John's argument is similar to that of Pande and Ford (2011) who argue that the lack of role models at the board level can act as a barrier for women. Thus a domino effect would likely break this barrier.

The dual role for women and the time consuming nature as well as the often-impractical hours of board work also comes up for discussion. Since women often have to balance home and family one respondent suggests that a new or additional position (board position) could restrain them from being able to attend to family responsibilities and other responsibilities. This suggestion made by the men is in line with the literature on the barriers women are likely to face where it is claimed that women are more likely to interrupt their careers, or in other words take an off-ramp to attend to family responsibilities (Eagly and Carli, 2007, Hewlett and Luce, 2005).

James stresses the need for a change in attitudes and maintains that men dominate high business positions because of deeply rooted conservatism and traditional division of labor, which has been dominant in recent decades. As a result of the traditional division he suggests that women often chose softer fields while men are more likely to choose the harder fields. By the same token, Brad mentions that traditional male dominance on boards may act as a barrier for women. Likewise, Mark implies that cliques and old boy's networks can act as an incredibly large barrier for women and others who do not have any links or connections into these networks. What the men say here is applicable to what the literature presents on social capital where it is maintained that women face structural barriers, which make it hard for them to reach important networks (Eagly and Carli, 2007, Ely and Rhode, 2010).

## Women

The women express quite different attitudes regarding the hindrances women are likely to face. All of the women mention networks in this connection. One reason frequently given is that men traditionally dominate board positions and men's networks mostly consist of men. As women's networks seldom reach those of men, men are mostly chosen to these positions. Mary mentions that the narrow choice methods, which have been and are in use when selecting board members, actuate this development. Further, she maintains that women are badly promoted and partly therefore they do not reach the networks of men. Consequently they less frequently get asked to sit on boards. Karen argues that it is very understandable that the method of choosing someone from personal networks is used because it means that you are choosing someone you know and can trust. Daisy and Mary argue that as soon as more women get on boards more women will be chosen, because like men, women also tend to have more women than men in their networks. The reasons women give here correspond to those mentioned in the literature where it is argued that the selection systems currently in use are unfavorable to women because women often do not belong to the networks from which board members are usually selected (Pande and Ford, 2011, Pesonen et al., 2009).

Other reasons given by one of women, Rose, are for instance blindness or prejudice, where she nevertheless points out the prejudice may be too strong of a word. She thinks that the people who are selecting candidates have certain ideas about what women have to offer and what men have to offer. She states:

*“og eiginleikarnir sem að við gefum okkur að karlar hafi eru bara hærra metnir”* (Rose, 14 May 2012).

Which means: The qualities we give ourselves are associated with men are simply more appreciated. The quote is very similar to that of Pesonen et al (2009) when they argue that the social construction of gender continuously constructs women as inferior to men and acts

as an organizational barrier for women. Similarly, Mary argues that one reason may be that there is a myth about women being afraid of taking decisions, a myth she renounces to accept and one that illustrates how female directors tend to be socially constructed.

Jenny argues that there are many reasons why women are hindered from board positions and maintains that tradition and habit play a part but that there is no *one* reason. She maintains that of the many reasons some are good and valid but many of them are outdated. She takes an example of a common explanation regarding education, which is that some years back, only few women were studying business, and those who did were told that their time would come (gain power in business). However, when Jenny and her friends looked around they discovered that the guys who were controlling everything were guys their age, not some older and experienced men and they would have to wait until the next generation would take over – it had already taken over. Thus, Jenny argues that time is not the answer. She also speaks of responsibility for children and home as a possible reason but argues that although it may have some hindering effect it is not a direct reason because of the generous and supporting infrastructure that exists for working parents in Iceland. She claims that expectations of gender roles definitely have an effect and explains that women get a double message and are somehow never doing the right thing. Jenny takes the discussion further and brings in the ideology of professor Judi Marshall and likens the barriers to women as travellers in a male world where they are always visitors.

*“Þannig að eitt af því þegar konurnar fara inn í business heiminn, af því að hann er karladomineraður og á meðan hann er karladomineraður þá er einhver kútlúr og einhver menning sem að þær munu aldrei einhvernveginn átta sig á eða verða partur af að öllu leyti, vegna þess að þær eru ekki socialiseraðar í þessum kringumstæðum og þú getur alveg séð þær konur sem hafa gjarnan náð langt, það eru þær sem að einhverra hluta vegna hafa socialiserast inn í karlaheiminn, þær kunna betur á þetta... Þannig að þær hafa bara einhvernveginn annaðhvort átt mikið af eldri bræðrum eða verið í einhverju svona spila*

*með strákunum í fótbolta, það er eitthvað sem bara gerði það að verkum að þær lærðu betur á þetta og þær endast gjarnan.” (Jenny, 15 May 2012)*

In the quote Jenny argues that when women enter the business world, because it is male dominated and as long as it is male dominated, there will be a culture that they will never really realize how works or completely be a part of. She claims this is because they are not socialized into these circumstances. Further she maintains that women who have managed to come far in this world are those that have for some reason socialized into the male world and they know how it works. The reason she gives is that these women may have had a lot of older brothers or played football with the boys at school. She suggests that something caused that they learned better how this works and they often last at the top.

Some significant differences can be detected between the opinions of men and the women. It can be interpreted that these differences partly consist in whether or not the barriers are a business problem or a women’s problem. These differences will further be touched upon in the discussion.

#### **5.4. Ways to motivate women to aspire for board positions**

Many of the barriers, especially those mentioned by the men, are caused by women’s lack of aspirations and interest, which results in a lower supply of female candidates. Thus, the ways to motivate women to aspire for board positions become interesting. This section is also divided according to gender and will later be discussed when comparing the opinions of men and women.

##### **Men**

James mentions advertising as a good way to attract women to boards and suggest that firms should advertise more often because it makes the process more visible. He claims that women have less ambition than men towards becoming directors of boards and may lack confidence to aspire for board positions. He argues that a possible way may be to try to

build up increased confidence among women. Moreover, he mentions that FKA has been doing a lot to encourage women to offer themselves as candidates and that the encouragement should be continued. Mark suggests that, as the working hours of boards may be impractical for mothers, board meetings could be planned at certain hours taking into account family people. This might allow women to participate to a greater extent. Mark also hints that it is to some extent dependent on the women themselves and suggests that women should start by taking or offering to take on all management related projects that they can as soon as they can in their careers so as to gain experience which may prove helpful if they are aspiring for board positions.

## **Women**

Again, all the women highlight the importance of networking in this connection. Mary stresses that if women go on maternity leave they should cultivate their networks at the same time if possible so they do not miss out on opportunities during that time. She also claims that women need to be visible and participate in networking activities because their name has somehow to be put in the pool of candidates for them to be chosen. Similarly, Daisy and Rose claim that women need to apply more often and aspire to a greater extent for board positions. Jenny highlights the importance of promoting and investing in women networking. She also argues that we need a change in attitudes and that the schools can play a part in doing that. When I asked Rose about how to motivate women she wanted to turn the question around:

*“Ég held að við megum kannski líka snúa spurningunni við sko og þetta hérna þetta snýst ekki bara um að konur þurfi alltaf að aðlaga sig og gera eitthvað öðruvísi heldur fyrirtækin þurfa líka að segja bíddu hvað þurfum við að gera til þess að það verði aðlagandi fyrir konur að koma í stjórnir hjá okkur?” (Rose, 14 May 2012).*

In the quote Rose partly puts the responsibility on the firms and says that the situation should not only be about women adapting and doing something different. The firms should

also think about what they can do in order to make it attractive for women to join the boards of their companies. Rose's argument is much in line with what is termed a business problem as opposed to a women's problem in the literature regarding the underrepresentation of women on boards. The business problem argument centers on that companies should see their own interest in attracting women on boards as they make up the majority of highly educated people (Jonsdottir, 2011).

### **5.5. The law on gender representation**

A popular attitude among both men and women towards the quota law is that they are against gender quotas in principle. However, most of them agree that the law is likely to have positive consequences. The findings will here be presented in terms of the attitudes of the men on the one hand and the women on the other in order to detect if there are some significant differences in the attitudes between the genders.

#### **Men**

John maintains that the law is very controversial and claims to be principally against it. He notes that shareholders should be sensible enough to realize that gender balanced boards are good. Moreover, a popular view among the men is it is a shame that this path had to be taken because in the end we must want the most competent board member candidates to be chosen, irrespective of gender. However although the general opinion is that the men would have wanted to give the business community the opportunity to reach the gender balance by itself, most of them admit that this kind of shock therapy may be needed to change the situation. John talks about the agreement made to voluntarily increase the representation of women on boards (appendix 5) and claims he would have wanted to give it a chance. According to him it was not given a chance because the government was in a hurry tidying up after the economic collapse. Mark believes that in ten years it will be possible to abolish the law while James maintains that the law can become useful for both men and women.



