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Resistance to Change in the Corporate Elite: Female Directors' Appointments onto Nordic Boards

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Abstract In this empirical study, we investigate the variation in firms' response to institutional pressure for gender-balanced boards, focusing specifically on the preservation of prevailing practices of director selection and its impact on the representation of women on the board of directors. Using 8 years of data from publicly listed Nordic corporations, we show societal pressure to be one of the determinants of female directorship. Moreover, in some corporations, the director selection process may work to maintain "a traditional type of board". In such boards, demographic diversity among male members appears to be associated with a lower share of female directors, although we cannot establish wether this reflects discrimination or a desire to maintain critical competencies. With this paper we add to the theoretical understanding of the factors underlying female board appointments by adopting an institutional theory lens to study female board representation. Viewing the demands for gender-balanced boards in terms of societal pressure for the de-institutionalization of the prevailing norms and practices, we highlight preferences for maintaining established practices as a potentially important barrier to institutional change. On these grounds, we conjecture on the relationship between the gender diversity of boards and other diversity dimensions. We suggest that a board room gender quota (if implemented) is supplemented by policies to ensure the transparency of board changes, in order to prevent the crowding out of other diversity dimensions.

Keywords Board of directors · Gender diversity · Gender quota · Board diversity · Corporate elite

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Introduction

The gender composition of company boards has become a hot topic in business and politics (see for example the Economist, March 11th, 2010). Board members around the world are still mostly male, and the fraction of women among them has increased only slowly. This has led to calls for political intervention, and several countries—with Norway as the prime example—have introduced mandatory gender quotas. In this paper, we adopt the institutional theory lens to study the representation of women on the board of directors with the aim to highlight new explanations for why female board recruitment in the absence of quota law has been so slow, even in the Nordic economies that like to see themselves as being at the forefront of gender equality.

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There are two partly competing, partly complementary explanations for the slow increase in female board recruitment. One is that that there are not enough qualified female candidates; for example, there are not many female CEOs or former CEOs to choose among. The other—which we will develop in this paper—is that boards may actually want to resist the societal pressure for greater gender diversity as this implies a likely change in the current, institutionalized practices of selecting directors. Boards may value continuity and the retention of board member competencies for efficiency reasons. However, it is also possible that the recruitment of directors is influenced by the incumbents' preferences for demographically similar individuals who are associated with known social circles and director networks. Some would argue that these preferences and associated recruitment practices have become institutionalized through the years, putting the control of the largest corporations into the hands of a small elite of demographically similar individuals, i.e., the old elite,[1] who share similar perceptions, views, and behavior patterns (e.g., Useem and Karabel 1986; Westphal and Stern 2006). Political parties, labor unions, grass roots organizations, and some institutional investors have started to campaign for greater gender equality in boardroom recruitment, arguing that the underrepresentation of women is at odds with the share of women in the labor force.[2] Consequently, companies across most of the (developed) world have been under an increasing pressure to change their current ways of selecting directors and increase the presence of women in the boardroom.

The early contributions in the field of organizational institutionalism[3] envisage that societal demand, such as the pressure for gender diversity, will ultimately shape the structures and practices of organizations (e.g., DiMaggio and Powell 1983; Meyer and Rowan 1977). However, subsequent research has highlighted that organizations[4] are also able to respond strategically to societal pressure, and may choose to avoid or actively resist institutional expectations (Scott 2013). Our paper follows this line of research, building primarily on the response framework proposed by Oliver (1991) and its later theoretical advancements (e.g., Greenwood and Hinings 1996; Pache and Santos 2010; Oliver 1992). Oliver's theoretical frame is useful because it offers a broad basis for deriving the context-specific and organizational-specific factors that shape organizational responses. It also allows us to account for resource-dependence and sociocultural antecedents of director selection, both of which have been found relevant for understanding boards' structures (e.g., Withers et al. 2012). Moreover, this framework can be broadened to account for the influence of the internal actors, i.e., owners, current directors (also referred to as the incumbents). In fact, when external pressure rather than the organizations themselves is the key precipitator of an institutional change, this change will very likely be restrained by organizational inertia that in part derives from the incumbents' preference for maintaining the status quo (Oliver 1992). Consequently, a consideration of these factors can improve the theoretical understanding of the differences in firms' responses to the external pressure for institutional change (Greenwood et al. 2011; Pache and Santos 2010).

Following Oliver (1991) and a number of empirical verifications of this framework, we first hypothesize that the representation of women in a firm's boardroom will be shaped by the firm's visibility and exposure to societal criticism, institutional investors' share of ownership of the firm, the female representation among the firm's industry peers, and industry-specific and country-specific characteristics. We next expand this framework by combining Oliver (1992), the later theoretical contributions introducing the intra-organizational dynamics to explain firms' responses (e.g., Greenwood and Hinings 1996; Greenwood et al. 2011; Pache and Santos 2010), and the scholarly research on the minority influence in groups (e.g., Kanter 1977). On these grounds, we conjecture on the conditions under which the incumbents will be able and motivated to resist female appointments to the board of directors.

Specifically, we start with the assumption that, in organizations with status quo commitment, i.e., all actors committed to the prevailing institutionalized practices, and in those with competitive commitments, i.e., the presence of both the actors associated with the prevailing practices and those that support the new ones, but prevalent support for existing practices (Greenwood and Hinings 1996), the incumbents will tend to resist the appointment of women to the board. Following Greenwood et al. (2011), we identify such firms based on the prevailing share of traditional directors, i.e., prototypical members of the so-called "old elite," currently on the board. We next expect that—in these firms—the incumbents' attitude toward female directors will be conditioned by their perception of how

[1] The terms old elite or traditional directors are used in this paper to label those directors who—in terms of age, nationality and gender—used to constitute the majority of the directors' elite. The terms current or traditional practices are used to label the recruitment norms, criteria, and channels that are still widely used and generally associated with the traditional corporate elite.

