

G E N D E R   I S S U E S   A N D   C H A L L E N G E S

# GENDER DIVERSITY

Past, Present and  
Future Perspectives

DANIEL M. MUELLER

Editor

NOVA



# Gender Issues and Challenges



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Editor

# **Gender Diversity**

**Past, Present and Future Perspectives**



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# Preface

This book contains five chapters that detail gender differences and diversity. Chapter One analyzes the effects of women being present on corporate boards in Europe. Chapter Two investigates the gender differences in the relationship between networking behavior and career outcomes. Chapter Three highlights that gender stereotypes, work-life balance difficulties, and limited access to resources contribute significantly to the gender gap in innovation. Chapter Four reviews and analyzes the effect of gender diversity in corporate finance policy, considering the evolution over the last decades. Lastly, Chapter Five highlights the extensive and persistent challenges that women, particularly those in leadership roles, encounter when seeking to establish and benefit from professional networks.



## Chapter 1

# Women on Corporate Boards in Europe: Milestones and Challenges

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### Abstract

One of the most pressing ethical issues that corporations worldwide face nowadays is the diversity of management structures. In this vein, female presence on the board of directors and in top management teams of corporations is the object of policy and public debate. Women are significantly underrepresented in corporate decision-making bodies. Countries have adopted various policies aimed to increase female presence on boards. European countries have been particularly active adopting policy, Europe being the continent that has approved most of the regulations that aim to increase the representation of women on boards worldwide. Some countries have tried to increase female representation on boards through board gender quotas. Following Norway's lead in 2003, eleven European countries have, to date, adopted board gender quotas - both hard and soft- to address gender imbalance. Twenty-three European countries have, additionally or as sole policy, sought to increase women's representation in corporate boardrooms through "comply or explain" corporate governance codes with recommendations to consider diversity when appointing directors. At a supranational level, the European Commission proposed more than 10 years ago, back in 2012, a Directive on female representation on boards that has recently been approved. All EU-27 members are now affected

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by the EU Directive of November 2022 which establishes a quota for the under-represented sex in publicly listed companies to be fulfilled in 2026. Our study provides a comprehensive overview of the evolution in the last two decades of women directors and regulations implemented in Europe and how regulations affect female representation on boards of directors of the largest listed European companies from 2003 to 2022. The analyses show an increase in the presence of women on boards of directors from the early 2000s to nowadays, with greater board presence in countries that enacted gender diversity on board regulations, whether quotas and/or recommendations in codes of good governance. Interestingly, the intensity of the increases does not seem to be linked to the typology of regulation and the targets established by regulation were not reached in some countries. These results allow to identify future legislative challenges not only in regards women on boards but also in relation to female representation in other corporate bodies, such as, top management teams.

**Keywords:** board of directors, female directors, women on boards, quotas, soft regulations, EU Directive

## Introduction

After ten years since its proposal by the European Commission, the 22<sup>nd</sup> of November 2022, the European Parliament approved an EU law to break the glass ceiling of EU listed companies' boards: the EU Law on gender balance on corporate boards. Directive 2022/2381 came into force on December 27<sup>th</sup> 2022. EU States will have two years to transpose its provisions into national law so that they ensure that, by 2026, EU listed companies have 40% of the underrepresented sex among non-executive directors or 33% among all directors; implement fair and transparent selection procedures for the selection of candidates for board positions and undertake individual commitments to reach gender balance among their executive board members. Companies that fail to meet the objective of the directive will have to report the reasons and the measures they are taking and penalties are foreseen by Member States for companies that fail to comply with the selection and reporting obligations.

This new EU law is framed within the EU Gender Equality Strategy 2020-2025 and the policy objective to achieve balanced participation of both women and men in decision-making. In fact, gender imbalances in companies are greater at the highest levels. As EU Directive 2022/2381 acknowledges, achieving balance on boards of directors is essential to meet the demographic

and economic challenges of the European Union, making full use of female talent by increasing the number of women advancing to management positions. The directive is meant to be temporary and is set to expire on 31<sup>st</sup> December 2038. The Directive is the consequence of a long route in the EU and is based on the belief that new rules are needed to accelerate progress and break the glass ceiling. By the end of 2022, only around 32% of the EU largest listed companies were women, even though 60% of university graduates are female.