Brad expresses a rather different view; he claims that he understands why the law was enforced, however, he says that it is likely to be unfortunate in the case of his firm (engineering firm) because of the limits it sets in terms of who can be a member of the board<sup>9</sup>. He argues that because of the limitations set by the law it will be difficult for his firm to fulfill the gender quota, as only ten percent of the shareholders are women. He suggests that it would make more sense for a partnership to have the gender proportion in accordance to how the genders are represented among the shareholders. He claims that he and many others in similar firms feel that the law was not very well thought through when it was passed and that there should have been some provisions in the law for those companies that may have difficulties fulfilling the law. John points out that Iceland has taken the law further than Norway as the Icelandic law covers both public and private limited companies. He understands how the government can put such law on public limited firms and publicly owned firms but he deliberates over how these kinds of rules can be put on private limited companies:

*“hvernig getur þú skipað einhverjum sem á eign, ef þú ert með einkahlutafélag, hvernig getur þú skipað honum hvernig hann fer með þá eign sko, svipað bara að þú átt hús og þú færð bara skipun frá ríkinu um það hvernig þú átt að haga þínum innanhúsmunum”* (John, 21 May 2012).

In the quote he takes an extreme example and likens putting such a law on owners of private limited companies to the government ordering house owners how they should arrange their household inventories. Finally, John finds it interesting how it will end up legally for non-complying companies since there are no sanctions. Sanctions will be covered later on.

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<sup>9</sup> The company Brad works in is a partnership where only employees can become shareholders and only shareholders can sit on the board – thus, there are no independent board members.

## **Women**

A popular view among the women is that they would have wanted to go a more democratic way than adopting the quota law. However, they do not know another way, which is as effective in increasing the share of women as quotas are much more likely to be effective than anything else that has been attempted. Mary thinks that the law is without a doubt the way to go. She maintains that the law is a good tool to break up the group that is dominating the boards and that decisive measures are needed to do that. Further, she argues that first people thought that women needed to educate themselves, and then they thought women needed more experience. She claims that now there are many women directing powerful firms but still things have only changed slightly. Mary claims that most women were against gender quotas on boards when it initially came up for discussion. Yet, when they see that nothing has been changing for the last five or ten years, they start to accept it because time seems not to be the answer. Daisy who claims that she is generally against quotas but likes what quotas can do thinks that the law is positive in the way that things happen much faster. Moreover she says that unfortunately it may sometimes be necessary to pass such law but hopes that the law can be repealed after a certain time.

Jenny has come to the conclusion that quotas are a complicated matter and if there was a magic solution it would be used. She admits that at first she was of the opinion that she would not want to be a quota woman (a woman chosen on a board because of the quota) but then she realized after some discussions with other women that whatever way women get on boards they have been given a voice. Jenny's discussion on quota women can be linked to some aspects of the literature on tokenism. Huse and Solberg (2006) argue that being selected to boards as tokens can allow women to influence decision-making to a greater extent and improve their status. Jenny claims that quotas are good in the way that they ensure that we are reaching the goal that has been set, which corresponds to what is termed equality of outcomes in the literature (Seierstad and Opsahl, 2011). Jenny says that one of the arguments speaking against quotas is: what about all the men that have to sit and wait?

She claims that she is not buying the argument and maintains that there are much more competent women today than men and that the men will get their chances if they aspire for them and live up to them.

Karen stands a bit out in her opinion. She claims that the law is definitely not the right way to increase the number of women on boards where she says that the best person should unquestionably be chosen at each time irrespective of gender. She argues that it is very unfortunate to force companies to choose women, especially if it means that you have to choose a woman over a man who is more competent. Moreover, she points out that it will be difficult for many companies to get women on boards because their fields of interest do not correspond to the fields of some companies or because they lack experience.

#### **5.6. Effect on performance**

Effects on performance as a result of the law was discussed where the board members assess how the changes in board composition are likely to have influence outcomes.

John thinks that changes in board composition resulting from the law will lead to positive change and claims that it will likely open up for discussions, increase transparency and democratize the boards. Brad differently argues that it will hardly change anything, as most people on boards are sensible and should be able to take rational decisions irrespective of their gender. James claims that experience shows that performance should improve and has no reason to believe otherwise. Mary similarly points to research showing that firms run by both men and women are more successful which may hint the effect on performance. However she thinks it cannot be generalized. James argues that the changes may result in loss of value but not because of the women, rather because you may be altering the whole board. He stresses the importance of certain stability in terms of not replacing all members at the same time, as it is important to keep some of the experience within the board. Mary also stresses the importance of keeping some of the experience on the board and maintains that experience and new perspectives (brought in by new board members) should be a good match.

Mary thinks that the changes on boards can have both good and bad consequences. She argues that when you are getting new people on boards you never know how well they are going to work together. She however notes that it is not necessarily a result of the quota, as it does not matter if there are men or women who are coming in, it is more about group dynamics. Rose states that the changes may have positive effects, not because we are getting more women, but because the selection process is likely to become more sophisticated. She claims that when you have to choose certain proportions of men and women, the people involved in choosing board members start thinking more about what each member is bringing along and what is missing on the board at each time. Jenny argues that the most important thing in this connection is to break up patterns because the traditional board culture has become so strong. She claims that the quota can act as a tool to do that. Jenny however argues that women are not going to come in and fix things; it is more about changing attitudes.

#### **5.7. Differences between male and female board members**

Differences between male and female board members, e.g. in terms of influence on board decision-making, execution of projects, efficiency, decisiveness and self-esteem was discussed. The discussion centered on if the board members regarded the differences between men and women to be more significant than differences between individuals in general. The following findings are divided into the opinions of men and women because I found it interesting to see if and how the respondents saw their own gender as being different from the other.

##### **Men**

The interviews indicate that all the men are of the opinion that men and women are different. John is of the opinion that female board members have a different approach to decision-making and maintains that women want to do their homework better. Moreover, he claims that women are more cautious by nature. Differently he argues that men are more forward thinking and more progressive and bold when it comes to strategy making and that

men think more out of the box. He makes clear that he does preferably not want to categorize men and women into separate groups and claims that he bases his answers on personal experience. James also expresses that there is a difference. He claims that having one woman on a board can be unfortunate because she may experience being the odd man out in the group and may be regarded pedantic if she starts to ask too many questions. He believes that men are for some reason faster decision-makers and more often have a gut feeling for things. He however notes that men are less meticulous and less conscientious than women who he claims are more thorough and take things more seriously and responsibly. He thinks it is important to have women on boards because they tend to look more at the details than men, who tend to focus more at the big picture. Additionally, he claims that women bring a slightly different experience into the boardroom and that they want to discuss matters more while men tend to want to take care of things immediately.

## **Women**

Two of the women, Mary and Rose, claim that they have not noticed any differences between the genders. Mary suggests that it may be because the women who have been on boards have been a minority and these women are all very competent and used to working in a male dominated environment so they normally have great experience and are self-confident. Rose wants to avoid the discussion that women bring certain qualities to boards, as she thinks that it can be bad and dangerous for women. She claims that there is much more diversity among women as a group than between men and women as groups. Rose's statement can be seen as a renouncement of the women in management perspective introduced by Pesonen et al (2009), which maintains that all women are alike and the focus is on women as individuals rather than on organizational processes. The other three women all claim that there are some differences: Daisy claims that she does not know if one is better than the other, but maintains that they have different qualities and therefore it is good to have both genders on boards. Karen agrees with John and claims that it is her experience that female board members are in general better prepared than men. Also, she claims that

women are more likely to use handbooks on corporate governance. Jenny agrees that there is some difference but highlights that it does not work to say that women are black and men are white.

### ***5.7.1. Special contribution by men or women***

Most respondents disagreed with the idea that men have something special to offer to boards that women have not and vice versa. Answers that came frequently up were e.g. centered on that contribution is not gender related; rather it is dependent on the individual. For instance, James claims that both genders have something to offer, but that it differs according to their experiences. Similarly, Daisy claims that it depends on the knowledge each processes. Rose again renounces the women in management perspective where she argues that contribution to board tasks is not gender related and mentions that a lot of recent research has shown that women bring something special. She disagrees but thinks that diversity is positive and will lead to better corporate governance. Jenny sets forth a similar argument as she claims that diversity is important and that too much homogeneity should be avoided. It can be interpreted from Jenny's answer that diverse board members bring different perspectives to the table as suggested in the literature (Rose, 2007, Kang et al., 2007). As an example she suggests that a board consisting of five lawyers from the same university is not likely to have a lot of breath and highlights that if everybody on the board is similar then there is no reason for having five board members on a board; you might as well have one. Mark stresses that it is important to have both genders and highlights that the half of human kind has a lot to offer. Mark's statement corresponds to the utility case for quotas, which highlights the advantages of the consideration of the whole talent pool (Seierstad and Opsahl, 2011).

It is interesting that on the one hand a dominant attitude according to the interviews is that men and women are different. However, on the other hand the board members mostly agree that contribution is not gender related. It may thus be interpreted that the board members

put equal weight on the qualities they think are different between the genders. This will be covered further in the discussion.

### **5.8. The list of women published by FKA**

The initiative of FKA of publishing a list of names of 190 female candidates who offer themselves as candidates for board positions came up for discussion in the interviews. Many of the respondents are positive towards the initiative but a popular view is that the value of the list is symbolic in nature and that they would be more likely to use their personal networks than the list

James admits that he has used it and says that it is good to have it. He however thinks it should exist for both genders as he is also often looking for men. John states that he did not use the list when he was recently looking for a woman on the board of his firm but used his personal network. He claims that the danger of the list is that some women are just on the list because they are women and he thinks that the list includes a lot of women he would not want to have on boards. Mark likes the initiative and the idea and thinks it has raised a lot of awareness. He however feels that the list is not very well made. Brad, who works for a partnership claims he cannot use it because of the aforementioned limitations in terms of choosing board members in his type of firm. Rose does not think that all companies will use the list but likely those who are really looking for women, especially men who do not have many women in their networks. Karen thinks that the initiative is good and thinks the list will be used along with other tools and services to find candidates. She claims that people have started looking more at experience and might therefore have to look outside their networks.

