Chairmen's perceptions of female board representation: a study on Nordic listed companies

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ABSTRACT

Purpose – The purpose of this paper is to survey chairmen's perceptions of female board representation in five Nordic countries, focussing on whether the chairman's perception of board work is related to gender diversity, and on differences between high- and low-risk firms.

Design/methodology/approach – The authors combine data from a questionnaire directed to the chairmen of the boards in Nordic listed companies with data on firm characteristics and board composition.

Findings – The authors find that the chairmen (97.5 percent male) are significantly less satisfied with female board members as compared to male ones. The authors also find that firms with nomination committees have more gender diverse boards, as well as indications of a more positively perceived contribution of female representation in high-risk firms.

Research limitations/implications – The study is restricted to perceptions of chairmen for listed Nordic firms. The low response rate of 20.1 percent is a severe limitation.

Practical implications – The increasing practice of using nomination committees in the Nordic countries seems advantageous from gender balance perspective.

Originality/value – The authors contribute to the literature on gender diversity in boards by providing results from a board intern perspective.

Keywords: diversity, board of directors, board effectiveness, gender minority

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1 INTRODUCTION

Gender representation on the boards of listed companies is topical in the media and the academic press. Gender diversity is also an important issue in corporate governance. Empirical studies have looked at the effects of gender diversity on firm performance (Carter et al., 2003; Rose, 2007), or on quantitative measures for board work (Adams and Ferreira, 2009). Theoretical explanations for why women would have an effect on board work are less often tested. Nielsen and Huse (2010b) argue that traditional theories on boards do not provide much insight as to how women would contribute to board effectiveness.

Instead of studying effects of gender diversity on firm performance, or on measures for board work, we study, like Nielsen and Huse (2010a, b), perceptions of board work. However, we study perceptions of the chairman rather than the CEO. In Nordic listed firms, the CEO is increasingly less often part of the board, while the chairman has a leading role regarding how the board works, and may influence board appointments.

We contribute to the literature by underscoring how strong perceptional views of gender differences prevail and may affect the selection of board members. The findings can also be interpreted as evidence related to group effectiveness theories concerning the performance of more heterogeneous teams. We test the relationship between chairmen’s perception of board work and gender representation, also controlling for firm risk. We find that when the number of women on the board goes up, there is an increasing and significant difference between how pleased the chairman (a male in 97.5 percent of the cases) is with the male vs female board members, to the latter’s disadvantage. However, we also find that gender diversity may contribute positively to board work in high-risk firms, and that women better accede to the board when the firm has a nomination committee.

2 THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

In the classical view of corporate control, the board acts as the guardian for the shareholders (Jensen and Meckling, 1976). The board also has an advisory role concerning strategic decisions, is ultimately responsible for the company's activities, and makes the grand external decisions. Attitudes toward and consequences from female board representation can be analyzed in respect to their potential contribution to such board functions from various viewpoints such as the economic, social, and behavioural.

From the economic viewpoint, empirical studies have focussed on how gender diversity contributes to board effectiveness and firm performance (see Carter et al., 2003; Rose, 2007). Adams and Ferreira (2009) found that the initially encountered positive relationship between gender diversity, and firm value and performance, is not robust for the endogeneity of diversity.

Nielsen and Huse (2010b) argue that traditional theories on boards do not provide much insight in how women may contribute to board effectiveness, and instead look into the literature on gender differences (Eagly and Johnson 1990) and group effectiveness (Gladstein 1984) to draw hypotheses on why women might differ from men in board tasks. This literature suggests that the nature of the tasks has an important influence on team composition and effectiveness, so that certain teams (with higher or lower diversity) may be more successful in certain tasks and situations. Thus the mandatory inclusion of women might, from case to case, benefit or hurt board performance. An example of a negative effect from diversity is suggested by Kanter (1977), who emphasized trust. Teams require incentives for cooperation. When direct incentives are hard to construct, trust becomes more important, and may be easier established in homogeneous teams. Thus, when uncertainty is high, firms might rely more on the homogeneity of the managerial team than on formal governance mechanisms as incentive providers. Although higher board diversity may lead to more perspectives, it may also slow down decision making since reaching consensus may be harder (Hambrick et al., 1996; Rose, 2007), and coordination may be more difficult and costly (Ancona and Caldwell, 1992). Furthermore, even though board diversity might bring new perspectives into board work, a performance effect may not materialize if the unconventional members are marginalized (Nielsen and Huse, 2010a) or socialized, that is, are unconsciously adopting the ideas of the majority.

