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Corporate Governance Initiative Report

Submission to EU Call for Public Consultation on *Gender Imbalance in Corporate Boards in the EU*

May 28th 2012



ICGI Report 5/2012

by

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Why did we reply?

Gender imbalance is prevalent across the world and has many facets, foremost soci(et)al, political and economic, and the problem is exacerbated because these issues are interrelated. More simply, however, it is about human conditions in our society. It is about how women and men relate to each other in our EU societies. It is not first a business issue; it is first a social and justice issue: do women have the place they deserve, or are women being discriminated against and perhaps not giving the contribution they are fully capable of and which societies can benefit from? This larger question will be examined here from a corporate board viewpoint – and of course, geographically, inside the EU.

This question comes at a time when the business sector is increasingly aware of its fundamental responsibility as a major transformational force in today's world. As a result, one topic that is receiving increasing attention is the growing social responsibility of business. One of the more public global manifestations of this is the UN Global Compact.

It is in this dual context of human condition and increasing corporate responsibility of business that we welcome the EU Consultation on Gender Imbalance on EU Corporate Boards as an issue that should concern all (European) people in business, especially those in leadership positions and those educating future leaders.

The question has caught us from different angles, and there is no dispute that the questioning has already produced some changes of personal views on this issue – which could be called the beginning of progress (some have made greater commitment to this area). The question of imbalance is **a given**ⁱ - so **why** does this imbalance persist, **what** are its effects, and **what might we do about it?** These are the questions of the EU Consultation, to which we will turn to after explaining what we have done to prepare for our reply.

What did we do to prepare for our reply?

INSEAD being faced with gender imbalance issues, in its MBA and Executive Education programme, launched the *Gender Diversity Initiative* in 2010, headed by Professor Herminia Ibarra, an authority on the question and also the *Director of the Leadership Transition* executive programme at INSEAD. She was also one of the three faculty members who contributed to the *INSEAD Governance Meeting* held in Paris on June 15th 2011, which already debated the issue. The report is available at: (http://www.insead.edu/facultyresearch/centres/governance_initiative/meetings/conferences.cfm).

Having heard about the EU consultation on gender imbalance, we decided to send the questionnaire to members in the INSEAD Corporate Governance Initiative (ICGI) network. This consisted of *INSEAD Board* members, participants of the *International Directors Programme* (an educational programme offered at INSEAD for experienced directors desirous to improve their effectiveness and described at http://executive.education.insead.edu/international_directors), as well as VIP contacts of our ICGI network, ICGI faculty members (hence with expertise in governance, and for some with actual board practice), and HR experts (Director of MBA Career Services, coaches providing professional coaching to CEOs and Directors). This comprised three groups of inputs (29 replies received in total) – all informed about governance and nearly all with actual governance experience. The answers are summarized in the Summary Survey, including a description of the backgrounds of individuals that replied to the questionnaire.

Armed with the replies, we then convened a committee of volunteers to discuss the main insights and to provide input for our submission. We circulated this report for final reactions.

What are the points of convergence in this debate?

- 1. Gender imbalance at senior executive and board levels is global, well-documented and is regarded in the EU as unacceptable from a societal view.** Gender imbalance in senior ranks and at board level especially, is well documented. No one has argued that there is a good reason for it, except to state factually that the talent pool of women that have the business and leadership experience expected for a board appointment is low. So it seems clear that the issue of gender imbalance at board level is an old and odd phenomenon, and that there is a whole history behind the current situation. Most, if not all, believe that the issue will be addressed with the passage of time, for they see no justifiable reason to have it.
- 2. Gender imbalance at political levels is increasingly being addressed in all EU countries. The issue is not whether, but when and how?** Greater gender parity at the political level is now a must in an increasing number of countries. The current Barroso Commission, for example, has 33% women (9 out of 27). There seems to be a general consensus that gender parity will become reality at some point in time, and that the question is centred on when the imbalance will become a matter of the past. Women are less optimistic than men with regards to how long this imbalance at business leadership levels (senior executives and boards) will remain with us. Hence, the question arises whether one ought to wilfully shorten the time required to see this imbalance being substantially reduced, or whether nudging and argumentation is sufficient, and that a new more gender-neutral reality will prevail.
- 3. More knowledge on the effects of gender quota on corporate performance is needed; economic analysis of the Norwegian gender initiative at board level raises flags.** The knowledge on the impact of gender quota at board level is extremely limited. Norway, after voluntary efforts failed to produce the desired results, was the first country to mandate gender quota on boards, requiring 40% women on boards of listed companies by January 2008 (a two year transition period was granted in January 2006). There is insufficient research on the issue, though some is finally emerging and being discussed (for validation of results). The main paper is one by two University of Michigan professors, Ahern and Dittmar, who show that firm valuation went down with the introduction of the quota.ⁱⁱ Women appointed to boards were younger and less experienced in business (e.g. CEO and managerial experience was less for female appointees, though their level of education was greater). Operating performance of companies went down, as leverage increased as well as acquisitions (typically associated with value destruction). The effect was more pronounced on average for boards having fewer women on their boards at the time of the change. Clearly more research is needed on the issue, if only to validate their conclusions. One possible conclusion for the results of the study is that board change occurred too suddenly, and was disruptive; boards with good gender diversity did not suffer, and the change in the law did not induce them to change board membership, or corporate strategies.
- 4. Women have the required competences for effectiveness and excellence at senior business and board levels, but generally have different career paths and face different hurdles than those faced by men.** In particular, women are required to fit male career paths and patterns, and are typically under-sponsored, which limits their promotions. The meeting we held on the subject (see IGM Report) and the questionnaire we sent out to a sample of individuals experienced in these matters (see Summary Survey) confirmed the generally agreed position that women have all the competences required for effectiveness and excellence in business (whether at executive or board levels). A study by

INSEAD Professor Herminia Ibarra and her PhD student Otilia Obodaru shows that women actually score higher on nearly all of the leadership dimensions evaluated in a common leadership survey (called the Global Executive Leadership Inventory, developed by INSEAD leadership expert and professor, Manfred Kets de Vries).ⁱⁱⁱ Interestingly, there is one dimension in which women score lower, and that is the “Envisioning” dimension, which indeed is an important leadership dimension that may be considered necessary for board appointments. However, at the same time, the common view is that no board member is perfect, that a lack of vision is not an exclusively female trait, and that what is most important to the board is diversity, the ability to bring different talents to the board.