Daisy and Mary have both been involved in the activities of FKA and share similar opinions towards the list. Mary is sure that companies are going to use it but thinks the man on man method will however continue to be used. She claims that it has attracted a lot of interest and although it has not been used much it gives people the feeling that there are a lot of competent women out there who are ready to sit on boards. Moreover, she argues that

the intention was to erase the myth that women always said no. Similarly, Jenny sees it as a tool to show that it is not an excuse to say that there are no women who want to sit on boards and claims that it puts pressure on people. Daisy has experienced a positive attitude towards the list and thinks it will be used. She also speaks of the myth of women not being ready and sees the list as a tool to disprove the myth. Jenny thinks that the initiative is fine but sees it mainly as lobbyism. She says that it does not really matter if someone from the list is chosen or not, it is more symbolic.

## **5.9. Likely developments**

Likely developments or long-term effects resulting from the law came up for discussion where various ideas were pointed out. However, two interesting themes are discovered: double division boards or shadow boards and professional board members. These will receive special attention below.

A popular view is that the board members hope that the long-term effects will lead to better corporate governance. It is however highlighted that it is not because of the women but because of the changes to board composition. James thinks that the law will generally lead to an increased balance and that in some years time no one will be thinking about it. This corresponds to what Storvik and Teigen (2010) maintain has happened in Norway but they claim that the law was much debated at first but has now become widely accepted.

### ***5.9.1. Double division boards or shadow boards***

James raises the issue of the risk of double division boards where some parties talk and decide upon issues outside the boardrooms. He argues that this can possibly happen if you are forced to have someone on the board that you may not want to have. Groups could be formed where some are in the group and some not, and the dominant group would possibly be able to have the dominant decision-making power. Mary mentions double division boards as well, but refers to it as shadow boards. She suggests that those who are against quotas must have invented the idea of shadow boards as scare tactics. She does not buy the idea and claims that those who would accept working under such circumstances would



have to be seriously weak. Finally she maintains that the real power lies with the actual board and shadow boards should not be able to alter that. Mark claims to have heard stories of shadow boards in Norway where a puppet board is chosen to fulfill the law. However, the owners have chosen a shadow board that actually takes the decisions. Yet, he adds that he does neither know more about it nor seen examples of it. Finally, Karen expresses some worries that the decision-making may move out of the board meetings especially if boards are forced to take in women that do not have the relevant experience or knowledge.

### **5.9.2. Professional board members**

Two of the respondents mention that a possible development might be that of professional board members, especially women. Meaning that some individual women will be on several boards and possibly make a living of being on boards. The development highly corresponds to the “Golden Skirt” development in Norway presented by Sierstad and Opsahl (2011), which centers upon that a few women have attained many board seats. The authors see the development as controversial in terms of gender equality. John however sees this as a positive development while Karen sees it as negative. John argues that the trend would be that these professional board members would be able to share their experiences from one firm to another in the form of good corporate governance, which he claims boards in Iceland could really use. Differently, Karen, thinks that this development may be very unfortunate both because of possible conflicts of interests and because the time these women have to attend to board work may not be sufficient which may reflect badly on all women because the women who do not have enough time may underperform. Mark also touches upon the professional board member development but does not take a stance whether he finds it positive or negative, rather he sees it as a period we may have to go through.

### **5.10. Selection methods**

Selection methods of new board members were discussed in many of the interviews. As presented above many of the respondents expressed that they used their networks when

they were searching for new board members. Additionally, a common tendency according to the respondents is that CEOs or executive managers are asked to take on board positions of subsidiary firms or other firms. These selection methods mentioned are much in line with what Pesonen et al (2009) claim to be the dominant selection methods, which is selection through networks of managers and people who are already board members. Other examples that come up among the respondents are e.g. the hiring of consulting companies, who come up with a list of candidates based on a firm's requirements and advertising of available board positions. It is claimed in the interviews that advertising is an underutilized method but its use seems to be increasing.

### **5.11. Sanctions**

The literature on the Norwegian experience has highlighted the importance of sanction in order for quotas to be a success (Storvik and Teigen, 2010). The Icelandic legislation on gender representation does not lay down any sanctions for non-complying parties. This section will present the opinions of the board members regarding the non-existence of sanctions and whether or not they think that firms will comply.

John claims he does not know if firms will comply and mentions that probably some private limited companies will not give a damn about the legislation. Later he states that he does not understand how a law can be established without having penalties or sanctions if the law is broken. Mary argues that not to comply could in the end be seen by others as lousy and old-fashioned. Moreover, she maintains that although there are no sanctions for non-complying parties, firms are still required to comply. She talks about how firms can use the law for their own good. For instance she argues that complying companies are likely to receive a better reputation. She does not understand how the law can be a burden and has this to say about non-complying firms:

*“þú veist langar mig að vinna hjá fyrirtæki ef að ég er kona og ætla að sækja um vinnu sem millistjórnandi eða (konu), á ég séns á því að sko fá einhvern starfsframa ef að stjórnin getur ekki einu sinni farið eftir lögum og haft konu til að stýra stjórnnum fyrirtækja, þannig*

*að þetta getur líka farið að hafa neikvæð áhrif á þessi stóru fyrirtæki”* (Mary, 21 May 2012).

The quote can be roughly translated into: you know, do I want to work for a firm if I am a woman and am going to apply for a middle-management position, do I have a chance of any career advancement (within a firm) if the board cannot even comply with the law and have women on the board. In the end she suggests that non-compliance can start having negative effects on firms, especially bigger firms. Daisy claims that FKA and the Ministry of Economic Affairs are very positive that sanctions are not needed. Moreover, she points out that if it does not work out without sanctions the ministry can do whatever that it chooses. She stresses that there is great trust between the economy and the ministry and shows a lot of believe in firms and boards when she says that Icelandic board members are intelligent enough to comply. Mark argues that since there are no sanctions we will just have to try and see how it goes, monitor it and hope that it will work. He suggests that if the motive is clear and there are enough people supporting it and talking positively about it, it may work.

#### ***5.11.1. Sanctions – Ministry of Economic Affairs***

Apart from the interviews I contacted an employee of the Ministry of Economic Affairs by phone to ask more into the sanctions, or rather the lack thereof. The following section will present what arrangements the ministry has in place to reach the aims stated in the law. Moreover the justifications the ministry puts forth for not including sanctions will be introduced.

The ministry has mainly been working towards raising awareness about the law in consultation with various parties of interest, such as Iceland Chamber of Commerce, the Confederation of Icelandic Employees, FKA, the banks, KPMG Iceland and many of the bigger companies. Moreover, the ministry claims to be prepared to assist those firms that seek assistance in fulfilling the law. No measures are currently in place but KPMG Iceland will monitor the development from September 2013 on. The ministry is positive that it will

work out without sanctions but in case the provisions of the law are not being followed the situations may possibly be reevaluated where the reasons why it is not working will be considered. The law is not intended to make a 'one size fits all' culture on Icelandic boards according to the contact person and thus it is likely that circumstances may be taken into account in some cases.

It can be interpreted through the answers given in the interview that the Icelandic law is though as a means to change board cultures and break up the homogenous nature that characterizes Icelandic boards. It can even be seen as a part of the reconstruction strategy after the financial crisis that hit Iceland so hard. The goal with the law enforcement is to ensure that the ideology behind the passing of the law is delivered which is based on increased competitiveness as a result of a more equal gender representation, but not so much based on gender equality. Further, the respondent makes a distinction between the reasons why Iceland on the one hand and Norway on the other passed a law on gender representation and argues that in Norway it was mainly based on gender equality while in Iceland it is was more about tidying up after the economic collapse and making some substantive changes on corporate boards as a means to improve corporate governance. Furthermore, when the difference between the Norwegian and the Icelandic law came up for discussion i.e. that the Norwegian law covers public limited firms while the Icelandic law covers both private limited firms and public limited firms, the respondent argues that it is easier to avoid the Norwegian law by changing the legal status of a firm. This will not be possible for Icelandic firms. The respondent presumes that the ideology will be delivered and expects companies to comply. Further the respondent hopes that there will be no need for companies to try and find loopholes to avoid the law.

In the next section the discussion takes place. There I will discuss the results in the context of the literature review and relate the discussion to the case of Iceland.

## **6. Discussion**

This chapter will present synthesis of the literature review and the main findings of the research, i.e. the findings will be discussed in the context of the literature review in order to get closer to answering the research question.

