

## **GENDER BALANCE IN COMPANIES. IMPORTANT OR NOT?**

### **Major issues**

Gender balance issue is one of the top business subjects in recent years. Should it be a quota or only a target and is it a display of discrimination or not? There are many different opinions including pros and cons from the side of critics, but there are also undeniable facts, showing that it has a significant influence for the companies' development. Gender balance topic more or less exists all over the world when speaking about improving business performance and promoting equal opportunities but still not enough attention and activities for making it better and more effective are provided. Despite the great world progress, women are under-presented in majority of companies. It is good that such an issue finally arose and the chance to make some positive changes appeared.

What can be the reason of the situation of such unbalanced opportunities? Definitely the biggest influence has the history. Women were always on the back of the men and what is the worst, in most cases they did not have anything to say, they could not express their opinion. Their main activities were to bring up the children, cooking and taking care of the house. They had no opportunities to say what they think when speaking about money or business. There are still places all over the world where such situation exists, what is absolutely horrendous. Women are often perceived as worse than men in many subjects. Nowadays the situation is finally changing and fortunately the importance of improving the gender balance in companies and on their boards is more and more known across the world, but still not very satisfying.

First of all some numbers should be analyzed to make the situation clearer. The most helpful is to take the list of companies considered as a best prosperous ones - 'footsie' will be taken as an example (companies listed on London Stock Exchange). Percentage of women, who occupy board seats of FTSE 350<sup>580</sup> companies is about 8,8%<sup>581</sup>. Across the FTSE 250, the percentage of female held directorships now stands at just 7.8%.

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<sup>580</sup> Financial Times Stock Exchange share index of the stocks of the companies listed on the LSE with the highest capitalization.

<sup>581</sup> Study by TCAM in conjunction with The Observer and as part of the Good Companies Guide; *Diversity and Gender Balance in Britain*, London 2009.

Moreover, one in five (21%) FTSE 100 companies and over half, 131, (52.4%) of FTSE 250 companies still have no women on their boards! Only 2% of chairs of FTSE 100 companies are women<sup>582</sup>. Meanwhile researches indicate that the best market growth among European businesses is most likely to take place where there is a higher percentage of women in senior management teams. Report by the business consultancy McKinsey showed that gender-balanced companies have a 56% higher operating profit when compared to male-only companies<sup>583</sup>. All data show that there are only positive aspects when there is balanced number of women on the board. It was also proven that companies having gender balance outperform their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity<sup>584</sup>. These are significant numbers. It is about the richness of the board as complete team, the mutual participation of a group of people with different abilities and views to offer, various experiences, backgrounds and life styles. Together they are more able to study problems in a rounded, holistic way and offer an attention to detail not seen on all male boards which often think the same way, and sometimes make poor decisions<sup>585</sup>.

### **Norway as a worth of imitation example**

It is natural that the situation, when speaking about gender balance, differs all over the world. Strong, developed countries like France or Italy are considering significant action and some, like Spain and Australia, have already made significant steps, and having balanced boards is increasingly the norm. However, there is one country which is definitely the best example to use when speaking about importance of gender balance on the board- Norway, which does not have a target, but the quota- already implemented. Norway is in general the country with significant state support for childcare, generous maternity and paternity leave and much more other positive social issues. Gender balance joined all this positives.

The history of implementing the quota in Norway is very interesting. When Norway introduced new laws in the 2002 with the aim of increasing the number of women on company boards, critics said it would lead to disaster. They said that companies would be

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<sup>582</sup>Female FTSE Report 2010, Cranfield School of Management.

<sup>583</sup>Quotas Possible To Get More Women On Boards, 5.03.2012, <http://news.sky.com/home/business/article/16182645>,

<sup>584</sup>L. Joy, N. M. Carter, H. M. Wagener, S. Narayanan, *The Bottom Line: Corporate Performance and Women's Representation on Boards*, Catalyst, 2007.

<sup>585</sup>Lord Davies of Abersoch, *Women on boards report 2011*, CBE, 1.10.2012, <https://www.gov.uk/government/.../11-745-women-on-boards.pdf>.

forced to hire less-qualified people as board members just because of their gender what can lead to widespread discontent among male workers and business owners<sup>586</sup>.

A massive public debate raised, where opponents claimed that this quota will be unfair to men and companies (limited freedom in hiring whichever candidates company wants). Of course men said that the more competent male candidates will be replaced with less skilled females. Even the Confederation of Norwegian Enterprise was concerned that increasing the number of women on boards would raise a sense of discrimination... But to calm down the male society these divagations were not left without anything done. To manage with these fears about a lack of suitable women to fill in board positions, the 'Female Future' program was established<sup>587</sup>. This was a preparation and networking program, where companies identified a minimum of three women candidates to take part. Of the 600 women who have positively completed the program, 60% have gone on to join Norwegian boards<sup>588</sup>.