Empirical work on the effect of gender in corporate boards has produced interesting results that may be caused by gender related differences in social and behavioural characteristics. For instance, gender-diverse boards are more severe monitors (Adams and Ferreira, 2009), and have higher board attendance rates (Adams and Ferreira, 2009). However, most of these studies look at the relationship between external outcomes and gender representation, and may suffer from problems due to omitted factors such as the overall level of corporate governance.

Board committees represent an important forum for the exercise of power. Bilimoria and Pinderit (1994) reported that women are less likely to be nominated to the compensation, executive, and finance committees, but more likely to the public affairs committees. Huse (2012) found that board processes matter. Membership in the nomination committee may be of special importance. Stern and Westphal (2010) report that directors engaged in higher levels of ingratiation toward another director were more likely to receive a board position in a firm where that other director served on the nominating committee.

Instead of studying the effects of gender diversity on firm performance (where controlling for other effects is a challenge), or on quantitative board work variables (which may not measure quality), one alternative is to study perceptions on board work and contrast them to gender representation. Since studying perceptions, the answers will naturally reflect the respondent's general attitude toward gender differences. From the perspective of group dynamic theories, such a study will generate information on how groups with varying gender diversity are perceived to operate.

Nielsen and Huse (2010b) is one of the few studies looking at gender representation vs opinions of board work. They studied whether gender diversity improves board work in strategic control, board development activities, open debate, and reduced conflict. They found a positive correlation between female representation and board strategic control.

We study chairman rather than CEO responses, since in listed Nordic firms the CEO is increasingly seldom a member of the board. In studying chairman responses, we provide evidence from inside the board. Through the setting of the agenda for board meetings, and in influencing board discussions, the chairman of the board regulates how the board functions. In the Nordic corporate governance model, where an external nomination committee representing large owners is in wide use (especially in Norway, Sweden, and Finland), the chairman also has some influence in the selection of new board members. Several researchers (Atewologun and Doldor, 2013; Nielsen and Huse, 2010b; Terjesen et al., 2009) call for studies of stakeholders accountable for women's leadership experiences such as male leaders, board members, and the chairman. Our study reports results from one such perspective.

In line with Nielsen and Huse (2010b), and Bilimoria and Wheeler (2000), we expect that women on boards are particularly valued for their ability to ask questions more freely, to provide strategic input and generate more productive strategic discourse. Compared to operational control tasks, strategic decisions are more complex and creative, and may benefit from a broader range of perspectives. A woman's more hands-on management style (Pearce and Zahra, 1992) and higher sensitivity (Bradshaw and Wicks, 2000) may result in a more multi-faceted discussion of alternatives, and consequently, to better decision making on strategic issues. On the other hand, these same characteristics may hamper the short term, operational decision making, where the speed of the actions is often of utmost importance (Rose, 2007):

> *H1. The chairman's perception of the effectiveness of the board's work on long-term (short-term) strategic development is positively (negatively) related to gender diversity.*

The impact of gender diversity on board work in general is somewhat ambiguous. Based on prior studies on higher female expectations concerning board work, and more extensive preparation, Nielsen and Huse (2010b) argue that female board members may contribute to the enhancement of board work through various development activities. They also obtain empirical support for this prediction. However, since women on boards are typically less experienced with board work and operational tasks, a different prediction is also possible: gender representation may also hamper the efficiency of the board. Kanter (1977) suggests that homogeneous groups may perform better when uncertainty is high. Several studies report that heterogeneity/diversity is negatively related to aspects such as the firm's long-term performance, or group performance (Ayoko and Konrad, 2012). Other studies find a lower number of women in riskier firms (Adams and Ferreira, 2004; Hillman and Cannella, 2007). Francoeur et al. (2008) study gender effects on financial performance, and find that the return on equity is significantly higher in low-risk firms when female board representation is high, but not so in medium- and high-risk firms:

> *H2. The chairman's perception of the effectiveness of board work in high-risk firms is negatively related to gender diversity.*

When interpreting our results, one must remember that we are studying perceptions of effectiveness, not actual problem solving. These may be different. Phillips et al. (2008) report from a study of group decision making that when new members were socially similar to existing members, the subjective satisfaction was high but actual problem-solving results were not. In fact, the more heterogeneous group was much better at accomplishing the problem-solving task.