### **6.1. Attitudes towards the Icelandic law on gender representation**

The interview findings demonstrate a rather positive attitude towards the law on gender representation, both among the female and male respondents. However, the general opinion is that the board members are against quotas in principle but mostly like the outcomes that they are able to deliver, i.e. equalize the share of both men and women on boards. Themes that come up in relation to the negative sides of the adoption of the law are not many. However, issues concerning ownership rights (especially in cases of private limited companies), reverse discrimination and an insufficient number of women with relevant experience are for instance raised. In the literature, the issue of ownership rights centers on the restrictions set to the rights of shareholders and owners to choose who should be on the boards of their own companies (Rose, 2007). The findings suggest that because of the limitations it may in some cases be difficult to fulfill the quota, especially in male dominated companies and in specific company types, (e.g. partnerships where the majority of partners are men). This can both be because women may not be interested in these firms or they do not have the relevant qualifications or experience. Besides, the interview results suggest that the quota law can be unfortunate in the way that the best person should be chosen at each time irrespective of gender, and the quota can prevent that from happening. This could further result in reverse discrimination. Oppositions to the reverse discrimination argument can be pointed out in the interviews results, in the way that the quota law may actually become helpful for men in the long run. This argument can be stretched further and be related to the utility case for gender quotas presented by Seierstad and Opsahl (2012). With a consideration of a broader talent pool and by taking greater advantage of the talent and competences of women, the group of competent board

candidates is likely to get bigger and consequently competition for board positions is likely to increase. When women are considered to an equal extent to that of men it should become harder for men to be chosen to boards than it is prior to the law. Further, if women continue to make up the majority of university graduates as pointed out in the literature (Hausmann et al., 2011) men may later benefit from the law as the findings suggest that education and knowledge are important qualities of board members.

Nevertheless, a dominant view regarding the enforcement of gender quotas according to the results is that the board members would prefer to reach a gender balance in another way. Yet, the law and the reasons behind the adoption of the law are widely accepted by most board members, both men and women, where only one board member stands out in her opinion and is largely against the law. The aforementioned initiative of voluntarily increasing the share of women on boards (appendix 5) is for instance suggested as an alternative to the law enforcement. However, no one seems to know a way that is as effective in increasing the number of women on boards to the same extent and in the same time as mandated quotas. Thus, quotas are seen as a necessary push to correct the gender imbalance on boards by securing 'equality of outcomes' (Seierstad and Opsahl, 2011).

The findings become very interesting when juxtaposed with the results of Rafnsdottir's (2011) research among managers. Her results show that male managers are significantly more against the law than female managers, but only 25 percent men claim to be in favor compared to 62 percent of women. Rafnsdottir also investigates if the managers think it is important to equalize the proportion of men and women on boards. In that case, her results are quite different: the vast majority of the female managers and a large majority of the male directors agree that it is important which corresponds to my findings. The resistance to quotas according to her research nevertheless seems to be much higher than in my study. This may be largely explained by the different methodologies used in the two studies. My semi-structured interview method allows for more elaborations and less structured

answers that can be interpreted in various ways while her method is more structured and only allows for specific answers and thus interpretations in accordance to that.

## **6.2. Corporate governance and the corporate quota law**

The study has shown that what the board members regard to be good corporate governance is much in line with what constitutes good corporate governance in theory (Kang et al., 2007, Rose, 2007) on the one hand and how the Icelandic instructions for corporate governance define it (Vidskiptarad Islands et al., 2012) on the other hand. However, what is evident in the results is the great emphasis the board members put on the economic collapse in Iceland and the need for rethinking the role and composition of boards of directors in the wake of the collapse. The results correspond to stakeholder theory set forth by Rose (2007) as stakeholders' demand for better corporate governance has been apparent in Iceland in the wake of the collapse and may even be seen as one of the reasons behind the adoption of the law. Rose's earlier statement becomes relevant here, but he argues that firms should reflect society and suggests that board diversity can thus be regarded as a logical implication on boards that may be mandated by law. This can further be related to Rafnsdottir's (2011) results, which indicate that the Icelandic public finds it important to equalize the proportions of both genders at the board level. Besides, the attitudes towards quotas among the public are positive (more so among women though) especially when compared to the attitudes of managers. Thus, a demand for rethinking the compositions of boards seem to be supported by various stakeholder groups, e.g. the public, managers and the government although there is not a consensus of opinions regarding the measures.

The results show a call for improvements in terms of more sophisticated work methods and decision-making processes on corporate boards. The interviews findings indicate that this is because many boards lost track of the factors constituting good corporate governance in the period leading up to the collapse. Rashness and quick decision-making were starting to be regarded as the norm according to many of the board members. Yet, the results show that although many things ought to change, it may be good to keep some of the factors that

characterized board work in the period leading up to the collapse. Quick decision-making and speed are mentioned in this connection but it is highlighted that they must be balanced with factors corresponding to good corporate governance, e.g. the raising of critical questions and active exchanges of views. As was found in the interviews this may e.g. be reached with increased counterbalance and diversity among board members. Most of the board members believe that corporate governance will improve in the wake of the adoption of the law, however a popular attitude is that it will not improve because we getting more women, but rather because the boards are going to be altered, conservative patterns will be broken and the selection methods are likely to improve.

### **6.3. Board composition – resistance to change**

The results show that the homogeneity that has been characterizing corporate boards in Iceland is something that should be avoided and needs to change in order to rebuild trust in corporate boards in Iceland where diversity factors such as age, gender and knowledge are regarded to be important. Leighton's (2000) discussion on resistance to change in terms of diversity on boards and the domination of a homogenous group of males on boards applies strongly to the case of Iceland. Firstly, it can be reflected in KPMG's definition on the typical Icelandic board member (Hardardottir and Gudmundsdottir, 2011). Secondly, it is mirrored in CreditInfo's research, which reveals that that 53,2 percent of Icelandic firms with more than one board member had a board of directors only consisting of men in 2009. Differently 3,6 percent of firms had only women on the board and 43,2 percent had both genders represented but the gender proportions are unknown (Sigurðardóttir et al., 2009). Finally, Snorrason (2012) presents that the number of women on boards of the companies that will be covered by the law has been unchanged around 22-24 percent during the last ten years. These evidence show that things have not been changing much despite women's improved position in the labor market and the promotion of equal opportunities (Centre for Gender Equality, 2012). The evidence can be related to Leighton's (2000) results but he blames the resistance to change on conservative selection methods unfavorable to those not belonging to the conventional group of managers and business owners. Similarly, according



to the interview findings, common selection methods in Iceland are selection through personal networks and selection of CEO's or executive managers. Thus, since men dominate boards and men's personal networks mainly consist of men, men tend to be chosen on boards. Also, much more men than women are CEOs and executive managers in Iceland, which also explains men's domination on boards (Sigurðardóttir et al., 2009). The law is likely to bring changes to the selection methods as if women have to be found, firms may have look in places they normally do not look. This may, according to the findings, result in more sophisticated and more thought through selection process of both men and women.

#### **6.4. Diversity**

Although the results show that Icelandic boards are homogenous they also show that diversity is appreciated and desirable, both observable diversity and less visible diversity (Kang et al., 2007). It can be argued that the law on gender representation is aimed at reaching the gender diversity factor of observable diversity by taking an equality of outcomes, affirmative action approach (Seierstad and Opsahl, 2011). However, less visible diversity seems to be more appreciated among the board members, i.e. diversity in terms of educational background, industry experience and occupation. Nevertheless, observable diversity is also regarded important, especially in terms of having a breath in age and gender. More perspectives and thus more choices for decision making are seen as the main advantages of diversity according to the results as in the literature review (Rose, 2007, Kang et al., 2007). Yet, in the results, perspectives tend rather to be associated with less visible diversity than observable diversity. Accordingly, the diversity argument for corporate boards in Iceland seems to apply more to less visible diversity and thus favor an equality of opportunity approach to increase the representation of women on boards. However, the literature suggests that the equality of opportunity approach is less likely to successfully establish gender-balanced boards, especially within the same timeframe (Seierstad and Opsahl, 2011). This is supported by what was found in the interviews, which is that an equality of opportunity approach is preferred, at least in theory, to the equality of

outcomes approach. However, most members agree that the law may be needed, as the equality of opportunity approach to increasing the share of women on boards has not proven to be successful hitherto.

### **6.5. The underrepresentation of women on boards**

Since, as earlier noted, women in Iceland have overtaken men in terms of education, it seems natural that they should be highly represented on corporate boards (Hausmann et al., 2011). However, the numbers indicate that this is not the case. This can be reflected in the fact that around 63 percent of Iceland's largest companies did not fulfill the provisions of the upcoming law in 2011 (Hauksson, 2011). As a result of the continuous underrepresentation of women on boards and following the Norwegian example, the Icelandic government decided to take action. Although the legislation is very controversial, its adoption appears to be the only way to immediately break down the various barriers women appear to be facing in terms of reaching board positions. The literature presents various barriers many of which are somehow related to networking where it is maintained that networking activities are unfavorable to women based on different reasons, e.g. family responsibilities. The findings show similar factors to the literature review but the findings make a distinction between what the men think and what the women think about the barriers and show that the genders have somewhat different ideas concerning the barriers. The men partly blame women themselves i.e. it may be interpreted that the men see the barriers as a women's problem rather than a business problem. This can be reflected in their comments about women being more likely to undersell themselves, lacking the courage to aspire for board positions and choosing softer fields. This attitude among the men corresponds to Rafnsdottir's (2011) results but 54 percent of the male managers in her study agree that women are underrepresented because they are less interested in board position than men. However, the men in my study also point out that family responsibilities, conservatism and lack of role models also play a certain part. This also partly corresponds to Rafnsdottir results, especially the family responsibility factor. The majority of the male managers in her study agree that women are underrepresented because

of factors such as long and inflexible working hours and travelling which can be assumed to be impractical for mothers. However, according to the chapter on the case of Iceland (section 4.1) and as indicated in the interviews, Iceland has a generous support system for parents. Thus, the family responsibility barrier should not cause too many problems.