Moreover, the gender balance was partly achieved not through replacing men (as they were scared of) but through an increase in board size. Companies first had a deadline to 2005 to raise the proportion to 40% but they failed and the proportion was only 24%. In January 2006 the government introduced new deadline- year 2008. The quota has been successful and this time gained acceptance.

What is more, the number of women on company boards is just as high if not higher than their male counterparts<sup>589</sup>. The law was achieved because (after a period of voluntary compliance that did not give many results), the government introduced tough sanctions and strict fines for companies that failed to implement the quota. Full compliance was finally achieved by 2009.

Accomplished numbers are impressive, it is worth to see how they affect Norwegian companies and if is it in fact so unfavorable for men. 44.2% of directors are now women (from just 6.8% in 2002) and what is worth noticing, in 2002, 470 out of the 611 relevant companies were without a single female as a board member<sup>590</sup>.

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<sup>586</sup> Norway's experience shows compulsory quota's work' by Siobhan Dowling, 2010, accessed 3.10.12, available at: <http://www.spiegel.de/international/business/women-on-board-norway-s-experience-shows-compulsory-quotas-work-a-705209.html>

<sup>587</sup> Lord Davies of Abersoch,*op.cit.*

<sup>588</sup> *Ibidem.*

<sup>589</sup> Norway's experience ..., *op.cit.*

<sup>590</sup> Lord Davies of Abersoch,*op.cit.*

## **Statoil as a worth of imitation company**

Whereas, as it can be easily seen, Norway is one of the best examples of implementation of the gender quota, it is about time to take one of the biggest Norwegian companies to evaluate the issue and see how it really works within the dynamic organization-Statoil.

Statoil is an international energy company with operations in 36 countries. It has 40 years of experience from oil and gas production on Norwegian shelf. The vision of the company is to “accommodating the world’s energy needs in responsible manner, applying technology and creating innovative business solutions”<sup>591</sup>. The company has now about 21,000 employees worldwide.

Statoil statements says that the way they work is as important as goals that they achieve, so they could not miss such an important issue as the gender balance. Especially according to the fact that they are listed on the Oslo Stock Exchange, so they could not let their image fall down in any way. Statoil can be perceived as a perfect company for women to work. There are few simple reasons for that. Statoil is a global and sustainable, it provides equal opportunities for men and women. It systematically attracts, recruits and retains people of both genders and age groups. The focus on diversity issues is also reflected in the company's people strategy. One of the main concerns in 2009 has been to support diversity in the leadership pipeline. There are many activities which Statoil does to confirm the importance of gender balance. It's objectives are about increasing the number of female managers by giving equivalent representation to men and women in leadership development programs. For example in 2009 Statoil sponsored development program called ‘Female Future’ (mentioned earlier). It was run by the Confederation of Norwegian Enterprise, whose main goal is to promote women to senior positions and boardrooms. But is it only the quota that makes Statoil implementing gender balance? The answer is absolutely not.

Statoil ‘knows’ that female directors enrich board independence. More women directors mean wider range of experience and background, what positively influence on decision making processes. Statoil researches proved that women take their non-executive director roles more seriously and that is why they are preparing more carefully and diligently for meetings.<sup>592</sup> Moreover women request answers to the uncomfortable questions more often. Homogeneity on boards (comparable backgrounds, networks, education) is not productive

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<sup>591</sup> *Statoil in brief*, accessed 3.10.12, available at: <http://www.statoil.com/en/About/InBrief/Pages/default.aspx>

<sup>592</sup> Statoil Annual Report 2011.

enough to satisfy strategy goals. Women bring various perspectives and voices to the table, to the debate and to the decisions. Further studies showed that 30% women at board level or in senior management produces the best financial results.

Once again it is worth to take a look into some more Statoil numbers. Women are 37% of Statoil's overall workforce, 40% of the board of directors and 22% on the executive team (still not enough, but it is about to raise). In addition, they represent 41% of new hires. The total proportion of female managers in Statoil is 25%, and, among managers under the age of 45, the proportion is 34%. There are 4 women out of 10 members on board of directors and 2 women of 9 when speaking about senior executives. On a company wide basis, Statoil reports the percentage of women by division and work category, and it reveals wage ratios of men to women as 96%. Of leaders promoted to the top 170 roles, 47% were female, 24% of the 84 senior vice presidents were female and 35% of their successor pools for these roles were female<sup>593</sup>.

The company's work/life profits consist of flexible arrangements for maternity and paternity leave and flexible work timetables. Moreover, there is a new global induction program "You are one of us". It is designed to help people understand the company's values and business models and prepare them to succeed in their roles as quickly as possible. So as it is seen Statoil definitely endeavor to give equal representation to men and women in leadership. There is another very interesting aspect of Statoil's gender balance implementation. Statoil devote attention to male-dominated positions and discipline areas, 26% of the engineers are woman, and what is even more absorbing, women staff engineers with up to 20 years' experience equals 31%. Till now it is proved that boards with more women on, better identify criteria for determining strategy, monitor its implementation and track conflict of interest procedures. Balanced boards are more likely to guarantee better communication and put the emphasis on additional non-financial performance measures, like employee and customer satisfaction, diversity and CSR.