At the meeting, INSEAD Professor Ibarra further shared the results from another big research study involving over 4,000 high potentials in the US and Europe which identified interesting differences between men and women in the observed sample.^{iv} The issue is that, compared to men, women are typically over-mentored but under-sponsored; of the two, it is sponsorship that gets high potentials their next job on the career ladder. Indeed, without sponsorship, women may also be less likely to go for their next jobs, leaving them at lower levels than their male colleagues from business school. Another study shows that women have very different career trajectories than men, much more non-linear.^v The difficulty is that women more than men are confronted with “off-ramps”, where they leave their jobs temporarily, sometimes for several years, and then face difficulty finding “on-ramps” that allow them back in the job market; their characteristics – including demographic – by then differing from norms set by men. Companies eager to address the issue have found that they changed certain policies, allowing men as well to take “off-ramps” and introducing a wider variety of career paths that removed some of the hurdles women were facing.

5. ***Corporate responsibility is ultimately exercised at the board level – women’s presence at that level must be part of the corporate and societal agenda.*** It is clear to all involved that the Board of Directors are those that are held accountable for the company, not only to shareholders, but increasingly to all stakeholders (employees, customers, local communities, governments...). Directors thus hold ultimate responsibility and accountability for the company, its results, and its impact on those interacting with it. The absence of women at that level creates an imbalance that renders boards less diverse than they ought to be – including the presence of role models for female employees, the promotion of women in senior executive ranks, and the sensitivity to female customers amongst others.
6. ***Women prefer to be considered on their own merit and not because of particular quota. Quotas are controversial as they have unintended effects; in particular, they should be imposed in a way that is intelligent and does not hurt women.*** In our meetings on the issue, it was very clear that no one favoured quota. Women were vocal in their desire to be considered on their own merits, and did not wish to be appointed due to quota; this is also the position that men typically hold. However, the big difference is that women do not believe they are currently considered on their merit, and hence reluctantly would agree to a quota system – hopefully only temporarily - to induce change in the current system.
7. ***Women on corporate boards are viewed to change matters in a beneficial way.*** Finally, there was unanimity amongst men and women that the presence of competent women on corporate boards improves matters (see Question 3, Summary Survey). The most common view is that men and women have different views on things, ask different questions, and ask them in a less confrontational way. They also are quoted as having greater courage when asking questions, not being afraid to confront issues when they need to be confronted, and are often

able to do so without triggering excessively defensive replies in return. They also are viewed as being more risk conscious, having a longer-term view, paying more attention to communication and leadership development, and being possibly more sensitive to CSR issues. There is research that can substantiate these matters; a comment that describes issues both realistically and not without humour is “that men prepare more and pay more attention in the presence of women on the boards.”

8. ***Men and women agree that the issue is best started at board level (even though several respondents state that there would be no reason not to extend the measure at senior executive levels).*** There appears to be wide agreement that putting the issue of gender diversity at board level is the right place. The board is the most visible place for a company, and also the place where responsibility is exercised. So if business is to exercise greater commitment to gender diversity, this ought to be expressed at board level. Recognizing the wide disparity of views on quotas, for example, amongst male and female respondents (see Point 9 below), and the little knowledge on the issue (see Point 3), it seems ill-advised to consider quotas at senior executive levels; in any case, with more women on boards, sponsorship and role models for women will increase, and hurdles should be reduced for women in their career pursuits (see Point 4). Finally, it should also be stated that a quota system would initially be applied only to the boards largest publicly listed companies, and would thus concern a relatively small number of women. Applying the same measure to the senior executive ranks would be a much more radical measure, would certainly implicate a much larger number of individuals, and would be excessively intrusive on corporate life. No one was really advocating that such a measure be applied at executive ranks simultaneously with board ranks; the natural sequence for reducing gender imbalance was generally viewed as starting with the board.
9. ***Men and women replies to the desirable quota (including none) presented us with a similar average figure around 30% .*** Our questionnaire provided an interesting convergence (Question 4a, Summary Survey). Men were both more extreme in their views – several voting for 0% quota, others (in the minority) voting for quotas above 30%, the result is that their replies averaged out to that selected by women (who were much more uniform in their views). Again, we ought to stress that our sample grounds our contributions in actual views, but needs a much greater number of replies to become statistically significant.
10. ***Men and women feel that if quota was to be introduced, it ought to be for limited time periods, sufficient for the “natural order” to induce sufficient gender diversity at corporate board level. Large publicly listed companies ought to be the object of attention, rather than private firms or SMEs.*** The final point of convergence amongst those sampled was that that regulation, if introduced, should be introduced for a limited period, after which the “hurdle” is conquered, and the regulation can be removed; in the unexpected case that the hurdle not be conquered (e.g. weak sanctions), then the matter might actually be more serious than expected, and serious investigation into the phenomenon should then take place.

What are the points of divergence in this debate?

- 1. Women queried on the issue of gender diversity are much more engaged on the issue than men are. They see self-regulation at corporate level as largely ineffective.** It became very clear in our meetings and in our questionnaire (see Summary Survey) that women were much more engaged in the issue than men were. As one illustration, female answers were typically long and motivated, male answers were short, more factual and typically one sentence long. This by itself is validation of the point above (about the behavioural differences between men and women on boards), but it also confirms that the issue is more important than men might typically acknowledge. Female respondents largely feel self-regulation to be ineffective (Question 1, Summary Survey), whereas men are more evenly divided on the issue. This suggests that consensus will be hard to come by, and that forceful regulation will not be favoured by men.
- 2. Women (regretfully) do feel that a quota is necessary to make effective and efficient progress on the issue – men do not.** One of the insights gained from our questionnaire is the stark difference of opinions on quota: in our sample (Question 5, Summary Survey), 77% of the women wished for a binding quota, while 86% of the men wished only for a recommendation. There clearly is a rupture here, and consensus seems elusive, if not impossible. It should be added that the main argument of women is that little has happened when recommendations were issued and commitments were voluntary (Norway, Flexiquote in Germany ...) progress only coming as a result of binding requirements. Several female board members even stated “I cannot believe I am favouring quota, but frankly the matter has come down to whether we will have progress in this area, or not; and if quota is the way, so be it.”
- 3. Women feel that quotas should come with sanctions and that there should not be exceptions – men do not wish sanctions, and are evenly distributed on the issue of exceptions.** This is another area of divergence between the sexes (see Question 8b, Summary Survey): 85% of the female respondents do wish for sanctions, whereas only 21% of the men expressed their desire for sanctions. On exceptions, women vote 61% against, whereas men who pronounce themselves are evenly divided for and against (see Question 8b, Summary Survey). Again, these replies underscore the difference in views and attitudes on the issue of gender diversity.