3 DATA AND METHODOLOGY

3.1 The sample

The study was performed as a questionnaire study. In November 2007, a questionnaire was sent out to the chairmen of all companies listed on the OMX Nordic Stock Exchange, and in May 2008, to the chairmen of firms on the Oslo Stock Exchange. The total number of companies was 780. The response rate to board questions was 20.1 percent. The low response rate can be considered as a severe limitation.

3.2 Financial and other data

The survey data is combined with financial and ownership data for the firm, and its board. The financial, ownership, and board data come from the Amadeus database, complemented by data from Datastream and corporate annual reports. We focus on the board members elected by the annual general meeting. However, robustness tests revel that results were rather alike when including the employee representatives.

Table 1 reports on the gender composition in our final sample, covering 157 firms with a total of 925 board members, of which 174 (18.8 percent) are female. Only 17 firms (10.8 percent) have more than two female members on the board.

Table 1 Female board members and board size

Board members	No female on the board	1 female on the board	2 females on the board	>2 females on the board	Number of companies
3	7	0	1	0	8
4	12	5	3	0	20
5	17	9	14	1	41
6	11	18	3	4	36
7	4	8	10	5	27
8 or more	2	11	5	7	25
Total	53	51	36	17	157

3.3 The survey responses

We presented five and ten questions to the chairmen concerning how pleased they are with aspects of the composition of the board (such as its female representatives), and with board work (in ten different areas), respectively. The chairmen were asked to grade their views on the quality of the board work on a Likert-type scale ranging from 1 (very poor) to 5 (very good). Our ten questions about board work have no reference to gender. The link between the chairman's responses, and the gender balance in the board, is made by us, linking survey responses to data on board composition collected through public sources.

First, we asked the chairmen to grade board work in general, the efficiency of its decision making in general, and when discussing short- and long-term development, respectively. Next two questions dealt with how actively the board discusses the company's business strategy, and reviews the company's business plan, strategy, objective, and budget. Next we asked if the board has clear financial (quantitative) and non-financial (qualitative) objectives. Finally, we asked about the efficiency of board work, and how functional the boundary between owners, the board, and management is. In Table 2, we report average responses per subgroups of questions.

Table 2 The chairmen's average gradings of board work

	Averages (SE) for subgroup responses (%)			
% female board members	0	>0 but $\leqslant 20$	>20 but <40	$\geqslant 40$
Panel A: questions concerning board composition. Does the board have …				
A broad composition/sector competence/adequate knowledge of current financial issues/ sufficient network of contacts	4.12 (0.74)	4.22 (0.74)	4.12 (0.72)	4.08 (0.72)
Sufficient representation by gender	3.10 (1.30)	3.18 (1.17)	3.87 (1.17)	4.40 (0.83)
Min. and max. number of observations	51 to 53	55	34	15
Panel B: questions concerning board work. Please evaluate …				
The board's work in general/ decision making/discussion on short-term/long-term development	4.13 (0.76)	4.30 (0.68)	4.07 (0.60)	3.93 (0.76)
If the board actively discusses business strategy/reviews business plan, strategy, objective, budget	4.23 (0.72)	4.28 (0.72)	4.34 (0.75)	3.93 (0.74)
If the board has clear financial/ quantitative objectives	3.84 (0.83)	4.11 (0.75)	3.87 (0.80)	3.80 (0.81)
If board work is carried out efficiently/how functional the boundary between owners, the board, and the management is	4.15 (0.78)	4.28 (0.77)	3.88 (0.70)	3.93 (0.78)
Min. and max. number of observations	50-53	55	32-34	15

3.4 Methodology of the study

Our dependent variables are the chairmen's responses from the survey, that is, their perceptions of board work on a scale from 1 to 5. We estimate ordered probit models to test our hypotheses. To test whether boards with more females are perceived to function better or worse, we include, as an explanatory variable, the percent of female members in the board. For H1, our primary focus is on the coefficients for short-term and long-term (strategic) decision making. H2 is tested by adding an interaction variable: the gender proportion is interacted with a risk variable (stock volatility).

