

## The “Golden Skirts”: Changes in board composition following gender quotas on corporate boards

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### **ABSTRACT**

*Effects on board composition of the Norwegian gender quota law on corporate boards are analyzed. Women are generally getting the independent director positions, and the traditional old boys network on corporate boards are replaced by “Golden Skirts” and “Gold Sacks”. The “Golden Skirts” are women making a living of being independent board members. However, competency and not independence has been the main criteria for selecting them. Four clusters of “Golden Skirts” are presented, and significant diversity among them is documented. The remaining multi-board men are dominated by a group that can be classified as the “Gold Sacks”. The quota requirements have increased the attention to the value creating potential of boards.*

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### ABSTRACT

*Effects on board composition of the Norwegian gender quota law on corporate boards are analyzed. In this paper we compare agency theory and team production theory related consequences of this gender quota law. Women are generally getting the independent director positions, and the traditional old boys network on corporate boards are replaced by “Golden Skirts” and “Gold Sacks”. The “Golden Skirts” are women making a living of being independent board members. However, competency and not independence has been the main criteria for selecting them. Four clusters of “Golden Skirts” are presented, and significant diversity among them is documented. The remaining multi-board men are dominated by a group that can be classified as the “Gold Sacks”. The quota requirements have increased the attention to the value creating potential of boards.*

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### BOARD COMPOSITION AND AFFIRMATIVE ACTION

We have recently seen changes in the composition of corporate boards. Waves of shareholder activism and the development of codes of best practices have emphasized the importance of independent board members. However, even more recently we are seeing how a request to have women on boards is moving over the global corporate governance landscape (Vinnicombe, Singh, Burke, Bilimoria & Huse 2008). A law in Norway requiring that 40% of the board members should be of the least represented gender gave considerable winds in the sails of this discussion about board composition and women (Adams & Ferreira 2009; Casey, Skibnes & Pringle 2010). Several other countries are following the Norwegian example, e.g. Spain, the Netherlands, France and most recently Italy. Women activists, politicians, law makers and business leaders are closely following the wave of including more women on corporate boards, and many are wondering what can be learnt from Norway. The purpose of this paper is to explore some of the effects this law so far has had for board composition in Norway, and in particular we want to learn more about the “Golden skirts”.

The paper is theoretically anchored in the discussion between the recommendations from agency theory on one side (Eisenhardt 1988; Fama & Jensen 2003) and team production theory requirements focusing on competence and diversity on the other side (Blair & Stout 1999; Machold, Huse,

Minichilli & Nordqvist 2011). We will thus more in detail explore how the introduction of an external shock into the Norwegian business community had consequences for the board compositional criteria of independence from agency theory, and the compositional criteria of competence and diversity from team production theory.

The role of women in society is changing. This is not only in the public and private sector, but also in the business world. These changes are found in many countries, but the speed and focus may vary. There are various arguments to develop ways to increase the number of women on corporate boards of directors (Vinnicombe, et al 2008). Corporate boards of directors have traditionally been seen as meeting places for societal and business elites (Hawarden & Stablein 2008; Murray 2006). The boards have been considered as arenas where the interests of the “old boys’ network” are promoted, and there has been argued that an invisible glass-ceiling is hindering women from getting into board and top management positions (Frankforter 1996). Several initiatives for getting women into corporate boards have thus been presented (Vinnicombe, et al 2008).

There are various arguments for increase the number of women on corporate boards – for example societal arguments, individual career arguments and the business case arguments (Huse, Nielsen & Hagen 2009). The societal case arguments have typically been the starting point for much of the attention to the question, and these are also those behind the most far-reaching initiatives to increase the number of women on corporate boards. The societal case arguments are about affirmative action, justice in society, democracy, participation, gender equality and the follow up of various international conventions. The individual case arguments or the career arguments are often related to the “glass-ceiling” discussions. The business case arguments are about why and how women on corporate boards will improve firm performance (Van der Walt & Ingley 2003). These arguments have particularly been emphasized in contexts where the societal case arguments are not accepted. The main business case arguments are about diversity (that women are different than men), about the use of existing knowledge (that women represent 50% of the knowledge-base in society), about customer relations and understanding customers (that women in many sectors are the main customers), and that men on

corporate boards often are too passive (Adams & Flynn 2005; Shilton, McGregor & Tremaine 1996). In the international and national debates the different arguments are often unconsciously mixed.