What could be significant steps for the Commission to take?

We now turn to our final comments regarding actions that the Commission might consider taking. We naturally conclude, in a way that is informed by the above analysis.

- 1. Make a visible commitment to the reduction of gender diversity at board level in the wider context of reducing gender imbalance in senior executive levels.** The two issues are clearly related and inter-dependent. They have deep sociological and societal roots, and this ought to be recognized. The Commission is right in pointing that going forward this is unacceptable, being a matter of fundamental democracy and human rights concerning women in Europe’s business community. Furthermore, the Commission ought to recognize that it is first a societal issue, but also one with economic implications. For both reasons, we would advise it to not rush into the issue with heavy or misguided regulation. Taking the “moral high ground” in the matter – Europe would indeed be leading in this area by doing so – seems more important than hitting “regulatory low ground.” Having said so, women in particular feel that the time for more words, further lip service and more intentions is over, and that pragmatic

and real change needs to happen and needs to be seen. Finally, women wish to see the gender imbalance issue at board level shaped not solely as a corporate governance issue, but as a wider issue of the rightful place of women in society and business.

- 2. *Embark on a serious research effort in understanding the barriers and how to effectively meet them.*** We have been struck by how little fundamental research is available on the matter, and this appears to us as an area for a 10 year EU commissioned research programme on hurdles to women at board and senior executive levels, leading to more informed and more forceful remedial action once greater knowledge has been obtained. However, we wished to emphasize that there already is research available that deserves to be disseminated and that concerns female career trajectories and the lack of sponsorship (by offer and demand) of high potential women for advancement.
- 3. *Take a gradual approach moving the EU to the goal of reducing gender imbalance at board and senior executive levels, be persistent, and patient.*** Eventually one talks about cultural change in Europe. As we know, deep cultural change – and this is likely to be one – requires time and persistence, and patience about progress. It is not a matter that should obtain “fad of the year” status and we wish to stress that such reduction of the issue would be very damaging.
- 4. *Our recommendation:*** Given the result of this study, our approach would be one that allows a definite step forward, be highly visible and would gain wide acceptance. This would be to declare a quota of 30% to be reached gradually (possibly with steps of 10% and 20%) over 2 to 5 years, and that would apply to the most visible companies (largest publicly quoted companies). The target quota population (beyond board level) could always be extended after 5 years, with the benefit of experience and greater knowledge on the issue.

Sanctions would apply but would not consist of delisting threats (we absolutely do not wish to do anything that might result in such threats or outcomes, as they appear completely counter-productive socially and economically). What we would suggest is that firms whose boards do not meet the quota be subjected to a special regime, supervised by regulatory and/or listing authorities that would appoint a body (or committee) charged with the supervision of the quota. This body would be of mixed gender, yet comprised of a majority of women. Not only would companies not meeting the quota have to explain to this body why female board members could not be appointed in sufficient quantity (including upon replacement of departing members). Such companies would also have to show that concrete and diligent action has been taken by the company to identify and train a pool of board-ready female candidates. The company not meeting quotas would also need to appoint (at least) one board member responsible for identifying and sponsoring female board candidates with the sought after competences.

Should the company not be seen to make sufficient progress on the issue of gender imbalance at board level, a further step could be taken by asking the company to convince a visiting committee of the supervisory body that the company is free of gender discrimination at senior executive levels and that high potential women benefit from the same level of sponsorship than men benefit from. The visit of such a committee could be used as a kind of “name and shame” threat, as it would signal that the company is being checked for gender discrimination – something the company would presumably rather do without.

The company in violation of the quota would be required to pay a penalty (proportional to the degree of quota violation) that would contribute to cover the expenses incurred by the supervisory body and its visiting committees.

Concluding thoughts and thanks

We herewith wish to thank the EU Commission, and Vice President Viviane Reding in particular, for having incited us to examine the issue of gender imbalance more deeply than we would have without the call for public consultation.

All who have been involved with the issue come out of this exercise with greater conviction of the importance of the issue, and of the need to make swift progress on the matter. This priority also fits well with Europe's place and contribution to a fairer world, including in business.

We also take to heart the call for leadership on the issue by business schools, and are considering concrete actions that might further our own standing on the issue (such as generating lists of highly competent and experienced female board appointees). We do of course remain at your disposal for any further queries you may have regarding our submission to this call for public consultation.

Submitted by Ludo Van der Heyden, Editor of this submission

ⁱ The issue of imbalance at board level is well-documented, and we will take it as a given. As concrete manifestations of the imbalance, the INSEAD MBA, after considerable institutional efforts, has finally reached the figure of 30% female participants. The ratio becomes much worse when we turn to executive education, where the most advanced (and longer) programmes sometimes can run with 5% or less female participants. INSEAD's International Directors Program – aimed at educating board members - currently runs its second cohort, which includes three female participants (7.5%). Its first intake had seven women (17.5%). The INSEAD Board of Directors has five women in its midst, representing 22% of the group.

ⁱⁱ *The Changing of the Boards: The impact on firm valuation of mandated female board representation*, by Kenneth R. Ahern and Amy K. Dittmar, *Quarterly Journal of Economics*, vol. 127(1): 137-197 (2011).

ⁱⁱⁱ *Women and the Vision Thing*, Herminia Ibarra and Otilia Obodaru, *Harvard Business Review* (January 2009).

^{iv} *Why men still get more promotions than women*, Herminia Ibarra, Nancy M. Carter, and Christine Silva, *Harvard Business Review* (September 2010).

^v *Off-Ramps and On-Ramps: Keeping Talented Women on the Road to Success*, Sylvia A. Hewlett and Carolyn B. Luce, *Harvard Business Review* (2005).