The women differently all emphasize networking, i.e. the difficulty for women reaching networks of men. Hence, the results suggest that because of these difficulties women seldom get chosen on boards through networks since men dominate important networks. Moreover, my results indicate that that the women who do reach boards and last on boards are often those who have somehow and for some reason managed to socialize into the male world and may thus be argued to have high social capital. Further, the women also mention stereotypical barriers and the results indicate that the social construction of gender in favor of men also acts as a barrier for women. This can e.g. be interpreted through the quote by Rose (Rose, 14 May 2012) where she suggests that qualities associated with male managers are more appreciated than those associated with female managers. Similarly, Rafsdottir's (2011) results also project some of the barriers as socially constructed but 78 percent female managers agreed that the underrepresentation is due to stereotypical traditions, habits and traditions about what suits men and women best.

It can be interpreted from the interview findings that many of the women see the barriers as a business problem rather than a women's problem. This can for instance be reflected in the quote where one of the women, Rose, puts the responsibility on the firms rather than on women (Rose, 14 May 2012). Likewise, the literature presents arguments claiming that the underrepresentation of women is a business problem rather than a women's problem, as women currently represent the majority of university graduates and make up almost half of the total Icelandic labor force (Jonsdottir, 2011). Thus, firms should see their interest in it taking advantage of their talent.

## **6.6. Supply of female candidates**

Some disagreement may be detected in the results regarding the supply of qualified women for board positions. Most of the board members agree that there are enough qualified women to fill up the board positions intended for women. However, one problem mentioned is that women do not aspire as much for board positions as men and hence there is less supply of female directors. This can be backed up by an example given by one of the board members who was involved in advertising a board position where significantly more men than women applied. However, the list of 190 women published by FKA can be seen as an indication that a lot of women are interested and prepared to take board positions. The results suggest that the list gives people the idea that there are a lot of women willing to sit on boards and disproves the myth that women are not interested in being on boards. Yet, the results also indicate that although the list is a good initiative and raises a lot of awareness, the symbolic value is likely more than the use value. Moreover, the list is criticized for inviting the danger of including women just because they are women. Also, it can be interpreted that although the list includes 190 women who claim to be ready to be on boards it does not mean that these 190 women are actively going to pursue board positions. Some of the women may even not be qualified enough. Yet, it is a good promoting and awareness-raising tool and puts a lot of pressure on companies. Investment in women networking and the promotion of women is suggested in the interviews as good ways to pave the way for women and possibly increase the supply of female candidates, but the list can be seen as one method to do that.

According to the interview findings, the law is likely to start a domino effect in terms of role models but Pande and Ford (2011) argue that lack of role models can be a barrier for women pursuing board positions. As the law will bring much more women to boards it will likely motivate more women to aspire for board positions and is thus prone to have a positive effect on the supply of female candidates. Further, women's lack of experience often comes up as one of the reasons for the underrepresentation of women on boards, both in the literature (Ahern and Dittmar, 2012) and in the results. Eagly and Carli (2007)

suggest that women work fewer hours than men on average, whether it is due to family responsibilities or not, which may translate into fewer years of work experience. The statistics from Iceland show the same tendency but Icelandic women work nine less hours on average than their male counterparts (Centre for Gender Equality, 2012). Another reason given in the literature for women's lack of experience is low social capital and lack of support at high business levels which can slow down their career advancement and translate negatively to their experience (Pesonen et al., 2009, Eagly and Carli, 2007). This can further be related to what was found out in the interviews where the women express difficulties in terms of reaching the networks of men. Networking can lead to management opportunities, which can further result in experience. Women are advised by the male respondents to take all the management opportunities they are offered or they can apply for no matter the scale or how important these are, as it can add to their experience.

As in Iceland, arguments against quotas in Norway also concerned lack of management experience among women (Ahern and Dittmar, 2012). However, now four years later Norway has managed to reach gender-balanced boards and according to the literature the quota has become widely accepted (Storvik and Teigen, 2010). Norwegian boards have however experienced substantial changes as a result of the quota; board members are younger on average and have less management experience. This seems also to be the tendency in Iceland but current female directors are according to KPMG's research substantially younger than male directors (Hardardottir and Gudmundsdottir, 2011). Icelandic female directors also seem to have less management experience, which can e.g. be reflected in the fact that current female directors in Iceland are, as earlier noted, in fewer instances than male directors CEOs or executive managers but the most common main occupation for female directors is being a middle manager (Hardardottir and Gudmundsdottir, 2011).

If, experience is positively correlated with board performance as suggested in the literature (Ahern and Dittmar, 2012, Pande and Ford, 2011) it may be argued that the quota law is

likely to have a negative effect on board performance in the short run. This is because Icelandic boards are going to experience a great increase in female directors as a result of the law who, on average are likely to be less experienced. However, from a different perspective the increase in female directors is also prone to have a positive effect on performance according to Nygaard (2011) through the channel of monitoring (especially firms with low information asymmetry), as female directors are more likely to be outside directors (corresponds to independent board members). Adams and Ferreira (2009) along with Pande and Ford (2011) support Nygaard's argument that women are tougher monitors than men and Adams and Ferreira see it as a value-relevant factor in favor in gender diversity on boards. Thus, if women are tougher monitors than men as suggested, it may mean that with an increase in women on boards, monitoring of managers is likely to get tougher after the enforcement of the law. Tougher monitoring may in turn to a greater extent direct companies and individual managers from behaving in an unethical manner or taking wrong or ill thought out decision. Consequently, it may be argued that the increase in women on boards may contribute to improved corporate governance.

The results propose that if a lack of management experience on boards becomes problematic as a result of the law experience can be the strength of others, as boards are composited by many. Women who lack management experience could compensate for the lack of experience with other strengths such as their high educational level or other kinds of qualities or experiences.

#### **6.7. “Golden Skirt” effect?**

Another factor that can be interpreted from the interview findings is that although approximately 200 board positions are intended for women after the enforcement of the law, it does not mean that a total of 200 women are needed. This is because it is likely that some women will sit on several boards. The development of few women taking on a lot of board positions comes up both in the interviews and in the literature. The findings suggest that there may even be a new profession emerging, especially among women, which is that

of professional board members. Likewise, the literature on the Norwegian experience points out a development of the “Golden Skirt” effect where a group of few women have attained a large number of board positions and are thus able to have a lot of influence and responsibility (Seierstad and Opsahl, 2011). Opposite opinions towards this development are detected in the interview results. One perspective is that the development is positive as long as it is within reasonable limits (i.e. the women are not on too many boards) as it is prone result in knowledge and experience sharing from one firm to another. In this case, some female directors would likely be professional board members, i.e. their main profession would be sitting on various boards and this is something the interview results hint is already happening. From the other perspective it is regarded as an unfortunate development as it can lead to conflicts of interests. In addition it may have a negative effect on female managers’ reputations as a group if individual women are on too many boards. These women may sometimes not have enough time to attend to all boards simultaneously which may in turn lead to underperformance in some cases. Additionally, it is suggested that this development is an inevitable period that has to happen, as the interviews hint that there may be a lack of supply of female candidates with sufficient management experience to fill up all the positions that are intended for women.

## **6.8. Women on boards**

The findings show a willingness to reestablish formality on corporate boards in Iceland and bring back traditional values such as honesty, visibility and trust along with an emphasis on critical assessments of tasks and decisions. The instructions on corporate governance precisely state that a yearly assessment of the operations of the board is suggested, however the results from the KPMG research show that only 29 percent of boards claim to do this (Hardardottir and Gudmundsdottir, 2011). Thus, this shows that an assessment of board operations is highly missing and an improvement in this regard may contribute to better corporate governance. Moreover, the interview findings suggest that instructions on corporate governance can help ensure good corporate governance on boards if they are used. Further, research has shown that the use of manuals is increasing (Vidskiptarad

Islands et al., 2012). What is more, KPMG's research among board members shows that women are more likely to use instructions on corporate governance than men (Hardardottir and Gudmundsdottir, 2011). This may signify that with an increase of women on corporate boards in the wake of the law enforcement a higher proportion of board members will be likely to use instructions, which may in turn have positive effects on corporate governance.

The women in management perspective, i.e. that women are different from men and can in some way make a difference to boards (Pesonen et al., 2009) is partly renounced by the respondents of my study. This can be reflected in findings on whether the board members thought that women have something special to offer to boards that men do not and vice versa. The dominant attitude towards the question is that contribution is not gender related but rather dependent on the individual. However, when the board members were asked if they noticed differences between male and female board members in terms of management qualities that they found to be more significant than the difference between individuals, the tendency seems to be that men are more of the opinion that women and men are different. Factors that are mentioned are that women look more at details, want to discuss things more and do their homework better while men are faster decision makers and more progressive and bold. However, the qualities of one gender are not preferred over the other and it is argued that the different qualities are likely to provide a good counterbalance. Two of the women do not agree that men and women are different but the three others mention factors such as women being better prepared and more likely to use instructions on good corporate governance than men. Pande and Ford (2011) argue that if men and women differ in their managerial skills, gender diversity is likely to matter. The results in this regard appear ambiguous. All of the board members firstly claim that board contribution is not gender related. However, when they discuss whether or not male and female managers are different most respondents (all but two board members) claim that men and women are different where the various aforementioned factors are mentioned. Thus, it may be interpreted from the findings that although the board members claim that board contribution is not gender related most of them also argue that women and men bring different qualities



into the boardroom. Based on these results a gender balance on corporate boards is likely to matter and a counterbalance in terms of having both genders should be embraced.