This paper follows in four sections. First we present the initiatives and innovations in Norway to increase the number of women directors. Then follows the presentation of changes in board composition following the Norwegian gender balance law. Terms as business directors, professional directors, “Golden Skirts” and “Gold Sacks” are introduced. The third section is a discussion relating the above presentation to the theoretical backgrounds in agency theory and team production theory. The final section contains a conclusion and recommendations.

### **NORWAY: INITIATIVES AND INNOVATIONS TO INCREASE THE NUMBER OF WOMEN DIRECTORS**

During the recent decades several initiatives and innovations have been made to achieve balanced gender perspectives and to increase the number of women in power positions in society (Vinnicombe et al 2008). In some countries – like Norway – public policies were made at an early stage to have women represented in the public bureaucracy, governmental committees and on the board in state-owned enterprises. Several political parties also made commitment to have women in leadership position – resulting in a large ratio of women in top political positions in Norway. International discussions about why and how to increase the number of women on corporate boards can also be traced back more than thirty years. Various initiatives and programmes have been considered. Voluntary actions include political arguments, business motivations, the development of women networks, the financing and dissemination of research, courses and education for preparing women for board work, mentorship programmes, data registers and other sources of communicating potential women candidates. Suggestions for making requirements about the number of women directors through soft as well as hard laws have also been promoted. Norway has a two-tier corporate governance system. However, the executive level is normally not a board, but only one person. Board members are typically non-executives. Norway has also a system where one third of the board members can be elected by and among the employees. Furthermore, Oslo Stock Exchange is

dominated by state ownership. A presentation of boards and corporate governance in Norway is found in Rasmussen & Huse (2011).

Figure 1 reports the percentage of women on the boards of large corporations in Norway (Oslo Stock Exchange/ASA incorporations). The figures reported about women are almost constant around 5% from 1990 till 2002. No increase took place even though considerable efforts were placed on initiatives as women networks, seminars and arguments, mentorship programs, research, data banks and registers over women aspiring for board positions. Two public hearings about law proposals also took place, but no increase in the percentage of women on corporate boards was achieved.

However, we see a major increase from 2002 till 2008 – from on average 6% till almost 40%. In 2002 a law was proposed that all ASA incorporated firms should have gender balance. Each gender should have at least 40% of the board members in ASA firms. The ASA firms had a few years to implement this requirement voluntarily - otherwise the law would be ratified and enforced. The enforcement of the law began in the beginning of 2008, but by then all ASA companies (only with very few exceptions) already had met the requirement.

The number of board positions in ASA-companies was reduced from 2007 till 2010 as financial companies were not any more required to have the ASA-form of incorporation.

### **WHO ARE THE WOMEN ON BOARDS - “GOLDEN SKIRTS”?**

As our research question was to explore board compositional consequences of the Norwegian gender quota law we decided to focus on the women being introduced to the Norwegian boards in the period 2007-2010. Our particular attention was on the women often labelled the “Golden Skirts”. The term the “Golden Skirts” has received considerable attention in the Norwegian and later also the international press, as well as in research (Seierstad & Opsahl 2011). Generally it has a negative connotation, and studies have been conducted to explore who the women on boards in Norway are, and how they have been selected (Heidenreich 2010). Critical voices have in the international press

been sceptical to the development of an elite group of prominent women that is replacing the “old boys’ network”. The following tables illustrate that this may be the case.

