

# Women conquer private business

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The Norwegian gender quota law for boards of public limited companies caused both excitement and indignation. Now it is being copied in many European countries.

“The gender quota law was super-radical when it came! And it caused bold headlines in *The Times* and *Der Spiegel*. Gender quotas for private business suddenly became one of the hottest political debates in Europe,” says Mari Teigen, research director at the Institute for Social Research in Oslo.

Now laws similar to Norway’s have been passed in Spain, Iceland, France, Belgium, The Netherlands and Italy.

Together with her colleagues, Teigen has analysed the consequences of the controversial gender quota law in the umbrella project *Gender Quotas in Boards of Large Joint Stock Companies. Democracy vs. Inclusion?*.

## Opponents of the gender quota law

Vibeke Heidenreich has interviewed 18 women about their inclusion on the boards of public limited companies, as part of her doctoral thesis.

She says that many of the women were strongly opposed to the quota law before it entered into force.

“The women I spoke to wanted men and women to be treated the same way, and they felt that free competition in the business sector worked as it should.”

“They thought that the reason for the low percentage of women could be that women had a different kind of expertise than what was needed to get a seat on a board,” says Heidenreich.

This perception is widespread among those who opposed the law in general. One of the main objections to the reform was precisely that it would force the companies to lower their requirements for board members in order to recruit enough women.

Now that the target of 40 percent women on the boards has been reached, it appears that this has not happened.

## High level of expertise

The Institute for Social Research has conducted a survey which shows that the new female board members are just as competent as the men. The women are also younger and better educated on average than the men. Most of the board members, men and women alike, are economists, lawyers and engineers with management experience.

The survey also shows that the women are seen as qualified to sit on the board by other board members.

“Many people thought the companies would recruit women who had family ties to the companies in order to reach the target, but it turns out that the women who have been recruited to the boards are more independent than the men,” explains Heidenreich.

In other words, there are more male board members with family ties to the companies than women.

#### **Became quota supporters**

During the course of the reform, several of Heidenreich’s informants changed their position and became supporters of the gender quota law.

“As time passed, the women got confirmation that their background and expertise were good enough to be selected for a board seat. Then they began to ask why they had not been considered good enough before,” says the researcher, and adds that the work done by the boards seems to have functioned well during the transition phase.

When the law came, women became motivated to talk about their own ambitions with their closest superiors. Male managers started acting as mentors and door openers to a much greater degree than before.

Heidenreich thinks the reform probably gave some men a push to recommend their female colleagues for board seats.

#### **A few women hold many seats**

“There were many talented women who were ready to move in when the quota scheme was introduced,” says Fredrik Engelstad, a professor of sociology.

But he doesn't think discrimination was the reason that they didn't get in before. Board members have been recruited mainly through the ‘old boys’ network’, which change very slowly.

Engelstad believes that these traditions among men have led to an indirect discrimination of women in private businesses.

Trond Løyning, a sociologist and associate professor, concludes that the law has given women access to power and positions in the networks. Among the board members of public limited companies, women hold more board seats than men, and among those with the most board seats, a majority are women.

The result is that women have a larger network and correspondingly more influence than men in the network of board members.

On one hand, the law has succeeded in dissolving old power constellations by placing women on the boards.

On the other hand, the positions within the boards are still distributed according to traditional gender role patterns; the chairs of boards are mostly men.

In addition, an unintended concentration of power has occurred since a very small group of women have taken the opportunity to hold a large number of board seats.

“There’s a hypothesis which says that the tendency to have just a few women holding a lot of board seats came from time pressure and adaptation problems right after the change in the law and that this would even out over time. My findings show the opposite; the tendency has continued and grown stronger,” says Løyning.

### **Stable profitability**

The researchers at Institute of Social Research concludes without a doubt that the companies' profitability has not been impacted in either direction since the gender quota law was implemented.

This contrasts with the results of a much-discussed study of public limited companies in Norway conducted during the same period by the University of Michigan.

The researchers Ahern and Dittmar found that the gender quota law led to a poorer financial situation for the listed public limited companies that had to make major changes to their boards according to the law compared with companies whose boards were relatively unaffected.

Pål Schøne, economist and research director, emphasizes that in general it is difficult to measure the effect that a higher percentage of women on the boards of public limited companies has had on profitability, especially because the law has only been in effect for a short time.

Schøne attributes the difference in the studies' results to the different samples, methods and perspectives used. For example, Ahern and Dittmar used data from the Oslo Børs stock exchange as the basis of their study, whereas the ISF-study used the Brønnøysund Register Centre.

"There's no concrete answer to this, but we are somewhat critical towards some of the choices made by Ahern and Dittmar in their study," says Schøne.

### **Less force**

The percentage of women in top-level management would not have been as high as it is in Norway today if it had not been for affirmative action in the workplace.

However, it is still mostly men who are hired for leadership positions at companies. Mari Teigen thinks that the changes are going too slowly and that using gender quotas as an isolated measure is not enough.

"It's too narrow and limited if quotas are not linked to a larger effort to achieve gender equality. The law addressed a problem and solved it in the boards of public limited companies. But do measures like these go farther than correcting the gender composition exactly where the law works?," asks Teigen.

She thinks that in the future, much closer relations and dialogue should be established between government authorities and companies, and the relationship should not only be founded on threats.

### **Gender equality on the shelf**

Much work remains before women's entrance into private business is taken for granted and is met with good will.

For instance, the percentage of women in both limited companies and public limited companies was about five percent when the debate about gender quotas for boards began. Up until 2005, the percentage of women increased dramatically in both types of companies. This trend stopped abruptly in the limited companies the moment it became clear that the quota reform only applied to the public limited companies.

"What kind of signal does this send to young women attending business or law school? Or to young women who are planning a career in private business? Quite simply, it seems that the limited companies have put the goal of gender equality on the shelf," says Teigen.

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 [There are now 40 percent female board members in Norwegian public limited companies. \(Photo: Colourbox\)](#) [7]

 [Vibeke Heidenreich. \(Photo: Institute for Social Research\)](#) [8]

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