### **6.9. The difference between the Norwegian and the Icelandic legislation on gender representation**

When comparing the Norwegian and Icelandic gender quota legislations some evident differences can be detected. First of all, the Norwegian legislation covers public limited companies but the Icelandic legislation covers both public limited and private limited companies. In Iceland it is hard for firms to avoid the legislation but in Norway a known development has been that some companies have changed their legal status from being public limited to private limited, possibly to avoid the law (Ahern and Dittmar, 2012). Secondly, sanctions for non-complying firms are in place in Norway but non-compliance can lead to dissolution of firms. Further, the Norwegian experience suggests that sanctions played a big role in the success of the law (Storvik and Teigen, 2010). This is supported by Pande and Ford (2011) but as earlier noted they advocate that governments who are willing to introduce sanctions parallel to quotas will be able to reach a gender balance. Differently, at the current time, Iceland has no measures in place for non-complying firms, which seems peculiar in light of the Norwegian experience.

The interview results indicate an optimism that firms will comply although there are no sanctions. However, some uncertainties may be detected in the interviews in terms of what will happen in the case of non-compliance. Non-compliance is associated with being old-fashioned and conservative and may have negative effects on firm reputation, which may be reason enough to comply. The results moreover show that the board members are hopeful towards compliance especially among big firms if the motive is clear and if monitoring will be in place. According to the ministry of economic affairs monitoring will be carried out by KPMG Iceland. The interview findings indicate worries regarding some private limited firms and very male oriented firms. This is the case for one of the respondent who works in a partnership firm where a large majority of partners are men. He

finds the law not very well thought out and worries how his company and others alike are going to be able to occupy the board with qualified board members. As a response to this problem, the findings show that the Ministry of Economic Affairs claims to be prepared to offer its assistance to firms that need help with fulfilling the quota law. However, as in the case of the partnership, where only employees qualify as board members, it may not be much the ministry can do to help. According to the ministry, singular circumstances may possibly be taken into account as things progress since the law is not intended as a means to create a 'one size fits all' board model but rather to deliver the ideology behind the law. Thus, it may be interpreted from the interview results that some flexibility may be allowed. However, this is something that is yet to be figured out. Moreover, the results show a hint of uncertainty about sanctions, i.e. it is insinuated that the situation may be reevaluated and sanctions even reconsidered if companies prove resistant to the law when the time comes.

Differences may also be detected between Iceland and Norway in terms of the reasons behind the adoption of the law. According to the literature the Norwegian government adopted the law on gender representation based on justice on the one hand where gender equality and a fairer society played a significant role and utility on the other hand where taking advantage of a broader talent pool and women's competence to a greater extent was key (Seierstad and Opsahl, 2011). However, although the utility and justice cases inevitably played a role for the Icelandic government, it may be interpreted from the results from the Ministry of Economic Affairs that the reason why the Icelandic law was passed is largely due the economic collapse and may even be thought of as a part of the restructuring strategy of the Icelandic economy in the wake of the collapse.

It may even be argued based on the findings that if Iceland had not been hit as hard by the economic crises as was the case, an equality of opportunity approach towards increasing the share of women on boards may have been taken. The aforementioned agreement among FKA, SA and VI (appendix 5) aimed at voluntarily increasing the representation of women on boards was initiated only ten months before the law was excepted so it remains

unknown if and to what extent voluntary action would have been effective in increasing the proportion of women on boards in Iceland. However, numbers for Europe show that without a quota law it would take substantially longer time to reach a balance (Elomaki, 2012). The interview findings however give the impression that many wanted to give the agreement some chance, as the adaptation period stated in the agreement and in the law is the same, September 2013. If the changes by that time would have been unacceptable then action could have been taken.

As already noted, Iceland is taking the law a step further than Norway as the Icelandic law covers both public and private limited firms (appendix 1). A resistance to this is detected by one of the board members, which revolves around how such rules can be put on private limited firms. Moreover, since Icelandic firms do not have the controversial option of changing their legal status from being public limited to being private limited, it is yet to be known how firms that are resistant to the law are likely to respond. That is, the question of whether or not alternative loopholes will emerge among companies attempting to avoid the law remains unanswered for the time being. The discussion of shadow boards or double division boards presented in the findings becomes interesting here. Whether the tendency among companies who for some reason cannot or do not want to comply with the law will lead to the emergence of shadow boards provides an interesting case for future research in Iceland.

## **7. Conclusion**

This thesis has investigated the attitudes towards gender quotas within the Icelandic business community and touched upon the challenges and opportunities that may follow from the adoption of gender quotas in Iceland. I found out that the adoption of gender quotas in Iceland is widely accepted although other measures would have been preferred in terms of reaching gender-balanced boards. Up until now an equality of opportunity approach towards increasing the representation of women on boards has not proven successful and my results show that the business community is aware of that. A dominant

attitude is that it is important to increase the share of women on boards. Thus, my study shows that an alternative to the equality of opportunity approach may be needed to correct the continuous gender imbalance on Icelandic boards. Mandated gender quotas, also referred to as an equality of outcomes approach, appear to be the answer to break up the homogeneity that has been persistent on corporate boards in Iceland for long. Thus, quotas are seen as a necessary push to secure a gender balanced boards.

The business community tends not to like quotas but likes the outcomes quotas are able to deliver. Because of this the law enforcement is accepted. A widely accepted view is that the quota law was possibly enforced because of the economic collapse in Iceland. Further, many view its adoption as a means to tidy up and improve corporate governance, as various stakeholders demand better and more visible corporate governance. The emphasis on rethinking compositions of boards and the demand for improvement of working methods on boards is therefore regarded as one of the reasons why the government established the law on gender representation.

Apart from ensuring gender balance and contributing to a fairer society in terms of gender equality, my results also show that quotas are likely to have positive effects on corporate governance. This is not necessarily because of the increase of women on boards. Rather it is because selection methods are likely to improve and become more sophisticated and as a consequence board composition is likely to be better thought through. Although the results largely point out that board contribution is not gender related some value relevant factors in favor of increasing the number of women on corporate boards are detected. These factors are for instance adherence to corporate governance guidelines and tougher monitoring of managers. Thus, as Icelandic boardrooms are going to experience changes resulting from the substantial increase in female board members, the effect of the law on board performance provides an interesting topic for further research.

The quota law can be seen as a direct measure to break the glass ceiling, in other words the various barriers women are likely to stumble upon on their way towards corporate boards. I

found out that the barriers are both a women's problem and a business problem. The barriers are a women's problem in that women do not aspire for board positions to the same extent as men. As a consequence, there is less supply of female candidates and they do not get chosen on boards to the same extent as men. The business problem conversely implies that companies are underutilizing available resources by not taking greater advantage of women's talent and competences. Women make up almost half of the labor force and are passing men in terms of education and thus firms should strive for having more women on their boards. This seems not to be happening, as the number of women on boards has been nearly stable for ten years. Further, I found out that the business problem partly consists in the social construction of gender, in disfavor of women. In my study female board members are not directly constructed as deficient among the respondents, as men and women are largely seen as equally capable. Women are said to be more cautious and responsible while men are argued to be more progressive and bold. These qualities are regarded as being equally important and likely to lead to a good counterbalance. Yet, it is hinted that women are socially constructed as deficient within the Icelandic business community where habit, tradition and conservatism play a large role. Women's low social capital at high business levels and the difficulty for women in terms of reaching important networks additionally acts as a major barrier to women's representation on boards according to my study. It may be concluded from the study that the law breaks down the various barriers women are facing. Further it will likely get close to solving the business problem as firms are required to include women to a greater extent and may also possibly lead to a better allocation of available resources.

The main attitudes against the quota law consist in the limitations of choice set to shareholders and owners. Secondly it consists in the unfortunate development of replacing competent men with less competent women. This is likely to happen according to my study if the talent pool of female candidates is not big enough and may have negative effects on board performance. My study gives a mixed message in this regard. Firstly it is suggested that there is a lack of supply of female candidates with the relevant experience. Conversely,

I found that the list of 190 women published by FKA indicates that there is a great supply of women who are ready to take on board positions. A lack of supply may encourage the development of few women taking on many board positions but the attitudes towards this development are both positive and a negative. Whether or not this will happen in Iceland is yet to be found out but the effects provide an interesting subject for future research. Another subject that came up in the study that is worth investigating is the emergence of shadow boards. That is, if companies that are resistant to the legislation will move some of the decision-making out of the board rooms.

To directly answer the research question, the attitudes towards gender quotas on boards among the business community are that the law is controversial but mostly accepted. More specifically, the probable outcomes of the law are favored while the methods with which the outcomes are accomplished are less favored. However, as the study has showed that mandated quotas seem to be the only way to effectively secure gender balance on corporate boards, they have become largely accepted.

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## **APPENIX 1**

### **THE ICELANDIC LEGISLATION ON GENDER REPRESENTATION**

# Lög

## um breytingu á lögum um hlutafélög og lögum um einkahlutafélög (eignarhald, kynjahlutaföll og starfandi stjórnarformenn).

### I KAFLI

#### Breyting á lögum um hlutafélög, nr. 2/1995, með síðari breytingum.

##### 1. gr.

Eftirfarandi breytingar verða á 30. gr. laganna:

- a. Við 1. mgr. bætist nýr málslíður sem orðast svo: Stjórnin skal gæta þess að hlutaskráin geymi réttar upplýsingar á hverjum tíma.
- b. Á eftir 6. mgr. kemur ný málsgrein sem orðast svo:  
Í hlutaskrána skulu færðar upplýsingar um atkvæðisrétt hluthafa og skal þar jafnframt geta allra þeirra samstæðutengsla sem hlutafélagið er í.