(Insert table 1 about here)

In Table 1 we find the presence of multi-board memberships by women and men in the Norwegian publicly tradable companies (ASA-companies). We have summarized the number of board positions during the years 2007, 2008, 2009 and 2010. We found that during these four years 1309 women had at least one year one board position in an ASA-company. Knowing that only forty percent of the board members are women, we should also expect that in absolute figures there should be more men than women having multi-board membership. However, that is not the case. We found that eight women and only two men over these four years in average had more than four positions in ASA-companies, and 21 women and only nine men had in average more than three ASA-board memberships. One explanation to this situation may be the selection process. As it is a general criterion for becoming a board member to have previous board experience, it makes the few women having such experience more likely to get more. Table 2 shows a picture of how multi-board membership among the gender has been changing from 2000 till 2010.

(Insert Table 2 about here)

Multi-board memberships have moved from men to women, and the “Golden Skirts” have replaced the “old boys’ network”. The “old boys’ network” is in the literature presented as an elite of present and previous managers that use their board memberships and interlocking directorates largely for intraclass purposes to protect their own privileges (Mace 1971; Richardson 1987; Useem 1984). We made an analysis of interlocking directorates among the women with the most board positions. Two women were on three boards together, but they were not on a board with any of the other women. These two women are commented later. Among the women with in average of more than three board positions, no other women were on more than one board together. Only three women had more than two board positions with the other. This means that within the group of “Golden Skirts” there are very limited interlocks and no clear similarity to the “old boys’ network”. Some of the women even indicated in interviews that they did not know any of the others.

A framework for understanding board composition is presented in Table 3. The framework has two axes: The independence axes and the profession axis. The profession axis is split in gender. Based on the corporate governance literature we can identify three main types of board positions (Baysinger & Butler 1985; Burgess & Tharenou 2002). Board members will typically have their board identity depending on which type they belong to (Hillman, Nicholsson and Shropshire 2008; Huse and Rindova 2001). The first group, insiders and quasi-insiders, contains the positions to be held by persons having financial and psychological relations to the company leadership, including executive directors, consultants, family and friends and business partners. The second group, stakeholder related directors, contains the positions to be held by persons having financial and psychological relations to main external stakeholder or ownership groups. These will often be the investors, their representatives, family members and friends; sometimes also politicians. The last groups of board members will be those that are completely independent – with no relations to neither internal nor external actors. On the other axis we have persons who make it a living to be a board member – the professional directors, and those making a living out of their business, but having some board positions – the business directors.

(Insert table 3 about here)

We used web descriptions to classify the various board members. Women as well as men exist in all six categories. Characteristics of them are displayed in Table 3. In the categories we identify the typical descriptions of the “old boys’ network” as well as the “Golden Skirts”. Both “the old boys’ network” and the “Golden Skirts” are in the category of independent directors. There are some business directors in Norway being independent directors, but only a handful of the thirty women having three or more board positions (based on the 2007-2010 average) can be classified as business women and only one or two of them as independent business women. The women having the most board positions in the Norwegian ASA-companies are independent professional board members. This is the group of prominent women that we here label the “Golden Skirts”. Only few if any of the professional board members being women are in the insider or stakeholder categories.

When exploring the transition in Norway based on the gender quota law, we find that the directors in board positions with insider or stakeholder based motivations are hardly replaceable. This means that the law required transition from men to women almost only has been in the group of independent directors. Few new board members in this period have been recruited among families and friends (Heidenreich 2010). It is indicated in Table 3 that “the old boys’ network” is replaced by the “Golden Skirts”. The men with the most board positions are now those being or representing investors, i.e. the “Gold Sacks”. Interestingly, it is the women, who in practice will fill most of the seats as independent directors, and consequently who also will fill most of the seats in important board committees as the auditing committee, nomination committee and compensation committee. This is a change from the past situation with women only getting positions in the “least important” committees (Bilimoria & Pederit 1994).