Summary Results from INSEAD Questionnaire in support of INSEAD's Reply to the EU Commission's Public Consultation on "Gender imbalance on corporate boards in the EU"

May 24th 2012

Explaining this INSEAD questionnaire: **Why? What? Who? So What?**

- **WHY?** The **INSEAD Corporate Governance Initiative (ICGI)** has decided to submit a formal reply to **EU Commission Vice-President Viviane Reding's** call for public consultation on ***Gender Imbalance on Public Boards in the EU***. The questionnaire, sent to various interested and involved actors, is intended as one element to support **INSEAD's reply to the call**.
- **WHAT?** These are largely the **questions of the public consultation**, augmented with **numerical scoring** of the replies and some additional **INSEAD specific questions**.
- **WHO?** The questionnaire was sent to male and female participants. Specifically to **Board members** (including INSEAD Board and INSEAD Corporate Governance Initiative VIP list), **INSEAD faculty**, **female participants in our International Directors Program**, and a few **HR specialists** in coaching, advising and placing senior executives and directors.
- **SO WHAT?** The questionnaire, herewith summarized, is **one of the elements supporting INSEAD's reply** to the EU Commission's consultation on gender diversity at board level. **Though these replies ground ICGI's submission in the views of governance actors and experts, the survey itself does not pretend to have any statistical validity beyond representing the views of those queried.**

Caveat on this report:

This report has been edited and prepared by the Director of the INSEAD Corporate Governance Initiative, who is solely responsible for its content. It does not reflect the official views of the INSEAD Board or the INSEAD faculty, who have not deliberated on the views expressed in this report, nor of the members of both bodies who have been sampled for their views on the issue. The purpose of the document is to provide a grounded input to the Call for public consultation on Gender Imbalance on EU Corporate Boards, and to stimulate further discussion on this important issue.

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INSEAD questionnaire: Who replied?

- **Segment 1: Active Board members - 12**

- Chairmen, Presidents/CEO, and Board Members, including FTSE 100 and BEL 20 companies

- **Segment 2: INSEAD Corporate Governance Initiative Faculty – 7**

- Faculty (including 3 currently holding Board positions)

- **Segment 3: HR Specialists - 8**

- Senior Management Directors (including Career Services, Women's Leadership & Development Programs), Independent Consultants (incl. M&As and international financial services), Presidents of INSEAD Alumni Associations

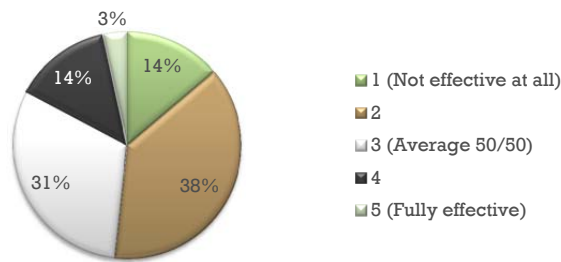
- **Sample gender statistics – 29**

- 13 answers from women (quotes marked in **green** in the following pages)
- 14 from men (quotes marked in **black**)
- Note: 2 anonymous answers (marked in **grey**) did not permit gender identification

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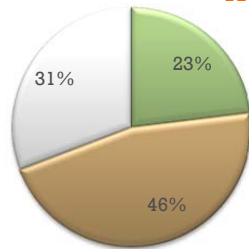
Q1. How effective is self-regulation by businesses to address the issue of gender imbalance on corporate boards in the EU?



GLOBAL

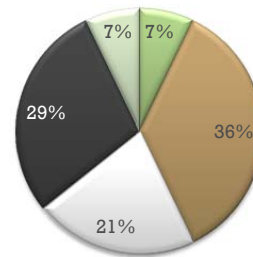
Average = 2.6

Note: W+M replies do not (quite) average out to GLOBAL because of 2 additional anonymous replies



WOMEN

Average = 2.1



MEN

Average = 2.9

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Q1. How effective is self-regulation by businesses to address the issue of gender imbalance on corporate boards in the EU? Why?

- People look for clones of themselves. The problem starts with male headhunters who do not think out-of-the-box and are afraid of proposing someone different to an existing team. Boards therefore quickly assume there are no qualified women. *(Non-Executive Directors of 4 companies, including one listed company)*
- The issue is not that qualified candidates are being passed over due to discrimination; it is that there are too few qualified candidates. Women (or more specifically, working mothers) drop out of the pipeline over time. *(HR Specialist)*
- It is easy to make promises if nobody requires you to deliver on them. The recent example of the 'Flexi-quote' in Germany is a sad illustration of far-away promises and what the reality is. A deep cultural change is rarely started successfully without the buy-in from the top. However, if you see the little progress companies have made on this issue in markets where there is no regulation, it is telling of the fact that there is no real desire by the men on top to let women in. In countries with legal implications around the percentage of women on board, while the first years may be difficult (i.e. some women less qualified than some men getting on boards because of gender), other changes soon occur. People start to be trained differently and what is imposed in the beginning becomes natural. *(HR Specialist)*
- In Norway, significant change did not occur until it was regulated. Progress in the UK, with voluntary targets has been slower than expected. *(Professor)*.
- With self-regulation, at the current rate of change it will take more than 40 years to achieve gender-balance in boardrooms. *(Financial Services Executive, Member of several Boards)*
- Addressing gender imbalance at board level without doing the same in management seems ineffective. Adequate board representation will be a natural consequence of a stronger presence of women executives and managers. *(Professor)*
- Business is highly aware of the moral and indeed the financial imperative to make the requisite changes. However it is helpless to put them into effect. The processes are poorly sold internally. The internal cynicism is rampant. The audience is male and the appeal would be therefore greater if it was demonstrated what they stand to lose by not making the changes. *(Professor, Board Member of Listed Hedge Fund)*
- If self-regulation were effective, the issue would already have been solved. *(Chair)*