##### 2. gr.

1. mgr. 63. gr. laganna orðast svo:

Í stjórn hlutafélaga skulu eiga sæti fæst þrjú menn. Í stjórnunum opinberra hlutafélaga og hlutafélaga þar sem starfa fleiri en 50 starfsmenn að jafnaði á ársgrundvelli skal hvort kyn eiga fulltrúa í stjórn þegar stjórn er skipuð þremur mönnum og þegar stjórnarmenn eru fleiri en þrjú í slíkum félögum skal tryggt að hlutfall hvors kyns sé ekki lægra en 40%. Sama gildir um kynjahlutaföll meðal varamanna í slíkum félögum en hlutföllin í stjórn og varastjórn skulu þó í heild vera sem jöfnust. Náist ekki viðhlitandi niðurstaða má samþykkja nauðsynlega breytingu með nýrri ákvæðum hluthafafundar en ákvæði um þetta efni skal taka upp í samþykktir félags. Í tilkynningum um stjórnir til hlutafélagaskrár skal sundurliða upplýsingar um hlutföll kynjanna í stjórn. Í hlutafélögum, þar sem starfa fleiri en 25 starfsmenn að jafnaði á ársgrundvelli, skal jafnframt sundurliða upplýsingar um hlutföll kynjanna meðal starfsmanna og stjórnenda félagsins.

##### 3. gr.

Við 1. mgr. 65. gr. laganna bætist nýr málslíður sem orðast svo: Gætt skal að kynjahlutaföllum við ræðningu framkvæmdastjóra og skulu hlutafélagaskrá gefnar upplýsingar í tilkynningum til skrárimnar um hlutföll kynjanna meðal framkvæmdastjóra.

## 4. gr.

Við 1. mgr. 70. gr. laganna bætist nýr málslíður sem orðast svo: Formaður félagsstjórnar skal ekki taka að sér önnur störf fyrir félagið en þau sem teljast eðlilegur hluti starfa hans sem stjórnarformanns, að undanskildum einstökum verkefnum sem félagsstjórnin felur honum að vinna fyrir sig.

## 5. gr.

A eftir 3. mgr. 84. gr. laganna kemur ný málsgrein sem orðast svo:

Félagsstjórn skal gera stutta samantekt og leggja fyrir aðalfund um hlutfjäreign einstakra hluthafa og rétt þeirra til að greiða atkvæði, svo og um þær breytingar sem orðið hafa á árinu. Sambærilegar upplýsingar skulu liggja fyrir um þau samstæðutengsl sem hlutfélagið er í.

## 6. gr.

Við 2. málsl. 1. mgr. 91. gr. laganna bætist: og hlutfjäreign einstakra hluthafa og atkvæðisrétt þeirra.

## 7. gr.

Eftirfarandi breytingar verða á 2. tölul. 153. gr. laganna:

- a. Á eftir orðunum „(2. mgr. 70. gr.)“ kemur: samantekt um samstæðutengsl o.fl. (4. mgr. 84. gr.).
- b. Í stað orðanna „4. mgr. 84. gr.“ kemur: 5. mgr. 84. gr.

## II. KAFLI

## Breyting á lögum um einkahlutafélög, nr. 138/1994, með stöðri breytingum.

## 8. gr.

1. mgr. 39. gr. laganna orðast svo:

Í stjórn einkahlutafélags skulu eiga sæti fæst þrjú menn nema hluthafar séu fjórir eða færri, þá nægir að stjórnina skipi einn eða tveir menn. Ef stjórn félags er skipuð einum manni skal valinn a.m.k. einn varamaður. Þegar stjórnarmenn eru tveir eða þrjú í félagi þar sem starfa fleiri en 50 starfsmenn að jafnaði á ársgrundvelli skal hvort kyn eiga fulltrúa í stjórn og þegar stjórnarmenn eru fleiri en þrjú í slíkum félögum skal hlutfall hvors kyns ekki vera lægra en 40%. Sama gildir um kynjahlutföll meðal varamanna í slíkum félögum en hlutföllin í stjórn og varastjórn skulu þó í heild vera sem jöfnust. Naist ekki viðhlitandi niðurstæða má samþykka nauðsynlega breytingu með nýrri atkvæðun hluthafafundar en atkvæði um þetta efni skal taka upp í samþykktir félags. Í tilkynningum um stjórnir til hlutfélagaskrár skal sundurliða upplýsingar um hlutföll kynjanna í stjórn. Í einkahlutafélögum, þar sem starfa fleiri en 25 starfsmenn að jafnaði á ársgrundvelli, skal jafnframt sundurliða upplýsingar um hlutföll kynjanna meðal starfsmanna og stjórnenda félagsins.

## 9. gr.

Við 1. mgr. 41. gr. laganna bætist nýr málslíður sem orðast svo: Gætt skal að kynjahlutföllum við ráðningu framkvæmdastjóra og skulu hlutfélagaskrá gefnar upplýsingar í tilkynningum til skrárinnar um hlutföll kynjanna meðal framkvæmdastjóra.

**III. KAFLI**  
**Gildistaka.**

10. gr.

Lög þessi öðlast þegar gildi. Þó skulu ákvæði 2.–4. málsl. 2. gr. um óannur hlutafélög en opinber hlutafélög og 3.–5. málsl. 8. gr. öðlast gildi 1. september 2013.

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*Samþykkt á Alþingi 4. mars 2010.*

## **APPENDIX 2**

NORWEGIAN “PUBLIC LIMITED COMPANY ACT”

**“§ 6-11a. Krav om representasjon av begge kjønn i styret**

(1) I styret i allmennaksjeselskap skal begge kjønn være representert på følgende måte:

1. Har styret to eller tre medlemmer, skal begge kjønn være representert.
2. Har styret fire eller fem medlemmer, skal hvert kjønn være representert med minst to.
3. Har styret seks til åtte medlemmer, skal hvert kjønn være representert med minst tre.
4. Har styret ni medlemmer, skal hvert kjønn være representert med minst fire, og har styret flere medlemmer, skal hvert kjønn være representert med minst 40 prosent.
5. Reglene i nr. 1 til 4 gjelder tilsvarende ved valg av varamedlemmer.

(2) Første ledd omfatter ikke styremedlemmer som skal velges blant de ansatte etter § 6-4 eller § 6-37 første ledd. Når det skal velges to eller flere styremedlemmer som nevnt i første punktum, skal begge kjønn være representert. Det samme gjelder for varamedlemmer. Annet og tredje punktum gjelder ikke dersom et av kjønnene utgjør mindre enn 20 prosent av samlet antall ansatte i selskapet på det tidspunkt valget skjer.”

## **APPENDIX 3**

### **SEMI-STRUCTURED INTERVIEW SCHEDULE FOR THE BOARD MEMBERS**



## **Interviews with board members – interview scheme**

What is your background?/ Hver er þinn bakgrunnur?

How many boards have you been on? When were you first a board member? Hversu mörgum stjórnnum hefur þú setið í? Hvenær varstu fyrst stjórnarmeðlimur?

What do you regard as good qualities for board members to have? Hvaða eiginleika telur þú mikilvæga fyrir stjórnarmenn að hafa?

How would you define good corporate governance? Hvernig myndirðu lýsa góðum stjórnarháttum?

What do you think is now hindering women from reaching board positions/ high business positions? Hvað telur þú að sé að hindra konur frá að komast í stjórnarstöður eða aðrar háar stöður innan fyrirtækja?

What do you think about the gender representation/gender quota law? Do you think that a law is the right way in order to increase the number of women on boards? Hvað finnst þér um kynjakvótalögin? Finnst þér lagasetning af þessu tagi rétta leiðin til þess að fjölga konum í stjórnnum?

Do you think that the changes in board compositions will have an effect on board/company performance? Heldur þú að breytingar á stjórnnum í kjölfar laganna muni hafa einhver áhrifa á frammistöðu stjórna/fyrirtækja?

During your career/experience on boards have you noticed any differences between male and female board members, e.g. in terms of influence, self-esteem, decisiveness, efficiency? (that you regard as more significant than the differences between individuals?) Á þínum ferli sem stjórnarmeðlimur, hefur þú orðið var við einhvern mun á karl- og kvenstjórnendum? Þá á ég við hvað varðar áhrif á ákvarðanatöku, framkvæmd verkefna,

afköst, ákveðni og sjálfsöryggi? (sem þér finnst vera þýðingarmeiri en munur milli einstaklinga almennt?)

Is it your experience that women and men are equally active in board discussions? Af þinni reynslu, finnst þér karlar og konur í þeim stjórnnum sem þú hefur verið í vera jafn virk í umræðum?

Is it your experience that women are sometimes perceived as B members of the board? Er það þín reynsla að konur hafi einhverntímann verið álitnar annars flokks meðlimir stjórnar sem þú hefur verið í?