Who are then the “Golden Skirts”? We used the list of the women with the most positions in the period 2007-2010 (Table 1). Among the 21 women having in average more than three positions, we found one woman that was a major ship-owner and was board member/chair also in her company’s subsidiary boards. Two women had strong ties to the main owners of a group of investment companies, and they were board members in several of them. These two women were also the only women serving on several boards together. The companies they served on changed form of incorporation in 2010. The remaining eighteen multi-board women were considered as independent board members. Among them only three had a main position outside being a board member, but even the main positions of these three women were something they entered while being a multi-board member. In our analyses we thus considered them as professional board members together with the remaining fifteen. We made in-depth portrait interviews with all these women. The formal competencies and qualifications of these women were impressive – with respect to education as well as to practice, but we found that they differed in several ways. As a result of the interviews we categorised them based on a) length and amount of experience and b) degree of pragmatism or flexibility in behaviour. This is displayed in Table 4.

(Insert table 4 about here)



The result is a four square matrix. In our analyses we categorized four women into each of the groups, and two women were classified as being in transition, i.e. in the period moving with respect to classification. The labels put on the various groups were a) the “young, smart and clever”, b) the “ambitious and pragmatic”, c) the “iron fists being used to fight” and d) the “business experienced”. The “young, smart and clever” are typically younger than the other, they have “facts on the fingertips”, they have typically been discovered by a mentor, and they emphasise the support of their husbands and his professional network for being recruited as board members. These women have typically the analytical skills, approaches and competencies of “McKinsey”-consultants. This group would have been larger if we only considered the positions in 2010. They consider themselves as persons bringing knowledge and facts to the board.

The “ambitious and pragmatic” are those having the most board memberships. Their backgrounds vary (law, engineering, etc), but they have limited background from executive business leadership. They typically saw the opportunity to make a living of being a board member as the gender quota law was introduced. They did not wait to be discovered, but actively sought opportunities to be visible and get board positions. The ambition of these women has been more to become a board member rather than to contribute to board behaviour and company performance. However, typically they focus on board control task, risk aversion and corporate governance recommendations. There are many women having similar aspirations, but these are those having been the most successful.

Norway has a tradition for having women in top positions in politics. The “iron fists being used to fight” have all background from top level politics, often as ministers in the big and heavy industry related departments in the Norwegian Cabinet. However, it is not enough to have been a minister or a party leader, you also need to bring forth your aspiration for top level business positions. These women bring their backgrounds from the political arena to the corporate boards. They know the political system. They also know to use power techniques both inside and outside the boardroom, and they have a large network to politicians, business leaders and bureaucrats. As board members the

women in this category are typically crusaders, but they are also used for their networks into the political systems.

The “business experienced” “Golden Skirts” had considerable business and board experience before the law was introduced, and with the quota law they were the first to be considered for additional positions. The educational and professional backgrounds of some of these women are really impressive. The women in this group are in average some older than the women in the other groups. Mean age is about 60 years. Their focus as board members was to contribute to value creation in the firm, and contributions in strategic decision-making processes. They felt happy when they experienced that the company and its management were doing better because of their contribution.

Most of the women, but for those in the “young, smart and clever” category, have been divorced, are single or without children. Most of the women are also finding that being a board member fits nicely into their life situation, and it provides a good work-life balance. They argue that it is difficult to make a career in business. Many of them describe themselves as good in multi-tasking, and that they have needed to stow away the “nice girl” ambition. However, many are also commenting that being a board member is much easier than being a top executive. The work load is usually more predictable, and they can more easily plan their time, take days off and combine it with the care for children, grandchildren or old parents.

Following these groups over the four year period 2007-2010 we found some development. Some of the women with the highest number of board positions in the beginning of the period were reducing their number of involvement, and there was a woman that did not have any position in 2007, that in 2010 had the most position in the ASA-company boards. There were also some women that during the period became CEOs of other company, and that led them to reduce the number of board involvements. About half of the women being interviewed were of various reasons negative to the quota law as it was introduced, but having experienced its implementation and results they all expressed when being interviewed that they were positive and supported it. Through the interviews we

observed a tendency that women in the three other categories were approaching the “business experienced” category. This may indicate that we in future, when the women on corporate boards become more experienced, will see that they may approach the values and behaviour of the “business experienced” “Golden Skirts”.