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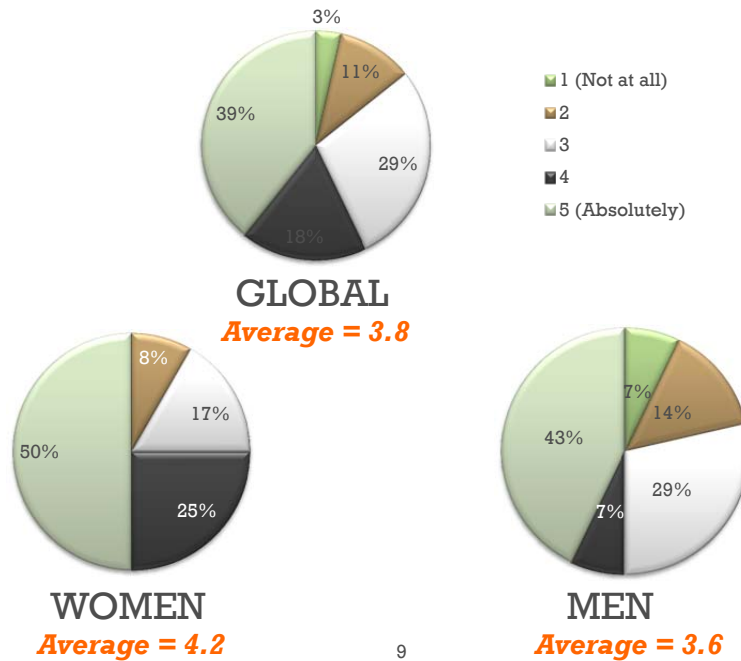
Q2. What additional action (self-regulatory/regulatory) should be taken to address the issue of gender imbalance on corporate boards in the EU?

- Although originally not in favor of quotas, I now believe the only way forward is to force the issue. *(Non-Executive Director of four companies, including one listed company)*
- Regulation in a moderate form (e.g. 30% quota) is probably the only way to 'kick start' the change. There will be challenges in the first years (i.e. wrong/weak board members) but as companies learn where to look for the women and women themselves start to prepare more professionally for the opportunity, this will become better in 3 - 5 years time. *(Professor and Board Member of 3 listed- and 3 non-listed companies)*
- A commitment of companies should be tendered to increase gender balance on companies' boards combined with the threat of implementation of a firm quota in 5 years if no significant improvement (20% women minimum) is achieved by then. *(CEO and Board Member of several for-profit and not-for-profit organizations)*
- Set targets for women's participation, perhaps voluntary in the first 3 years and mandatory thereafter. *(Professor, Board Member of public company and private companies)*
- Getting in touch directly with companies and business leaders to make them proactive in the loop *(Chairman and Board member)*
- Incentives for companies moving toward a better gender balance (gender balance does *not* mean 50/50, it could be 30/70 or 70/30 depending on many factors); support for female candidates with potential to be board members (formal organizations, courses, trainings, etc.); a more formalized approach to *identify*, motivate and coach potential female board members, especially for executive boards. *(Professor)*
- No additional action. *(Chair)*
- EU Directive + special focus on low diversity countries. *(HR Specialist)*

Q2 What additional action (self-regulatory/regulatory) should be taken to address the issue of gender imbalance on corp boards in the EU? (p 2)

- New recommendations regarding the criteria for board membership are required. In [Scandinavian] countries where gender imbalance does not seem to be so prominent, a closer inspection reveals that it is always the same women that sit on boards. This is because one of the requirements to become a board member is previous experience - thus making chances for newcomers to step in very difficult. *(HR Specialist)*
- The operating environment of senior management must be transparently appraised for its attractiveness to motivated and qualified women. As in the political sphere - where the gender balance is yet to be achieved - the working environment of many international corporations is built on a model where physical presence is required for periods averaging 12 hours per day for several years. This is incompatible with a work/private life balance for many women, and yet is a completely artificial constraint upon talent utilization. *(HR Specialist)*
- Imposed transparency should be enforced. In the UK, the 'name and shame' method has been moderately effective. The annual Cranfield Report lists the composition of FTSE boards and highlights those with no women on them. *(Professor)*
- 'Freedom within a framework' approach; have EU set guidelines; local governments adapt to national priorities and situations; and control application by corporate boards. *(HR Specialist)*
- Give advantages to companies with gender balanced boards. *(Chair)*
- Awareness of Board Members *(Chair & CEO)*
- Promotion of any research that shows the economic benefit of diversity on boards. Persuasion with facts and examples rather than legislation. *(HR Specialist)*

Q3. In your view, would an increased presence of women on company boards bring economic benefits and, if so, which ones?



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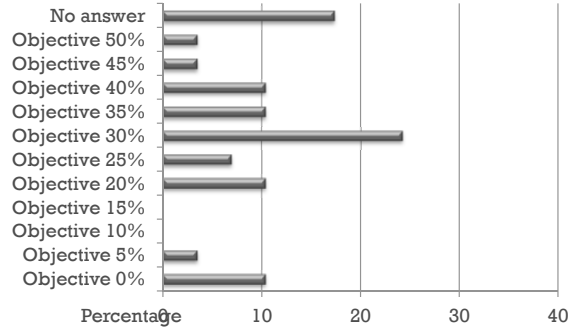
Q3. In your view, would an increased presence of women on company boards bring economic benefits and, if so, which ones?

- Women have more courage to ask questions, present a different viewpoint, show good common sense and possibly more sensitivity to CSR issues. *(Professor and Board Member of 3 companies, including one BEL20, and one as Chair)*
- There are many studies that reveal that women tend to be more risk-conscious. To be effective, 2 women are needed on a board as a minimum, otherwise it will be difficult for them to make themselves heard. *(CEO and Board member of several for-profit and not-for-profit organizations)*
- Men and women have different ways of looking at an issue. I joined a board as the first female non-executive director, and while visiting a plant the CEO exclaimed that he was seeing the plant in a very different way due to my comments and questions. *(Non-Executive Director of four companies including one listed company)*
- Women have a clear influence and are more sensitive concerning group dynamics in the sense that they often explicitly express topics that otherwise would remain un-discussed. *(Professor and Board Member)*
- Economic benefits on company boards depend more on the value of the person rather than on gender. *(Chairman)*
- It does not bring directly measurable economic benefits, but it significantly improves the level, content and input of debate. *(Chairman of FTSE 100 company)*
- Longer-term view; more attention to communication; more attention to leadership development *(Board Member of a public company)*
- There is no theory or evidence (at least based on serious academic research; not research done by consulting firms) that supports the premise that quality of governance is related to gender, nationality, race, etc. *(Professor)*
- Women frequently, although not in all cases, have higher EQ scores than men; their very presence impacts men's alertness and behaviour. *(Chair and Board Member)*
- Business approach of men and women is different though not dramatically. Gender balanced boards will have wider points of view. *(HR Specialist)*