Board characteristics. Our key test variable is Female_members, defined as female members elected by the annual general meeting, as a percentage of the elected board. Other board characteristics included are Foreign_members and Dependent_members, also defined as the percentages of such members out of the total board. Since board size may matter, we include the logarithm of the number of board members (Board_size). As older and more experienced chairmen may feel that they manage the board to greater cooperation, we include Chairman age and Chairman_tenure, measured as the chairman's physical age, and the number of years he has been a chairman.

Firm characteristics. As firm controls, we include variables for firm size, profitability, ownership structure, and sector. Firm size is proxied by Ln_turnover, the logarithm of turnover for the previous accounting year. Our profit variable is ROA, the return on total assets from the previous full accounting year. Since ownership is often highly concentrated in the Nordic countries, and may influence the work of the board through the demands of some very large owners, we include Own_5_largest, a variable measuring the percent of equity owned by the five largest shareholders. Risk is measured as the daily-annualized stock price volatility for the firm's stock, and is estimated from the returns for the 12 months prior to the study. We also include Sector, a dummy for firms in the categories of “Industrials,” “Materials,” “Energy,” and “Consumer staples” according to the categorizations of the NASDAQ OMX Stock Exchange and the Oslo Stock Exchange.

Our ordered probit models with robust standard errors are of the following form:

$$\mathit{Chairman's\ opinion\ of\ board\ work} = \lambda_0 + \lambda_1(\mathit{BoardChar})_{\mathrm{i}} + \lambda_2(\mathit{FirmChar})_{\mathrm{i}} + \varepsilon_i \quad (1)$$

where BoardChar is a vector of board characteristics (Female_members; Foreign_members; Dependent_members; Board_size; Chairman_age; Chairman_tenure), and FirmChar is a vector of firm characteristics (Ln_turnover; ROA; Sector; Own_5_largest; and, later, Risk).

4 RESULTS

4.1 Results concerning board work

Our first questions for the chairman dealt with board composition, including his satisfaction with male and female board members. Descriptive statistics for the responses are reported in Table 3. The table shows that male board members systematically receive a higher grade, and the gender difference is statistically significant at the 1 percent level, both when comparing the averages, assuming different group standard errors, as well as in a pair wise t-test, comparing responses given by the same chairmen on the two questions.

Table 3 Chairmen's average perceptions of board members by gender

Survey question, observations, and *t*-values	No female on the board	1 female on the board	2 females on the board	> 2 females on the board	Total sample
		Averages (SE) for subgroup responses			
Grading of female members	n/a	4.02 (0.92)	3.89 (0.82)	3.94 (0.93)	3.94 (0.89)
Observations		42	36	16	94
Grading of male members	4.13 (0.67)	4.30(0.63)	4.22 (0.59)	4.29 (0.59)	4.22 (0.63)
Observations	48	46	36	17	147
Difference in means		0.28	0.33	0.36	0.29
t-test		1.65*	1.98**	1.31	2.72**
Pairwise *t*-test (male vs female gradings by same chairman)					3.79**
Observations					93

Notes: *,**,***Significance at the 10, 5 and 1 percent levels, two-tailed tests

Interestingly, the grade for male board members increases when women enter the board, but goes down for female board members when more than one woman enters.

Most of the differences between gender subgroups are significant, except for one case with a low number of observations. The result that the difference between the grades for gender groups increases with increased board diversity goes against the results of Elstad and Ladegard (2010). They tested hypotheses concerning effects of tokenism, and found support for reduced effects with increased gender diversity on boards.