### **THE QUOTA LAW DISCUSSION AND CODES OF BEST PRACTICES**

We have in this paper explored how the introduction of an external shock into the Norwegian business community had consequences for the board compositional criteria. The “Golden Skirts” have replaced “the old boys’ network” as professional multi-board directors, and the women are those filling the requirements of being the board members with double independence. The male multi-board directors are now mostly the “Gold Sacks”, i.e. investors.

We have seen a very diverse and dynamic picture. We have in this paper made distinctions between business directors and professional multi-board directors. The professional directors are those making a living out of being a board member, and the “Golden Skirts” is a label being put on the women being these professional directors. Furthermore, we have sorted the “Golden Skirts” in four categories: “The young, smart and clever”, “The ambitious and pragmatic”, “The iron fists” and “The business experienced”. The women being recruited to the corporate boards have diverse backgrounds, experiences and social identities, and they define their contributions in various ways. However, the situation is not static. There is a movement from the three first categories to the fourth as the women are becoming more experienced. We are also seeing a movement that some of the professional directors are becoming business directors, i.e. the main position becomes that of being a manager. This is not the ambition of all the women as they find being a board member is good for their work-life balance.

The evidence from the Norwegian “Golden Skirts”, the discussions about women on boards in general and the gender quota law in particular, contrast some of the dominating corporate governance recommendations being rooted in agency theory. This is illustrated in Table 5.

(Insert Table 5 about here)

Agency theory and the dominating corporate governance discussion have a focus on board independence, shareholder identification, value distribution to external shareholders or other stakeholders, a decision-oriented boardroom culture, risk aversion and the importance of control, and often on short term perspectives. We have, however, seen the dynamic consequences following the Norwegian gender quota law that are closer to those of team production theory with emphasis on competence, firm identification and value creation, a process-oriented boardroom culture, a movement to risk willingness, strategy involvement and long term perspectives.

The dominating corporate governance discussion has evolved from the prevention of managerial dominance in large US corporations. Agency theory has been the main theoretical framework. The development has led to increased shareholder supremacy, and the main criterion for board composition has been to protect the interest of shareholders. Furthermore, recent codes of corporate governance have been adopted by many stock exchanges, and the codes have largely been developed to protect the interest of minority shareholder. A main requirement from the stock exchanges is that board members should be independent of internal as well as of external actors. We have seen that the women are now filling the double independence positions, and thus also will hold memberships in the committees considered to be the most important.

The quota law discussion may thus challenge many of the corporate governance recommendations developed from agency theory. We have seen that the women bring in different contributions to board behaviour. Competencies and qualifications of board members are emphasised in the discussion of women directors. Women are not supposed to be board members unless they are truly qualified. The quota law and the women on board discussion may be supported by the lessons from the recent international financial crisis; a renewed attention to long term sustainability. We are seeing a movement from a strong agency theory focus to and emphasis on competence and diversity utilized in a team production setting.

## CONCLUSIONS AND RECOMMENDATIONS

We have in this paper analyzed the effects on board composition of the Norwegian gender quota. Women are generally getting the independent director positions, and the traditional old boys network on corporate boards are replaced by “Golden Skirts” and “Gold Sacks”. The “Golden Skirts” are women making a living of being independent board members. However, competence and not independence has been the main criteria for selecting them. Four clusters of “Golden Skirts” are presented. Significant diversity among them is documented. The remaining multi-board men are dominated by a group that can be classified as the “Gold Sacks”. The quota requirements have increased the attention to the value creating potential of boards.