10

INSEAD

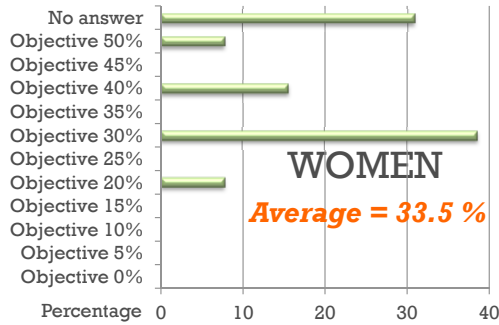
Q4a. Which objectives (in %) should be defined for the presence of women on corporate boards?



GLOBAL

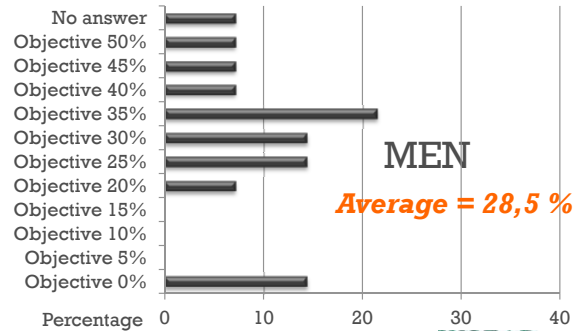
Average = 27 %

Note: W+M replies do not average out to GLOBAL because of 2 additional anonymous replies (which were in favour of lower or no quotas)



WOMEN

Average = 33.5 %

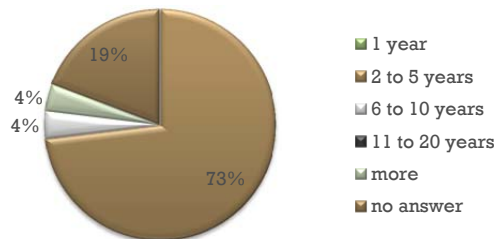


MEN

Average = 28,5 %

INSEAD

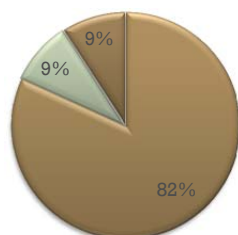
4b. What should the time frame be for such a quota?



GLOBAL

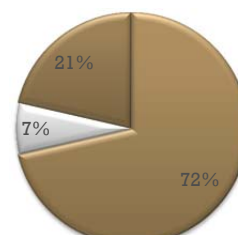
73 % for 2 to 5 years

Note: W+M % do not average out to Total because of 2 anonymous replies



WOMEN

82 % for 2 to 5 years



MEN

72 % for 2 to 5 years

INSEAD

Q4. Which objectives (in %) , should be defined for women on corporate boards? What should the time frame be for such a quota? Why?

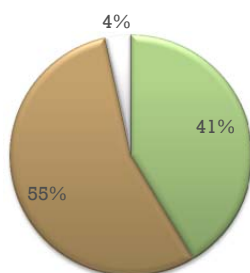
- We currently stand at approximately 10% women on corporate boards in the EU, I believe... Doubling this value within 5 years is easily doable. A time-frame of 4-5 years gives female candidates time to develop skills. *(Board Member of several for-profit and not-for-profit organizations)*
- In the first phase (3 years) aim for 30% (or 1/3rd), as boards deal with vacancies that arise. However over a longer period of time the figure should rise to 40 % at least. *(HR Specialist and Board Member)*
- I think a progressive quota is the best way forward. 20% within 2 years, up to 40% within 5. It allows everyone to get used to women on boards, and at 40% one can hardly speak of a minority anymore. Furthermore women comprise over 50% of graduates, so we should see more of them in top positions. *(Board Member of 4 companies)*
- If you get only one woman on the board, she will not be heard. When you get 2, it is not enough to sit on committees. When you get 4 to 5, it is closer to 'normal'. We could start with 25% in smaller companies, but it surely must go to 40% on big boards of 12 to 15 people. *(President and CEO of a 100M € multi-national company)*
- I do not support quotas. I think they undermine competent women recruited on merit. All industries are not the same. An expectation of 50% women on the board of an FMCG company within 10 years may be reasonable. It is unlikely that you would find the number of qualified women reaching 50% of the board of a mining company within 5 years. The challenge is to get more senior executive women coming through. *(Board member of three FTSE 100 companies)*
- It is important to succeed, which means one needs to make a perfect choice when naming ladies on the boards: taking some time will be necessary; and this won't mean losing time. *(Chairman)*
- Imposing a share of 50% would (of course) be too tight. Looking for each gender to be represent about 1/3rd of the board should determine the right effort toward balancing. *(HR Specialist)*
- I don't think a 'one size fits all' target is the right answer. Company boards are only one aspect of a broader range of opportunities for women. *(Professor)*
- Women should be invited onto boards based on merit rather than to fulfil a quota. I have worked with many talented women and have seen the contribution they have made to the boards on which they sit. I do not see the need to set a legal quota. *(HR Specialist)*

13

INSEAD

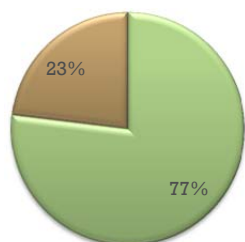
Q5. Should these objectives be binding or a recommendation?

GLOBAL
55 % wish a recommendation

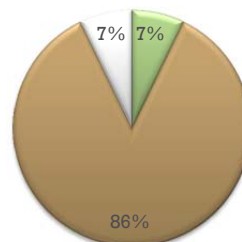


Note: W+M % do not average out to GLOBAL because of 2 anonymous replies

- Be binding
- A recommendation
- No answer



WOMEN
23 % wish a recommendation



MEN
86 % wish a recommendation

14

INSEAD

Q5. Should these objectives be binding or be a recommendation? Why?

