

Women QUOTAS or /and efficiency on BOARDS ?

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The Project of law on French boards gives an occasion to exchange some views on women’s quotas but moreover to give ideas on ways to improve corporate governance on boards.

“QUOTAS or not QUOTAS?”

There was (and there is a large debate) in France and anywhere else on women’s quotas on boards of companies (it is the same in politics). Motivations are grounded both on gender equality (social matter) and efficiency (economic matter).

Several survey have shown that below a certain proportion, the presence of a minority remains neutral in any team (the minority group is repeating the behaviour of the dominant group below a certain level). On boards several works have shown that one alone female candidate on a board is influenced by the majority : She needs to conform in order to be regarded as professional.(Moscovici, 1996,1998).This minimum threshold seems to be approximately 30%

In the same time, several research studies have shown a link between compagnie’s results and gender issues¹. Why such a link? Surely, because it brings oxygen to Boards by bringing different views, opinions, ways to tackle issues: to have an open mind is efficient ! Having say that, do quotas improve the situation to obtain gender equality? In Europe 11% of the quoted

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October 2007 « *The Bottom Line : Corporate Performance and Women’s Representation on Boards* », Catalyst, 2007

If the first one was clearly subject to a lot of criticism, step by step this link was and is more and more well known and official institutions keep it as a truth :

-*Report of the EESC, Mrs OUIIN , 2009, on links between gender equality and economic growth*

- *Survey for the European Commission “The economic case for gender equality”, 2008*

companies are female administrators! Countries such as Norway have “demonstrated that a significant step-change in women’s representation could be done with quotas (law of 2003). Several projects are in the air in Spain, Canada, Sweden, Finland, GB²...

The French project of law

At this point in France, and due to the recent modification of the Constitution (article 1), the heart of the debate is rather more how to do something than why. How to improve gender issues on boards but also, how to improve efficiency of companies including gender issues as a tool? The project of law has a global objective: to avoid nepotism on boards and on women topic to avoid “tokenism.” It is a matter of fact that the previous text failed to obtain sufficient improvements on limiting the number of mandates and making sure that the board includes a critical mass of women directors. Recommendation are not enough. The French project reduces from 5 to 3 mandates, this time including mandates of subsidiaries, therefore gives a real chance to bring oxygen to boards.

Context France –Project of law

53rd on the topic “gender issues and economic opportunities” in the comparison made by *Global Gender Gap Index 2008 and Global Competitiveness Report 2008 – 2009, The World Business Forum* (Norway 6, USA 12, Denmark 28, Slovenia 31, Bulgaria 35, GB 42, Germany 45, Hungary 50, Poland 73, Italy 85...)

Therefore a legal requirement should be made : a progressive quota of 20% for the first 3 years to finally obtain a level of 40% in 6 years seems reasonable.

² SPAIN *Ley Orgánica 3/2007, de 22 de marzo para la igualdad efectiva de mujeres y hombres*

- For 2015, a threshold of 40 %

- Public procurements will encourage companies having a gender equality policy (Article 33 et 34)

- An equity label (Article 50)

FINLAND - *Finnish Corporate Governance Code 2008 'Recommendation 9 – composition and competence of the directors*

- (...) Both genders shall be represented on the board.

- (...) One element of a diverse composition of the board is to have both genders represented on the board.

- Applicable from the first annual general meeting held after 1 January 2010

To meet the quota of 40% we need about 1 000 women in listed companies.
The possible sanctions if a company do not met these legal requirements? Decisions will be null and nominations of administrators cancelled.
The Scope of the law is : any company SA, SAS with more than 250 employees

How to bring more professionalism on boards?

RECRUITMENT :

To recruit the right people and especially women?

- Evaluation of competencies as a whole: The board must be able to do an evaluation on performances as well as competencies both on a collective and individual process.
- Companies must have a job description with precise criteria: international experience, integrity, the ability to work in a team, knowledge of the sector...
- Comparisons between candidates must be made according to objective criteria
- We need to find different profiles , to open the door out of our well established networks

.Training:

- The company must give sufficient training and to provide sufficient information to independent administrators to give them a real possibility to form their opinion
- Administrators have the DUTY-to formulate their opinion therefore the process is not supposed to remain a top down process of decision as it is very often.

.Role of the nominating committee :

Role in hiring (and firing) / Role in remunerations - in France except for the biggest companies the earnings are obviously insufficient / Role in anticipating succession inside the board.

How to make women “board ready” ?

- Networking / Coaching / Mentoring
- Training
- Executive programmes (EMBA)

How to involved more companies? The role of pensions funds with a gender criteria (Women’s Equity Fund) and any shareholder activism (Calpers) could be interesting as a tool of pressure on companies. Equality label as incentive is certainly also an idea to promote.

ESSEC BUSINESS SCHOOL opens « BE BOARD READY dedicated Women with the collaboration of European Women Professional Network, Action de FEMMES, Femmes Débat et Société to improve self-confidence and prepare them to these functions.

To conclude: BE AWARE that we are not only dealing with gender issues but with bringing oxygen to boards in order to avoid suffocation and to create conditions of success .