The law may have been important in Norway, but there are various learning effects that we should consider before recommending similar laws in other countries and for other types of firms. The Norwegian quota law was directed to large publicly tradable firms (incorporated as ASA). We have, however, now seen a major increase in the number of women directors in other large firms not being ASA firms. There are two main reasons for this increase. The first is that many women have become very visible as good board members. There is no shortage of highly qualified women for board positions. Highly qualified women are numerous. They are now getting more experiences and are becoming more visible. The second is the imitating or mimicking processes that take place. It has become a reputation-building initiative to have women on the board. This has been supported by the Norwegian quota law experiences, but may have consequences for firms also in other countries.

It is too early to make any final conclusion about the success of the Norwegian quota law. It was obvious that voluntary actions did succeed in increasing the number of women as board member. When concluding we need to explore societal case effectiveness, the individual case effectiveness and the business case effectiveness. However, we can so far see many positive signs resulting from the law, but the real effects will depend on how the law the coming years are followed up.

We have seen the development of the “Golden Skirts” group. In Norway this group has diverse backgrounds. Similar groups may come in other countries following the quota law example from Norway. However, the group of “Golden Skirts” may not be as diverse other places. That may depend on the respective context as infra-structure, the local history of affirmative action, the welfare system in the actual country, and how well other programmes and voluntary action have been performed.

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Table 1 ASA Multi-Board Memberships 2007, 2008, 2009 and 2010 (sum)

	Women	Men
<b>More than 16 (mean more than 4 on average)</b>	8 women	2 men
<b>13-16 positions</b>	13 women	7 men
<b>9-12 positions</b>	27 women	39 men
<b>5-8 positions</b>	107 women	111 men

Table 2 Gender Change in Multi-Board Memberships

	Multi-board directors 2000	Multi-board directors 2005	Multi-board directors 2010
<b>Women</b>	No women	Some “Golden Skirts”, family and business women	Professional independent (including the “golden skirts”), family, officers and business women
<b>Men</b>	“Old boys network”, consultants, investors, lawyers	“Old boys network”, consultants, investors, lawyers	Women have replaced many multi-board men

Table 3 Different Types of Board Members

	Business directors – having board memberships in addition to other business activities		Professional directors – making a living of board memberships	
	Women	Men	Women	Men
<b>Insider and quasi-insider. Limited replaceable.</b>	Family	Entrepreneurs, friends, business relations, majority shareholders	Family, officers	Officers, consultants, lawyers, investors
<b>Stakeholder related directors. Limited replaceable</b>	Investors, their employees and partners. Employee directors	Investors and their employees. Employee directors	Investors, majority shareholders and their partners and employees	“Gold Sacks”. Business angels, investors and majority shareholders
<b>Independent directors. Replaceable</b>	Entrepreneurs	CEOs, “Old boys network”, experts	“Golden skirts” and those in SMEs	Ex-CEOs, “Old boys network”



Table 4 Who are the “Golden Skirts”?

	Principle- and facts-oriented “Golden skirts”	Pragmatic business-oriented “Golden skirts”
<b>Aspiring golden skirts (Less experience as decision-maker)</b>	“The young, smart and clever – having fact on the fingertips, often having mentors” (around 40 years)	“The ambitious and pragmatic women – using the opportunities given by the law” (50 years +)
<b>Experienced golden skirts (Heavy experience as decision-maker)</b>	“The iron fists being used to fight – experience from top level politics” (50 years +)	“The business experienced - being board members before the gender-balance law” (55 years +)

Table 5 Quota law: Agency and team production theory

<b>CG Codes – Agency theory</b>	<b>Women quota – team production theory</b>
<b>Independence</b>	Competence
<b>Value distribution</b>	Value creation
<b>Shareholder identification</b>	Firm identification
<b>Decision-oriented</b>	Process-oriented
<b>Risk aversion and control</b>	Risk willingness and strategy
<b>Short term</b>	Long term

Figure1. Effects of programmes to increase the number of women on boards – illustration from Norway

