



Reporting requirements, targets, and quotas for women in leadership

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ABSTRACT

Reporting requirements, targets, and quotas have been implemented in several countries to increase female representation in leadership. In three studies, we analyze the effectiveness of these strategies from a goal-setting perspective. Study 1 evaluates the relationship between reporting requirements and female representation on boards of directors with data from Fortune 500 companies from 1996 to 2015. Study 2 analyzes the association of reporting requirements, targets, and quotas with the representation of women on boards of directors of public companies across 91 countries. Study 3 evaluates the impact of targets and quotas for women in parliaments across 190 nations. The board diversity reporting directive introduced in the US was followed by an acceleration in the increase of female representation on boards of directors of Fortune 500 companies. Higher goals for women on boards of directors were related to higher female representation. Similarly, higher gender goals and strong enforcement mechanisms in parliaments were related to higher female representation.

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Introduction

Female participation in the labor force has consistently increased in the last sixty years worldwide (Charles, 2011; International Labour Office, 2012). Most countries have also closed the gap between men and women in health outcomes and educational attainment (World Economic Forum, 2014). Women's educational attainment has even surpassed that of men in many industrial nations (Smith, 2014; Stevenson & Wolfers, 2009). Over the last four decades, women have considerably increased their human capital (Dawson, Kersley, & Natella, 2014), and gender desegregation has occurred in several higher education programs, particularly in business, law, and medicine (Charles, 2011). Women's accumulation of human capital is one of the leading reasons behind women's larger workforce participation and for the reduction of the gender wage gap (International Labour Office, 2012).

However, the gap between men and women in the occupation of managerial roles and political empowerment remains wide (World Economic Forum, 2014). The evidence indicates that women rarely get appointed or elected into top leadership positions (European Commission, 2012; McCann, 2013). By the end of 2014, on average across the world, only 10% of seats on boards of directors of public companies (BoardEx, 2015) and 20% of seats in parliaments (Inter-Parliamentary Union, 2015) were occupied by women.

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Tackling the issue: equal opportunity, supply-side, and demand-side strategies

Governments and organizations have taken many actions to reduce the gap between the proportions of men and women in senior leadership roles (Klettner, Clarke, & Boersma, 2014; Meier & Lombardo, 2013). These actions include equal opportunity strategies, opportunity enhancing strategies, reporting requirements, setting gender targets, and introducing quotas.

Equal opportunity strategies were among the first actions taken to increase the representation of women in male-dominated occupations. These practices have been enforced through legislation that forbids discrimination against women and other demographic groups (Harrison, Kravitz, Mayer, Leslie, & Lev-Arey, 2006). These regulations have been in place in most industrialized nations for decades now (Jain, Sloane, Horwitz, Taggar, & Weiner, 2003). While equal opportunity legislation might have helped to increase the representation of women in different occupational sectors (International Bank for Reconstruction and Development/The World Bank, 2013; van der Meulen Rodgers, 1999), they have not yet successfully closed the gap between men and women in leadership attainment.

In terms of political participation, legislation granting women the right to vote and stand as candidates for government bodies has been in place in most of the industrialized world since the first quarter of the 20th century (Terjesen, Aguilera, & Lorenz, 2015). However, these legislative efforts to allow female political participation have failed to close the gender gap in political leadership. The continuing low representation of women in leadership roles has driven the development of more contemporary and active approaches.

Supply-side or *opportunity enhancement* strategies have been adopted in many countries to supplement equal opportunity efforts (Harrison et al., 2006). These strategies, including mentoring, targeted development, and networking, were developed in order to increase the supply of women who are qualified or job-ready for senior leadership roles (Bobocel, Son Hing, Davey, Stanley, & Zanna, 1998; Gilbert & Stead, 1999). An increase in the supply of qualified female candidates was expected to lead to a more equal gender representation in leadership in organizations and government bodies (Hunt et al., 2009; McDonald & Westphal, 2013).

However, the failure of supply-side strategies to produce acceptable growth in the proportion of women in senior leadership roles has resulted in recommendations and, in some countries, the adoption of *demand-side* strategies (Pande & Ford, 2011). These strategies create a demand for female senior leaders to fill nominated roles. Demand-side strategies can be broadly grouped into three categories:

- (1) *Reporting requirements* entail disclosing the gender breakdown of senior leadership roles in annual public reports of organizations (e.g., state owned companies, publicly listed companies, and political parties). In some cases, organizations are also required to indicate the strategies in place to increase female representation in leadership.
- (2) *Targets* set goals for the expected percentage/number of women to either occupy or be nominated for leadership positions, but with minimal or no enforcement mechanisms or sanctions for failure to achieve the goal (Whelan & Wood, 2012).
- (3) *Quotas* are government or industry mandated percentages of representation or numbers of each gender in leadership positions paired with clear enforcement mechanisms (e.g., close monitoring and application of financial or operational penalties on businesses or political parties for noncompliance with the quota).

Demand-side strategies in the context of goal-setting research

Reporting requirements, targets, and quotas all focus attention and accountability on outcomes, which in this case are the percentages of women in leadership roles. Targets and quotas are forms of goal setting because they define a standard of expected achievement on a specific criterion. Reporting requirements are a form of feedback because they provide information on achievement against specified criteria. Laboratory and field studies about academic achievement, sport competition, health behavior, and work performance have shown that providing individuals with feedback on their problem-solving approaches helps them to focus their attention on key aspects of the tasks and to develop strategies to improve their performance (Ashford & De Stobbeleir, 2013). While reporting requirements do not specify a standard to be attained, the feedback around specific criteria and social comparisons of outcomes can motivate self-set goals and the desire to improve (Ashford & De Stobbeleir, 2013; Locke & Latham, 2013). Reporting requirements may also provide feedback on the effectiveness of supply-side strategies organizations might have implemented.

In many countries, reporting requirements for gender diversity have been introduced in order to incentivize organizations to increase female participation and representation (Quota Project, 2015; World Economic Forum, 2014). *Hypothesis 1* is that having reporting requirements (versus not having reporting requirements) will lead to higher female representation in leadership roles.

Goals that define specific standards against which individuals can compare their performance have been shown to have consistent, positive effects on performance and the achievement of relevant outcomes (Locke & Latham, 2002). Meta-analytic research has shown that setting specific, attainable, and challenging goals motivates the development of strategies that, in turn, lead to improvements in the targeted outcomes (Wood, Whelan, Sojo, & Wong, 2013).

Goal challenge is a key aspect of this process. More ambitious goals are associated with greater efforts to generate new strategies to meet the goal and the achievement of better outcomes (Wood et al., 2013). *Hypothesis 2* is that countries that set goals for higher percentages of women in leadership using targets or quotas will achieve higher female representation than countries only applying reporting requirements or countries without demand-side strategies in place (Schwindt-Bayer, 2009).

The capacity of goals to produce improvements on the specified criteria depends upon an individual's acceptance of the goal and commitment to trying to achieve it (Locke & Latham, 2013). The consequences of achieving or not achieving a goal can

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