Next, we analyze responses concerning board work. Even though women receive lower marks when directly compared to men, they might, nonetheless, contribute favourably to board work, generally or in certain areas. Table III reports average grades for subgroups of questions concerning board composition and work, grouped both according to gender diversity, as well as across groups of questions. Panel A shows that when gender diversity increases, the board composition variables are fairly constant except, naturally, for “sufficient representation of gender.” For the more specific board work averages in panel B, there seems to be a slight (but insignificant) inversed U-shape pattern, with scores mostly increasing, but eventually decreasing, with increased gender diversity.

In Table 4, we report descriptive statistics on nomination committees, their diversity, and relationship to board diversity. The data indicate that when a company has a nomination committee, it is more likely that the company’s board will have at least one female board member. Of the 91 companies with a nomination committee, all but ten had at least one female board member. Of the ten without female board membership, all but one had no female member on their nomination committee. Though the sample is very small, the data indicate that companies with at least one female member on their nomination committee are very likely to have at least one female board member. Of the 66 companies without nomination committees (or companies for which no nomination committee could be identified), 43 companies did not have female board members[1].

Table 4 Gender diversity and nomination committee characteristics

Number of female members in the nomination committee (NC)	Number of firms	Average % female NC members	Firms with female board members	Average % female board members	Average chairman’s grading of the NC
No NC	66	n/a	23	10.21	n/a
NC, no female	63	0	54	22.92	3.76
NC, one female	23	26.59	23	24.52	3.76
NC, two female	5	51.33	4	33.71	3.50
No. of firms	157		104		

Table 5 reports results from ordered robust probit estimations in line with Model 1, but excluding Risk. Our variable of interest is Female_members. The variable has a negative sign, with one exception. It is significant in one case only, indicating that the chairman’s perception of board work is significantly reduced with increased female representation, concerning the functional boundary between owners, the board, and management. In robustness checks, including employee representatives, female board representation was also significantly negative for “Board work in general” and “Discussion of short-term development,” lending some albeit weak support for our H1.

Table 5 Determinants of chairman's opinion of the board

Dependent/explanatory variables	Board work in general	Decision making	Discussion of short-term development	Long-term development	Business strategy
Female_members	−0.9260 (−1.55)	−0.9417 (−1.44)	−0.8598 (−1.22)	−0.2643 (−0.42)	−0.1425 (−0.24)
Foreign_members	0.0056 (0.01)	−0.4012 (−0.90)	−0.6285 (−1.18)	0.2735 (0.60)	0.1423 (0.27)
Dependent_members	−0.7582 (−1.12)	−0.1055 (−0.15)	0.0695 (0.10)	0.9131 (1.52)	0.3541 (0.52)
Board_size	0.2964 (0.71)	0.3905 (0.82)	−0.0739 (−1.82)	0.1810 (0.44)	−0.3208 (−0.74)
Chairman tenure	0.0763 (2.84)	0.0527 (2.01)	0.0384 (1.46)	0.0219 (1.00)	0.0470 (1.90)
Chairman age	−0.0119 (−0.82)	−0.0137 (−0.91)	0.0221 (1.52)	0.0105 (0.70)	0.0325 (2.16)
Own_5_largest	0.0037 (0.81)	−0.0020 (−0.42)	0.0025 (0.53)	−0.0035 (−0.79)	−0.0070 (−1.62)
Ln_turnover	0.1789 (3.60)	0.2140 (4.15)	0.1227 (2.25)	0.0763 (1.62)	0.0841 (1.85)
ROA	−0.0023 (−0.40)	0.0017 (0.29)	−0.0006 (−0.11)	−0.0031 (−0.55)	−0.0065 (−0.99)
Sector dummy	Included	Included	Included	Included	Included
Wald w^2	24.06	27.31	23.57	10.87	18.62
Pseudo R^2	0.0831	0.1002	0.0722	0.0324	0.0616
Observations	136	136	136	134	136