- It should be binding for a few years, for the time it takes to be implemented, and then possibly change to a recommendation. If it is only a recommendation, it will not be implemented. *(Professor and Board Member, Chair)*
- Once the habit is in place, I believe the quota could be lifted. So, I potentially see the compulsory quotas as a temporary (e.g. 15 years) measure. *(President and CEO)*
- In countries that had recommended objectives, there has been little movement. In countries that have binding objectives, the objective is achieved. Not surprisingly, given the inability of companies to self-regulate. *(HR Specialist)*
- Unless it is forced, there will be too many excuses to not do it by boards and headhunters, and there will be no change. *(Professor and Board Member)*
- There is insufficient appetite for change without a strong, swift message - coupled with a public penalty. I suggest that any fine levied upon a corporation should be paid into a national fund to create and run a women's professional training institute. This will send a message that the money will be used to further the purpose that led to the fine! *(HR Specialist)*
- Start with a recommendation to see the reaction. If this does not work, then investigate the reasons before making it more binding. *(HR Specialist)*
- Binding sounds like a good option but it leads to a superficial implementation. Recommendations should be sufficient as long as 'making progress' is a requirement. It is best to let the most progressive industries and countries take the lead. *(Professor)*
- Benefits from accepting recommendations is better than binding rules. *(Chair)*
- The operative word should be "nudging", not "imposing". *(Professor)*
- I don't think it is the task of regulators to put arbitrary constraints on board composition. *(Professor)*
- CEO's, Chairmen of the Boards, men sitting on boards... have to believe in it to make it happen. *(Chair)*
- I feel that recommendations should be just that and that companies should invite the best people to join their boards, based on merit and individual abilities. *(HR Specialist)*

Q6. Which companies (e.g. publicly listed/certain size) should be covered by such an initiative?

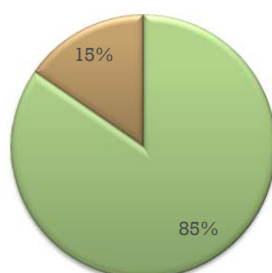
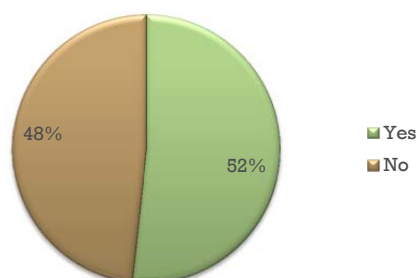
- Ideally all companies with more than one owner and more than 250 employees. *(Professor and Board Member)*
- Only publicly-listed companies for binding objectives. Private companies will follow suit eventually. I believe it is the privilege of the owner of a company to determine its governance, therefore private companies with few owners should not be told what to do too much. Individual shareholders at public companies normally don't have enough votes to significantly influence the governance of a company. There, binding objectives make sense. *(Board Member of several for-profit and not-for-profit organizations)*
- These organizations have the resources to boost their pipeline of talent. This should then be rolled out to smaller organizations over a 3-year period. *(HR Specialist)*
- All companies with a turn-over of €500 million and more. *(Professor and Board Member)*
- I think the aim would be for all companies of more than say 20 management positions to have gender balance. And from a governance point of view all annual reports should contain gender balance statistics (by grade, departments, etc.), and where large companies are not required to publish annual reports, then such a gender balance metric should be publically available if a company wants to qualify for public contracts. *(HR Specialist)*
- In theory it should cover all companies but in practice it would be difficult to monitor non-publicly listed companies. A more forceful requirement should therefore be placed on listed companies. *(Professor)*
- If one were to start with the most visible, the FTSE 100, the CAC 40 for example, there would likely be a percolation effect. *(Professor and Board Member Listed Hedge Fund)*
- Cover Fortune 500 companies. However, SMEs would be a real challenge and impossible to control realistically and 'economically'. *(HR Specialist)*
- All publicly listed and medium-big sized private companies (turnover of € 250 million). *(Chair)*
- None *(Professor)*

Q7. Which boards/board members (executive / non-executive) should be covered by such an initiative?

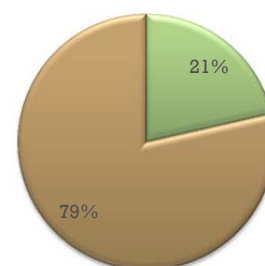
- Non-executive boards: easier to find board members, diversity of possible skills. This should naturally lead to more diversity on executive boards. (Professor and Board Member)
- It should start with non-executives; 3 years from now it should start applying to executives as well. (Board Member)
- Quotas have traditionally targeted non-executives. But, the more important and bigger issue is how to raise the number of women executive directors. (Professor)
- The entire board should be covered by the initiative, i.e. quotas for all board members, executive and non-executive should be taken into account. So there is a pipeline of executive women for future boardrooms. (Board Member and HR Specialist)
- The rule should be applied to the total number of board members irrespective of executive or non-executive appointments (HR specialist)
- Executive board members appear to me as a priority as they filter through the organization while non-executive board members tend to be more remote. (Professor)
- On balance I would like to see women in a decision making body, so if pushed I would start with executive boards. However, non-execs have profile and if this is an easier way to move things forward, I would be tempted. It is a case of whatever works and the path of least resistance. (Professor)
- None (Professor)
- Both Executive and Non-Executive (Chair of listed companies, incl. FTSE100)

8a. Should there be any sanctions applied to companies which do not meet the objectives?

GLOBAL
52 % wish sanctions



WOMEN
85 % wish sanctions



MEN
21 % wish sanctions

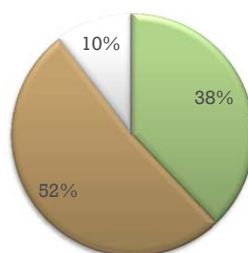
Q8a. Should there be any sanctions applied to companies which do not meet the objectives?