Unfortunately so far there is no official data issued regarding the financial performance of the company and its improvement, so it cannot be presented, however it can be easily said that Statoil did everything possible to diversify the methods to make the strategy the most efficient and the profitability the highest. Step forward like that is definitely a good base to increase the profit but also to obtain the status of the preferred employer and a company that people want to work in.

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<sup>593</sup> Ibidem.

## **Recommendations**

Looking at the example of profitable Norwegian company and Norway in general it can be easily noticed that the gender balance is very important when speaking about improving business performance, but it seems that implementing it is not so easy. Obviously the hardest part lies in business's awareness how positive influence gender balance can have. Some companies are not conscious of true benefits of that. Meanwhile there are few very simple steps to provide it and few things recommended to increase the profit and raise efficiency of the company.

The first thing is that company should realize that gender balance does not mean only new and equal opportunities for women, first of all it is about improving business performance (accessing the broadest talent pool, being more open to the market, accomplishing better corporate governance). There is a solid business case for balanced boards. Inclusive and diverse boards are expected to be more effective (Statoil example), more capable to understand their clients and stakeholders. They are more likely to have profit from new perspectives, ideas, challenges and broad experience. All of this lead to better decision making.

All chairpersons of FTSE 350 companies should fix the percentage of women they target to have on their boards in 2013 and 2015. And this should be minimum 25% for FTSE 100 by 2015 and it is expected that many will achieve even higher figure<sup>594</sup>.

Executive search firms should suggest a voluntary code of behavior addressing gender diversity and best practice which covers the appropriate search standards and procedures relating to FTSE 350 board level appointments.

Furthermore quoted companies each year should be obliged to release the information of the proportion of women on the board, women in executives positions and female employees in the whole organization. There is also a strong recommendation for investors, to consciously check the company in terms of gender balance before investing in it.

## **Conclusions**

Although there are hardly any publications (the subject is still very fresh) showing how the economic performance of the company changed when the gender balance improved, it is still the case that should be taken into consideration. Very few researches were done so far to

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<sup>594</sup>Lord Davies of Abersoch, *Women on boards report 2011*, CBE ,accessed 1.10.2012, available at <https://www.gov.uk/government/.../11-745-women-on-boards.pdf>

prove the financial profit made because of a better balance but every open-minded person is aware it has only a positive influence on company performance.

To sum up, all over the world, women are finally turning out to be the new majority in highly skilled talent pool. This is worth to notice that recently in Europe and the USA, women are around six out of every ten university graduates and in the UK women represent almost half of the labour force<sup>595</sup>. So there are more and more women who are as skilled as men and there is no reason to disqualify them in the hiring process as well as in executive requirement. The Canadian researches entitled '*Not just the right thing, but the bright thing*', looking at public, not-for-profit and private boards, found that boards with three or more women on, presented better governance performances to those with all-male boards, which now after all of considered arguments seems to be absolutely understandable<sup>596</sup>.

Companies are various, they differ. It is in their individual concern to fix and develop their own targets and policies, so that they can experience the necessary change through means best suited to their own circumstances. Businesses should also set out in their tactics and schemes how they perceive the skills on their boards to meet their needs. Statoil is a good example to follow. Missing the gender balance issue can make the talent transferred to companies which are better at encouraging gender diversity and quotas. Awareness is a perfect route to achieving the change leading to success until it is too late for that.

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## **Summary**

The aim of this article is to show importance of the gender balance in companies (especially on boards). Many companies do not pay attention to this problem; meanwhile the data shows that it seems to be crucial in improving company performance. The article is based on the most worthy of imitation example - Norwegian company - Statoil. The importance of gender balance implementation will be discussed as well as the reason why it is an essential and in the same time very difficult issue for companies. In the end of the article some recommendations and conclusions will be outlined.

## **RÓWNOWAGA PŁCI – ISTOTNA CZY TEŻ NIE?**

### **Streszczenie**

Celem niniejszego artykułu jest ukazanie jak ważne jest dla przedsiębiorstw zachowanie właściwej proporcji płci, w szczególności na stanowiskach kierowniczych. Większość przedsiębiorstw bagatelowi ten problem, tymczasem badania pokazują, że firmy mające w zarządzie taką samą (lub zbliżoną) ilość kobiet i mężczyzn osiągają lepsze wyniki, niż te, w których zarządach zasiadają tylko lub głównie mężczyźni. Jednym z najlepszych przykładów na powyższą tezę jest Norwegia, gdzie zostało wprowadzone prawo, które nakazuje firmom zachowanie takiego balansu. Artykuł pokazuje przykład jednej z norweskich firm- Statoil, w której ten nakaz został wdrożony z powodzeniem.