Dependent/ explanatory variable	Review of business plan, strategy, objective, budget	Clear financial objectives	Clear non-financial objectives	Board work efficient	Functional boundary between owners, board, management
Female_members	−0.1158 (−0.18)	−0.4825 (−0.79)	0.3159 (0.55)	−0.9396 (−1.33)	−1.3563 (−2.49)
Foreign_members	−0.2917 (−0.56)	−1.0295 (−1.71)	−0.3482 (−0.75)	0.5234 (1.00)	−0.0209 (−0.04)
Dependent_members	0.4021 (0.61)	−0.6671 (−1.00)	0.0007 (0.00)	−0.2632 (−0.46)	0.7196 (1.16)
Board_size	−0.0826 (−0.18)	−0.2131 (−0.52)	0.1399 (0.34)	0.0473 (0.11)	0.1236 (0.31)
Chairman tenure	0.0450 (1.84)	0.0336 (1.48)	0.0060 (0.28)	0.0544 (2.23)	0.0526 (1.73)
Chairman age	0.0189 (1.32)	0.0121 (0.90)	−0.0100 (−0.69)	−0.0072 (−0.46)	−0.0208 (−1.85)
Own_5_largest	−0.0131 (−2.88)	−0.0063 (−1.48)	0.0034 (0.83)	−0.0002 (−0.04)	−0.0018 (−0.40)
Ln_turnover	0.1719 (3.27)	0.1831 (3.30)	0.0828 (1.89)	0.0861 (1.60)	0.1262 (2.35)
ROA	−0.0141 (−2.11)	−0.0016 (−0.23)	−0.0178 (−2.81)	0.0060 (0.99)	−0.0020 (−0.31)
Sector dummy	Included	Included	Included	Included	Included
Wald w^2	27.83	25.25	12.72	10.50	22.68
Pseudo R^2	0.0951	0.0692	0.0320	0.0439	0.0551
Observations	136	136	135	133	136

Notes: Coefficient estimates and z-scores, in parentheses; variables significant at the 10 percent level italicized

The results also show that more tenured chairmen tend to have a more positive perception of board work (significant in six cases), while chairman age is ambiguous. The always positive and mostly significant Ln_turnover indicates that board work is perceived as more positive in larger firms, perhaps reflecting better opportunities to attract qualified board members. Own_5_largest is always negative and once significant, perhaps reflecting conflicts of interest between boards and dominant owners.

Next, we tested for whether the benefits from gender diversity are different in high- vs low-risk firms. We re-estimate Model 1 adding Risk, and also the interaction variable Risk_40_Female, defined as Female_members times Risk_40, a dummy variable taking the value of one if firm risk is above 40 percent (a value somewhat above the average volatility of 34.3 percent). Risk_40_Female allows for changes in the slope for Female_members in high-risk firms. The results are in line with our previous findings in that the sign for the explanatory variable Female_members is negative except for one case. We find a significant negative coefficient for Female_members in five, that is, in half of our models, including the model for discussion on short-term development. Risk seems to have a negative influence on board work: it receives a negative coefficient in nine out of ten models, and is significant in two. However, we do not find support for the expectation that more homogeneous boards would work better when risk is high. Risk_40_Female is positive in all but one case, and significantly so in three cases: for "Board work in general," "Decision making," and for "Board work efficiency." These results, instead, indicate that gender diversity would contribute positively when risk is high.

4.2 Discussion of results

Our hypotheses one suggested that gender diversity could, through specific female characteristics (Nielsen and Huse, 2010b; Bilimoria and Wheeler, 2000; Pearce and Zahra, 1992; Bradshaw and Wicks, 2000), contribute positively to the discussion of long-term strategic development, but might hamper the discussion of short-term operational development (Rose, 2007). We found no evidence of perceived positive influences from increased female representation, nor significant negative effects for short-term strategy when using the board definition of members elected by the annual general meeting. Our hypothesis one has, therefore, not obtained general support. Only when including employee representatives in robustness tests, the perception of female board representation is negative and significant for short-term development. A more detailed analysis of how boardroom discussions proceed when issues of strategy are being discussed would help in studying whether female representation affects strategy work.

However, as competitor-sensitive matters are at stake, the possibilities of conducting such studies are limited. Another approach is to study outcomes concerning strategy, but the controlling for other environmental factors in such studies is a challenge.