- Yes, because it gives a real incentive. *(Professor and Board Member)*
- Yes, to change behaviour. *(HR Specialist and Board member)*
- Yes, otherwise, they are not 'binding'. *(HR Specialist)*
- Yes, otherwise they won't do it *(Professor)*
- Yes, for public companies - a note in the Annual Report by the auditors for not meeting the objectives could be sufficient as it would trigger public criticism and scrutiny *(Board Member)*
- It should be a carrot and a stick method. The carrot is better decision-making on the board; the stick could be a fine, a discussion with the Commissioner or any other sanction *(Board Member of four companies)*
- Yes, because it has to become a natural motion, fully agreed without any official constraint *(President and Board Member)*
- At some point, some sanctions have to substantiate the objective but 'reverse incentives' could be a better way to handle this situation - not giving access to certain benefits for companies who do not meet the requirement (not necessarily in absolute terms but in steady progress). *(Professor)*
- I prefer to grant advantages to those who comply. *(HR Specialist)*
- When a regulation is set and put in place, would anyone follow it without the 'threat' of sanctions? *(HR Specialist)*
- 'Nudge & Incentives' rather than 'Impose & Quotas'. *(Professor)*
- It may be that the best people for a particular board are all female or all male. Why would you penalize a company for selecting the best people? *(HR Specialist)*

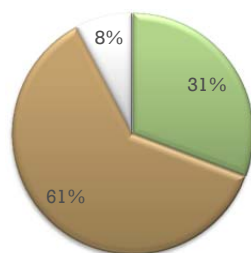
8b. Should there be any exceptions for not reaching the objectives?

GLOBAL

52 % do not wish exceptions

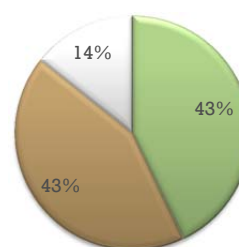


■ Yes
■ No
■ No answer



WOMEN

61 % do not wish exceptions



MEN

43 % do not wish exceptions

Q8b. Should there be any exceptions for not reaching the objectives?

- If there are any exceptions, these should be properly documented, and reasons presented to a 'jury'. *(Professor and Board Member)*
- The issue with exceptions is that as soon as you start, companies will come up with all the different reasons why their situation is special. So no, it should be the same situation for everyone. *(HR Specialist)*
- If the objective is achievable, I can't think of any reason why there should be an exception. Maybe depending on the industry/sector the objective could be adapted to specific conditions/requirements, or for example the potential of two-tier speed implementation depending on certain characteristics of the sector. *(Board Member)*
- It is evident that without a rule there is insufficient momentum towards parity. There are many examples of corporations being content to pay a fine rather than comply with a regulation that allows non-compliance, albeit with a financial penalty. *(HR Specialist)*
- Yes, there is always reason for an exception to the rule. In any case, private companies should be exempt from binding objectives in the first phase. *(Board Member)*
- You cannot have one rule for all. *(HR Specialist)*
- No reason for exceptions at gender balancing. *(HR Specialist)*
- If the lead time is long enough then there should be little reason to make exceptions. Labour laws in different jurisdictions may mean that replacement may only be able to take place through natural attrition. So the lead time needs to be carefully thought through by lawmakers. *(Professor and Board Member)*
- It really depends at which level the objectives are set. A lower level should call for lesser exceptions. Some companies may also fall short in meeting the standard at board level but show significant progress within the management ranks or through other initiatives favouring gender balance. The board should not be seen in isolation. *(Professor)*
- 'Comply or Explain' is best *(Chairman of FTSE 100 company)*

Q9. What actions should the Commission abstain from in this area? Why?

- Impose a rigid quota in the short term (next 18-24 months). *(Board Member)*
- Enforce a quota across Europe. *(HR Specialist)*
- Make it a 'diversity issue'. Female is not 'diversity,' it is fair balance. *(President and CEO)*
- I can't think of any action that the commission should abstain from. *(Board Member)*
- The Commission should not micro manage but leave it to the companies to come up with the right solution on how to fill the positions. *(Professor)*
- Create a situation where the regulator directly appoints a particular candidate to a board vacancy. *(HR Specialist)*
- EU wide obligatory quotas. They would lead to sub-optimal boards, diversity goes much further than 'male-female'. *(Chair of FTSE 100 company)*
- Quotas; penalties; short term targets; undifferentiated approaches; raising expectations to unrealistic levels. *(Professor)*
- I think the Commission should not get involved in setting rules for gender composition of boards. Just because some Scandinavian countries impose these rules, does not mean that Europe should follow this bad example. *(Professor)*
- Stop interfering when companies outside the EU do not compete on the same playing field. *(HR Specialist)*
- The answer to this question is primarily related to the Commission's willingness and effectiveness in consulting with businesses so that the objectives may, as much as possible, be set by industry representatives or organizations willing to take a lead in this area. *(Professor)*
- Excessive promotion; discrimination verbatim; unilateral decision without prior board consultation (and then if you do, do so widely across Europe). *(HR Specialist)*
- It should try to convince, and not legislate too much. *(President and Board Member)*
- They should do nothing in this area and allow companies to define their own board composition. *(HR Specialist)*

Q10 Any final comments or suggestions?

- I strongly believe that the Commission would be making a serious mistake in imposing binding quotas. I also sense that there is 'diversity' fatigue amongst chairmen. Trying to create a board with the right mix of skills and experience is not easy, if the degrees of freedom are reduced by requiring a defined percentage of women, the task becomes much more difficult. *(Board Member of three FTSE companies)*
- I have not thought a lot about the differences between countries in Europe. I have come across very good business women in France, UK, Netherlands, Scandinavia, Belgium, Germany, Italy and even Spain. I do not know about Greece and some of the Eastern European countries. Research is needed. *(Board Member of three companies, incl. one listed)*
- Keep pushing. This is a hot issue. With high unemployment and restriction in social budgets, I find that women at work in general are in a more difficult situation than some years ago. Leaders need to take this problem seriously, or the risk of seeing women go out of the work market is high. *(President and CEO of a 100M€ company)*
- Knee jerk reactions are counter-productive. Continuous discussion and experience will always prove more productive. *(HR Specialist)*
- The community of board members is like a sport team: if we do not allow half of it to contribute, it will be like having half of our players sitting at the side of the court. *(HR Specialist)*
- This is a key issue and needs to be handled with care! You mentioned board level, but the problem often starts at the level of the management committees of companies, so it is a global issue that cannot be solved through a 'technocratic' approach. *(President and Board Member)*
- Can't see any justifiable exception for striving towards gender balancing. *(Chair)*
- Why should the EU Commission have any influence on board composition in member states? Should it not be for the elected governments to decide? *(HR Specialist)*

**Thank you for your attention.
Warm acknowledgments to all contributors!**

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