The EU legislation follows diverse regulations already enacted by many European countries, both in the form of quotas and codes of good practice, and that have fulfilled their aim of increasing female presence on boards. In fact, Europe not only accounts for the vast majority of the world's legislative initiatives, it also leads the way both in establishing the first quota, back in 2003 by Norway and enacting the first comply or explain Code of Good Governance, the Cadbury Code, back in 1992. Nevertheless, some European countries have not enacted any regulations. The dispersion, divergence and/or absence of gender on boards normative at country level within the EU have derived in disparate figures on the number of women on boards. Overall, these regulations aiming to increase gender presence on boards have been analyzed by academic literature with mixed results. A large body of women on boards literature examines the consequences on firm decisions and outcomes, to some extent, of gender diversity board recommendations on codes (Chapple and Humphrey, 2014), of soft quotas (Martinez-García et al., 2022 2023; Mateos de Cabo et al., 2019; Shan et al. 2018; Srivastava et al., 2018) and amply of hard quotas (Ahern and Dittmar, 2012; Bertrand et al., 2014; Bøhren and Staubo, 2014 2015; Ferrari et al., 2016; Solimene et al., 2017).

This chapter analyses the evolution over the last two decades of women directors and regulations implemented in Europe and how regulations affect female representation on boards of directors of the largest listed European firms. The present situation of women's representation in Europe is described and the future challenges of the EU Directive are discussed. The final section presents the main conclusions.

## **Legal and Regulatory Initiatives to Promote Female Representation on European Corporate Boards**

Many countries have enacted regulations to increase gender diversity on corporate boards (Denis, 2022). Board gender diversity regulations follow two

formulas: quotas (i.e., hard law) and codes (i.e., soft law). Quotas can be differentiated as “hard quotas” if there are sanctions for unmet targets and “soft quotas” if not. To date, twelve European countries have adopted board gender quotas –both hard and soft- to address gender imbalance (Table 1).

Norway enacted the first gender quota in 2003 at 40% with non-compliant firms facing de-listing from the Oslo Stock Exchange. Subsequently, three European countries established “soft quotas” (Spain in 2007, Iceland in 2010 and Switzerland in 2020) and eight “hard quotas” (Belgium in 2011, Italy in 2011 -amended in 2019-, France in 2011 -updated in 2021-, Germany in 2015 -updated in 2021-, Austria in 2017, Portugal in 2017, Greece in 2020 and Netherlands 2021<sup>1</sup>). Penalties in case of “hard quotas” vary greatly across countries and include delisting (Norway), open seats (Austria, Belgium, Germany, Italy, Netherlands, and Portugal), fines (Greece, France, Italy, and Portugal), and suspension on boards (Belgium and France).

Quotas also differ in target levels, ranging from 25 percent (Greece) to 40 percent (France, Iceland, Italy, Norway, and Spain). According to Kanter (1997) and Kirsch (2021), quota targets have different effects on board composition, conforming tilted and balanced groups. Gender-balanced boards are those in which each gender represents at least 40 percent and at most 60 percent of directors. Five European quotas aim to promote gender-balanced boards (France, Iceland, Italy, Norway, and Spain) whilst the other seven gender quotas set a tilted board where men retain the vast majority of board seats: Greece (25%), Switzerland (20% and 30%), Austria and Germany (30%), and Belgium, Netherlands and Portugal (33%).

Corporate governance systems vary from country to country, and may influence the scope of gender diversity regulation, and subsequent share of female directors. That is, some countries have a one-tier structure of a single board of directors with both management and supervision roles comprising executive and non-executive directors. Other countries have a two-tier structure such as a management board consisting of executive directors and a supervisory board consisting of non-executive directors. A third possibility is the choice of a one-tier or two-tier structure. Thus, gender diversity regulation may depend on board structure, and therefore affects non-executive, executive, or both types of directors.

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<sup>1</sup> The Netherlands introduced in 2013 a 30% gender board quota without sanctions. The quota expired in 2020.