Have you experienced any changes to the board dynamics/behavior in the wake of the selection of female board members? Hefurðu upplifað einhverjar breytingar á hegðun stjórnar sem þú hefur setið í eftir komu kvenstjórnarmeðlima? %

FKA published a list with names of 190 women who offer themselves as candidates to boards. What do you think about the initiative? + Do you think that companies will use the list when trying to fill the quota positions? Félag kvenna í atvinnurekstri birti lista yfir 190 konur sem bjóða sig fram í stjórir fyrirtækja í aðdraganda upptöku laganna. Hvað finnst þér um það uppátæki? Heldurðu að fyrirtækin sem vanta konur í sínar stjórnir eigi eftir að nýta sér þennan lista?

Is it your opinion that the underlying goal of the law, i.e. increasing the representation of women on boards, could have been reached without the quota law? Er það þitt mat að meginmarkmið lagasetningarinnar þ.e. að fjölga konum í stjórnnum fyrirtækja gæti verið náð án laganna.

Do you think that the law will pave the way for an increase of women as chairs of boards? Heldurðu að lögin eigi eftir að hafa þau áhrif að kvenstjórnarformönnum eigi eftir að fjölga?

Would you be willing to predict what could possibly be the long-term effects of the legislation? Treystirðu þér til þess að spá eitthvað til um langtíma áhrif laganna? Some likely developments?/Einhver líkleg þróun?

Do you think that men have something special to offer to board tasks that women do not? And vice versa. Telur þú að konur hafi eitthvað einstakt/sérstakt að leggja að mörkum fyrir stjórnir sem karlar hafa ekki?

Og öfugt?

What do you think is the best way to motivate/attract talented women to apply for board positions? Hvað telur þú vera bestu leiðina til að hvetja/fá hæfileikaríkar konur til þess að sækja um stjórnarstöður/sæti?

Do you think there are enough women with the relevant skills and experience to become board members? To fill up the approximately 200 positions. Telur þú að það séu nógu margar konur með viðeignadi reynslu og færni fyrir stjórnarstörf? Þá á ég við til þess að fylla upp þessi u.þ.b 200 sæti í stjórum sem ætluð eru konum eftir upptöku laganna?

When was the board composition of the board you are on changed the last time? /Hvenær var stjórninni sem þú situr í síðast breytt?

How many new board members were selected at that point? Hversu margir komu nýjir inn í það skiptið?

At the last board member selection, was at least one of the members selected a woman? Síðast þegar nýjir stjórnarmenn voru valdir, var að minnsta kosti einn þeirra kona?

How does your board select new board members? Hvernig velur stjórnin nýja stjórnarmenn?

How were you selected to the board of directors you are currently in? Hvernig varst þú valin/n í stjórnina/stjórnirnar sem þú situr í?

Has the board you are on started preparing how to increase the number of women on the board before the law enforcement in September 2013? Hefur stjórnin sem þú situr í byrjað að undirbúa hvernig hún ætlar að bregðast til þess að uppfylla löginn þann 1. September 2013.

Do you think that diversity of board members e.g. in terms of educational background, industrial background, personal background and age matters or is an advantage for the performance of boards? Telur þú að fjölbreytileiki stjórnarmeðlima t.d. hvað varðar námsbakgrunn, iðnaðar/atvinnubakgrunn, persónulegan bakgrunn og aldur skipti máli eða sé kostur fyrir frammistöðu/afköst stjórnar?

Have the boards you have been a member of been diverse or homogenous? Hafa stjórnirnar sem þú hefur verið meðlimur í verið fjölbreyttar eða einsleitar?

## **APPENDIX 4**

### **SEMI STRUCTURED INTERVIEW SCHEDULE FOR THE MINISTRY OF ECONOMIC AFFAIRS**

## Questions for a telephone interview with a contact person within the ministry of economic affairs – interview scheme

- Which arrangements has the ministry done in order reach the goals set out in the law? / Hvaða ráðstafanir hefur ráðuneytið gert til þess að ná þeim markmiðum sem stefnt er að í áætluninni?
- Will there be any sanctions for non-complying companies? If yes, then what kind of sanctions/penalties? / Eru refsingar/viðurlög fyrir þau fyrirtæki sem ekki fara eftir lögnum? Ef já, þá hvers konar refsingar?
- Will any non-compliance by companies be tolerated after the 1 September 2013? / Verður fyrirtækjum sýnd einhver þolinmæði ef þau verða ekki búin að jafna kynjahlötföll stjórnar eftir 1. September 2013?
- How will monitoring take place? / Hvernig verður fylgst með?
- Norway has highlighted that sanctions played an important part in terms of firms complying with the law. Have you considered that? / Nú hafa Norðmenn lagt mikla áherslu á að refsingar hafi verið mjög mikilvægur hlekkur í því að farið var eftir lögnum hjá þeim. Hafið þið leitt hugann að þessu?
- The Icelandic law is more extensive than the Norwegian law, as the Icelandic law covers both public and private limited firms, but in Norway it only covers public limited firms. Do you think that it will be more difficult to get private limited firms to comply? / Íslenska lagasetningin er heldur víðtækari en sú sem sett var í Noregi, þar sem að Íslenska lagasetningin nær yfir bæði hlutafélög og einkahlutafélög en í Noregi eiga lög einunigis um hlutafélög. Haldið þið að það verði erfðara að fá einkahlutafélög til að samþykkja skilyrðin?
- Is it a possibility that some exemptions for will be made for single firms that claim to be unable to comply? / Kemur til greina að veita einhverjar undanþágur fyrir einstaka félög sem ekki telja sig geta farið eftir lögnum?

## **APPENDIX 5**

### **AGREEMENT TO VOLUNTARY INCREASE THE SHARE OF WOMEN ON CORPORATE BOARDS IN ICELAND**



**FKA**  
Félag kvenna í atvinnurekstri

  
VEIÐISVÆÐING ÍSLANDS

  
SAMTÖK ATVINNULÍFSINS

**CREDITINFO GROUP**  
LÉSTUR, TRÚ, VÆÐING

FKA - Félag kvenna í atvinnurekstri, Veiðisvæðing Íslands og Samtök atvinnulífsins telja nauðsynlegt að efla hlut kvenna í stjórnun íslensks atvinnulífs enda verður íslenska þjóðin að nýta mannauð sinn til fulls.

Á næstu fjórum árum munu þessir aðilar hvetja til þess og leggja ríka áherslu á að konum í forystusveit íslensks veiðiskiptalífs verði fjölgað þannig að hlutfall hvors kyns verði ekki undir 40% í lok árs 2013.

Með þessu tekur veiðiskiptalífið sjálft ábyrgð og forystu í þessu brýna hagsmunamáli.

Er nánar gerð grein fyrir upphafsleiðum að þessu markmiði í viðhengi þessa samnings. Creditinfo mun árlega mæla árangur verkefnisins.

Reykjavík, 15. maí 2009

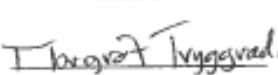
  
Lh. stjórnar FKA  
Margrét Erlingsson, forseti

  
Lh. SA - Samtaka atvinnulífsins  
Þórunn Þórunnsson, formaður

  
Lh. Veiðisvæðing Íslands  
Finnur Óðisson, framkvæmdastjóri

  
Lh. Creditinfo  
Rakel Sveinsson, framkvæmdastjóri

Fulltrúar allra flokka sem eiga sæti á Alþingi styðja þennan samning með undirritun sinni.

  
Lh. Bolgarhreyingarinnar

  
Lh. Félagsáhrifaflokkurinn

  
Lh. Samfylkingarinnar

  
Lh. Sjálfstæðisflokkurinn

  
Lh. Vinstri hreyfingarnar - Grænir framboðar



# Fjölguð konum í forystusveit íslensks viðskiptalífs

September 2009

FKA - Félag kvenna í atvinnurekstri, SA - Samtök atvinnulífsins og Viðskiptaráð Íslands skrifuðu nýlega undir meðfylgjandi samstarfssamning, sem var jafnframt vottaður af öllum stjórnsmálaflokkum sem eiga sæti á Alþingi.

Markmið samningsins er einfalt: Að konum í forystusveit íslensks viðskiptalífs verði fjölgað þannig að hlutfall hvors kyns verði ekki undir 40% í lok árs 2013. Samhlíða samningnum gerði Creditinfo rannsókn sem sýnir svo ekki verður um vilist að blandaðar stjórnir skila bestri rekstrarafkomu fyrirtækja – og að einsleitir stjórnir, hvort sem um er að ræða þær skipaðar annarsvegar konum eða hinsvegar körlum, leiða til meiri áhættusækni og lakari árangurs.

Athugun Creditinfo hefur leitt í ljós að töluvert skortir upp á að ofangreindri blöndun sé náð og því of lítið um að konur sitji í stjórnun íslenskra fyrirtækja til jafns við karla. Þessu þarf að breyta og til að auðvelda þér leit að öflugum aðilum í forystu íslensks viðskiptalífs fylgir hér listi yfir konur, sem eru tilbúnar til að leggja sitt af mörkum.

Frekari upplýsingar velja undirrituð

*Hafdis Jónsdóttir*

1.h. stjórnar FKA

Hafdis Jónsdóttir formaður

*Finnur Oddsson*

f.h. Viðskiptaráðs Íslands

Finnur Oddsson, framkvæmdastjóri

*Vilhjálmur Egilsson*

1.h. SA - Samtaka atvinnulífsins

Vilhjálmur Egilsson, framkvæmdastjóri

**FKA**  
Félag kvenna í atvinnurekstri

  
VIÐSKIPTARÁÐ ÍSLANDS

  
SAMTÖK ATVINNULÍFSINS

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