We also studied the effect of a nomination committee on gender balance in the board. We found a link between the existence of a nomination committee, and a better gender balance, that is, a higher likelihood of the firm having at least one female board member. This supports Huse (2012), who found that board processes matter. It seems like investors, who influence the choice of board members through the external nomination committee, are valuing female representation. The effect is present already in firms with purely male nomination committees, but female representation in the nomination committee is correlated with a stronger gender balance in boards.

Our hypothesis two suggested that gender diversity might contribute more negatively when risk is high, since homogeneous groups might work better under pressure. We instead found signs of a positive effect from female representation in high-risk firms. This goes against the results of Adams and Ferreira (2004) and Hillman and Cannella (2007), who find that high-risk firms employ fewer women, but are in line with Phillips et al. (2008), who report that more heterogeneous groups are better in problem-solving tasks. Naturally, these findings need not be contradictory: women may be more risk averse (or perceived as such) and thus less often accept (or are considered for) riskier positions, but at the same time may positively contribute to problem solving under risk.

5 SUMMARY, LIMITATIONS, AND FUTURE RESEARCH

Most studies of gender diversity vs board work rely on external data concerning company performance or the workloads of the board. Perspectives from within the board have been called for by many researchers. We respond to this by reporting on perceptions of board work by the chairman of the board. The chairman typically interacts with the nomination committee and may influence the selection of board members. It is thus of value to analyze if the chairman's opinions are related to gender diversity in the board.

This study is based on survey data for 157 chairmen (97.5 percent male) in five Nordic countries. The chairmen answered questions mainly concerning overall board performance, without reference to gender, while the link between their responses and the gender diversity on the board was made by us, linking survey responses to external data on board composition. Controlling for a number of factors, we examine how the chairman's grading of different aspects of board work is related to gender diversity. We find a significant difference between the chairman's opinion of male and female board members, in favor of men. The difference increases with increasing gender representation. The proportion of women to men relates to the chairman's perceptions of board work with a persistently negative coefficient. When firm risk is accounted for, we find signs of a positive effect from gender diversity in high-risk firms.

Our study is limited to studying the perceptions of the Chairman of the Board, and does not touch the actual performance of the firm. However, chairman perceptions are important in the sense that the chairman typically is influential concerning board composition. Our study is also restricted to Nordic countries, where a special governance model is popular. Its characteristic is that chairman-CEO duality is typically avoided. Also the use of board external nomination committees is a popular feature in the Nordic countries. A further sever limitation of our study is the low response rate of about 20 percent (157 responses out of 780 companies).

Our results bring to light a question calling for future work: why do chairmen believe that the board is performing worse when gender diversity is high? The range of possible explanations is wide. On the one hand, the reason might be innocuous, for example, female board members might simply be less qualified. Women do not have the same operational and leadership experience in the Nordic countries. For example, historically, the Swedish private sector is largely male-dominated, with approximately

90 percent of management teams being male. Consequently, it might be that women add less value to board work, because the skill pool is less deep for women. Another innocuous possibility might be that men have difficulties understanding how to take advantage of the knowledge possessed by female board members (females may be marginalized, Kanter, 1977, i.e., be perceived as unequal board members, Nielsen and Huse, 2010a). In either of the scenarios, the lesser value of women on boards is a matter of historical circumstance, which will evanesce as more women join the workforce.

On the other hand, and at the other extreme, the negative perception might be less innocuous, and typical of any dominant population admitting a previously excluded population into a once-exclusive space – a result that will, nonetheless, also evanesce with time and exposure. The results of the study indicate the need for more research, not only on the factual outcomes of gender diversity on firm performance, but also, on the superficial, largely inherited, dynamics that may influence perception and, thereby, communication between genders, as only a clear understanding of the cause will permit companies to mitigate consequences while maximizing profits.

A practical implication from our study is that besides quotas, the use of external nomination committees seems to be a highly effective way to promote gender representation in corporate boards.

Note

1. Conversely, of boards without women on board (53), 43 (81 percent) were in firms without a nomination committee, and of the ten with such a one, only one had female representation. There is thus a very high correlation between the lack of women in boards, and either the lack of a nomination committee, or the lack of female representation in the nomination committee.

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