



QUALITY VERSUS QUOTAS

Legislation across Europe has added women to boards, but is no panacea, say Brunswick's **ANNALISA BARBAGALLO** and **MIKAEL ISAKSSON**

Legally binding quotas to raise the number of women on corporate boards have changed the makeup of boardrooms dramatically in several European countries.

But not everyone is convinced that such simple mandatory thresholds are wise. Many feel that the imposition of quotas sets back the cause of corporate gender equality. Some even wonder if the debate around mandatory quotas on boards is a red herring, as women are still vastly under-represented in the C-suite.

Since Norway instituted a 40 percent legally binding quota for female directors of listed companies in 2008, the rest of Europe has been experimenting with different approaches. Gender quotas are now in place in Germany, France, Italy, Spain, Finland, Belgium and the Netherlands, with different sanctions for non-compliance. In contrast, the UK and Sweden have opted for voluntary targets for quotas, backed by the threat of legislation if not enough companies take action.

In the UK, FTSE 100 companies have more than doubled the number of women on boards, exceeding the 25 percent target urged by the government in 2011. The 30% Club, launched in the UK in 2010 with the goal of achieving 30 percent women on FTSE 100 boards, prefers the voluntary approach. Melanie Richards, a Partner and Vice-Chairman at KPMG, and a member of the UK 30% Club's Steering Committee, goes so far as to credit the club's success to its opposition to mandatory quotas.

"The business culture is moving in the right direction," Richards says. "But lasting success requires businesses to feel invested in the process."

Behind Norway, the best-performing countries in terms of a gender balance on boards are Finland and France, where female board members number around 30 percent. Both of these countries also have government-mandated quotas.

Studies support the positive effects of a gender-diverse board, showing that companies with more women on their boards perform significantly better than their male-dominated counterparts.

However, opponents have warned that achieving gender diversity through quotas can actually decrease performance by causing conflict and undermining trust. Some argue that quotas can actually work against diversity by forcing companies to choose from the same limited pool of

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eligible women, sometimes known as the “golden skirts.” At one point, Norwegian businesswoman and lawyer Mimi Berdal sat on 90 different boards.

More importantly, quotas alone fail to address the absence of women in senior management positions. In Europe, men still hold 89 percent of executive committee jobs while only 3.6 percent of Europe’s largest listed companies have female CEOs, according to a 2015 European Commission (EC) report.

“Quotas don’t achieve real progress,” Richards says. “The pipeline of women in executive positions is the most important target. That’s a struggle, even for companies that approach the problem voluntarily.”

Heather McGregor, Managing Director of search firm Taylor Bennett and a founding member of the 30% Club’s Steering Committee, says flatly that quotas don’t work, but “merely give the appearance of doing so.” Breaking the glass ceiling will require more than a simple arithmetic calculation, she says.

“People leading companies need to actively seek out female candidates,” McGregor says. “Just looking for them will ensure that they find them.”

Rather than imposing quotas, laws can make it easier for women and men to reconcile family and professional goals. While the EC failed to increase mandated maternity leave from 14 to 18 weeks, it is considering other ways to improve work-life balance for both men and women. The goal is to reduce obstacles for women and increase their presence in executive positions.

Ultimately, such efforts could help expand the pool of skilled women in top management posts, naturally leading to a greater presence of women in the boardroom as well.

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TECH CAN TACKLE DIVERSITY HEAD-ON

The talent is already there, and Silicon Valley has the tools to put more women on boards, says entrepreneur **SUKHINDER SINGH CASSIDY**

It will take US corporate boards another 40 years to reach gender balance, according to the US Government Accountability Office. Even if every open board seat were filled by a woman, it would be 2024 before boards approached a 50:50 split, it estimates. Even more discouraging, an estimated 75 percent of privately funded technology companies have no women on their boards of directors, according to an audit in July 2015 by theBoardlist, a talent marketplace I founded.

The tech industry has an opportunity to close this gap. According to a recent report from financial analysis firm MSCI, companies with at least three women on the board (or a female CEO and one female board member) have achieved a 36 percent better return on equity since 2010

