

Quotas: Pro's and con's

The data from the EuropeanPWN BoardWomen Monitor shows that the only significant rise in gender diversity on supervisory boards of European companies is driven by quotas.

While Norway has put legislation in place and is targeting 40% female board members by 1 January 2008, the UK government is promoting the concept and the discussion, but the number of women directors remains stable.

Within EuropeanPWN this has been the source of interesting debates: What do we think of quotas, and are they the only way to promote growth in gender diversity?

We first asked our network members¹ if they were for or against quotas in principle, and interestingly the pro camp was the strongest, but only by 5%.

Do you think governments should set quotas for women on boards, as is currently planned by the government in Norway?

yes	55,32%
no	44,68%

The key points in each camp, summarised below, may help you in deciding which side to support.

¹ Source: EuropeanPWN online poll, open from mid April to mid May 2005, total number of respondents 141.

The pro quota view

There are significant positive arguments in the 'pro quotas' camp.

We have learned from the research quoted in this book that gender diversity measurably improves decision-making and performance, but that increasing the number of women on board is painfully slow, except when quotas are introduced. Improved company performance and governance can only be good for our economies, and therefore however uncomfortable the idea of quotas, they clearly outweigh the benefits.

Legislation can help speed up change, by imposing it and setting deadlines. Companies will concentrate on implementing the change, rather than discussing the benefits, while deadlines will create a sense of urgency.

Ideally the new situation, with more gender diversity at work and in supervisory boards, will promote new reflexes as people just get on with business.

Quotas will also ensure more places are available for good performers, and women will be able to concentrate on their careers, rather than address gender barriers on top of their other responsibilities. This will make it easier for women to perform, succeed and grow.

We also need an external influence to help set up a new way of working, particularly where cooptation, based on reproducing the existing model, is the rule in senior appointments.

In addition, the best candidate to add to a homogeneous team is a diverse candidate, and quotas are a way of ensuring teams are indeed diverse, and therefore

perform better. After all, it is not just the individual candidate that matters, but also the composition of the whole group.

Other 'pro camp' reasons are much more negative, for example, the idea that only imposition will supplant a culture of unequal treatment, which is ingrained and goes unquestioned.

And on the fatalist side there is the point that nothing else seems to work.

In summary, will we be able to accept gender diversity regardless of competence?

The contrary view

Primarily quotas are per se discriminatory. Isn't this in contradiction with the goals of gender diversity? Do the means justify the end in this case?

In fact, recent quota legislation for supervisory boards in France has been rejected by the constitutional court for being discriminatory and therefore illegal.

Moreover, quotas interfere with the efficient working of the market: when hiring a new colleague we want the best person available based on skills and capabilities alone, not the best person available who also fits the imposed quota.

The toughest argument for the person concerned by the quota legislation is around perceived skills and power: will quotas undermine credibility and professionalism and depreciate the value of women, implying their success is due to quotas alone? Does this portray women as victims, and if so, is this really helpful?

Then, there is always the slippery slope argument: if we accept quotas for women, will we in future have to accept quotas for all sorts of other segments of society (such as race, religion, age)?

In summary, are we ready to accept a less than ideal method in order to reach results in an acceptable timeframe?

Where should the quotas be?

If, after all, you decide that you can live with quotas, what do you measure and where do you establish quotas?

In hiring diversity candidates, there are two options: either measuring candidates, or measuring hires.

Measuring candidates means looking at the composition of short-lists for jobs; for instance at least one woman per five short-listed candidates.

In our experience this is a high-risk objective: not only does the presence of a diversity candidate on a short-list not ensure any change in the employee make-up of a company, it also provides a sense of reassurance for the hiring company that they are indeed considering diversity candidates, without needing to change hiring decisions or moving away from the hiring manager's comfort zone.

This practice also has negative consequences for the diversity candidate, who is constantly facing rejection without getting a truly fair chance.

On the positive side, asking head-hunters to include diversity candidates in short-lists has resulted in the

discovery of previously unseen talent, which is now able to rise to the surface.

Measuring hires, on the other hand, does ensure a change in the composition of the hiring company if coupled with good retention policies, and therefore justifies using a quota policy by helping achieve the desired results over time.

Finally, where do you set the quota? How high? How low?

Setting the quota too high may lead to lowering the bar, while setting them too low will not give sufficient impetus to increasing the pipeline of strong diversity candidates. Ideally quotas should be set as stretch targets to encourage an active management of the pipeline.

Finally, data shows² that companies with women CEOs have more women on their boards and on their management teams than average. Taking this into account we can argue that quotas only need to be set for the top echelons, as changes there will impact changes throughout the company.

² See article on 'Appoint a female CEO'.

Three or more women: The turning point

Diverse teams are shown to perform better than homogeneous teams, but of course it's not that simple! IMD research¹ has demonstrated that in order to outperform homogeneous teams and use all available talent effectively, diverse teams need to understand their differences, communicate effectively across these differences and use them to build performance. "...the ones (teams) that engage diversity and manage it well reach exceptional levels of performance."²

When looking at the particular situation of gender diversity on boards, the board's ability to understand, engage, and build on women's contribution is greatly influenced by the number of women on the board.

In the 'Critical mass on corporate boards' study conducted in 2006³, interviewees describe that when there are three or more women on the board, they are no longer considered 'female directors', but just directors. This allows their individual contribution to be considered at face value, with no pre-conceptions.

A critical mass also seems to give women more confidence in taking the floor, and making their opinions heard.

The evidence also points towards establishing a more collaborative rather than a combative communication

¹ Maznevski & DiStefano, 'Synergy from individual differences: Map, bridge and integrate', IMD.

² FT.com Leading diverse teams, 2 March 2006, *The Financial Times Limited* 2007.

³ Kramer, V.W., Konrad, A.M. and Erkut, S.: 'Critical mass on corporate boards: Why three or more women enhance governance'.