[2] Women currently represent around 40 % of the world's labor force (World Bank 2015, http://data.worldbank.org). However, in 2013, just 17.6 % of board seats in the largest publicly listed companies in the EU member states were held by women (European Parliament, News 18 November 2013).

[3] Organizational institutionalism refers to the stream of studies applying the institutional lens to analyze why organizations behave as they do, and with what consequences (Greenwood et al. 2008, p. 1).

[4] The terms organization, corporation, firm, and company are used interchangeably in this paper.

women will de facto affect the boardroom and, in turn, challenge the maintenance of existing recruitment practices and other boardroom norms. We postulate that such disruption will be perceived as more likely when the status quo is already challenged, namely when some, although a minority share, of the directors do not resemble the traditional board elite. This proposition draws from scholarly research on the minority influence in groups, which postulates cooperative behavior between minority groups, and views their power to challenge the dominant coalition as dependent on their share of the group (e.g., Kanter 1977).

These arguments therefore lead us to suggest a negative relationship between the share of other demographic minorities and the share of female directors on board. On the other hand, a positive relationship is expected for companies whose boards consist mostly of members that are demographically dissimilar to traditional directors and, therefore, likely to be more sympathetic to accepting new non-traditional types of directors, such as women. We test our hypotheses using a sample of Nordic non-financial firms during 2001–2008. Nordic countries represent an attractive research setting for this analysis given the increasing pressure for gender-balanced boards observed in these countries over the last decade. The significant share of competent women in these countries' labor forces, and the high overall gender equality, should also limit—although not resolve—the concern that the variation in female board appointments captures differences in firms' access to qualified female candidates rather than differences in firms' willingness to comply with societal expectations (which is what we are studying in this paper).

Our study contributes primarily to the literature on the gender diversity of boards, advancing the current theoretical understanding of the factors affecting female board representation. Previous scientific insights (for an overview see Terjesen et al. 2009) inform us about how female board representation is associated with country, industry, and selected firm-level characteristics. None of these studies, however, adopts an institutional lens to study female board representation, as they do not investigate the organizational choices in periods in which explicit external pressure for gender diversity is directed toward them, as in our study. By adopting the institutional theory as the primary lens, and viewing the societal demands for gender-balanced boards as the pressure for the deinstitutionalization of the current practices, we underline the role of the incumbents' preferences for maintaining the status quo as an important determinant of female board representation. On the same grounds, we conjecture on the relationship between gender diversity and other demographic characteristics of directors holding board seats in the firms subject to societal pressure for gender-balanced boards, which is also a novelty in the literature.

Theory and Hypotheses

By studying formal institutions, as well as social values, norms, and traditions, institutional theory provides us with an appropriate lens through which to analyze the impact of sociocultural expectations on organizations (e.g., Meyer and Rowan 1977; Scott 2013). This theory has in fact become an important lens in the organizational literature (Greenwood et al. 2008). Earlier studies that adopted the institutional lens to study organizations were mostly concerned with how the institutional context and network embeddedness define the boundaries of organizational structure and behavior and, in certain fields, can explain the homogeneity in the behavior and practices adopted. Scholars promoted the idea that organizations generally tend to comply with the institutional prescriptions out of habit or social obligation, because it is demanded by legal or other rule-like frameworks, or because, by conforming to prevailing norms and practices, they ensure legitimacy and access to resources (Meyer and Rowan 1977; DiMaggio and Powell 1983).

While they acknowledge that—when an external demand conflicts with efficiency or other external pressures on organizations—the conformity might be merely symbolic, these studies promote the idea that it is the legitimacy, cognition, and obligation rather than efficiency or organizational self-interest that drives organizational responses. More recently, researchers have started paying more attention to organizational discretion, emphasizing that organizations will not adapt equally to institutional demands (Greenwood et al. 2011). This may be so either because these demands do not apply equally to all organizations, because they are not perceived or understood as equally pressing by the organizational actors, or because—in designing their responses—the organizations are acting rationally, trading off the costs and benefits of complying with societal demands (Scott 2013; Fligstein 1985). As Scott (2013) notes, an important codification of these arguments is provided by Oliver (1991). Combining the institutional theory with the resource-dependence theory, which promotes the view that organizations are able to actively cope with and manage the external environment, Oliver (1991) proposes a range of behaviors that organizations might adopt in response to institutional demands, ranging from acquiescence to defiance. Most importantly for the purpose of the present article, Oliver (1991) proposes a set of attributes related to the nature and content of institutional pressures, which determine an organization's ability and willingness to comply with the pressures.

These attributes can, in turn, be used to derive the context-specific and organization-specific determinants of

firms' responses to a given institutional demand.[5] As noted by institutional theorists (e.g., Tolbert and Zucker 1983; Fligstein 1985), the perceived gains and costs from complying with institutional pressures likely vary with organizations' characteristics, such as their size or visibility, structural position in the field, nearness to the public sphere, and the behavior of geographically similar and structurally equivalent firms. In the present study, we follow and expand this line of research to propose a number of antecedents of firms' compliance with gender diversity pressures and, therefore, the share of women observed on these companies' boards. We outline these factors based on their relevance with regard to the five dimensions proposed by Oliver (1991), namely (1) the perceived legitimacy and economic gain attained from conforming with the pressure (*cause*), (2) who is exerting the pressure (*constituents*), (3) how consistent this pressure is with the organizational goals and what discretionary constraints it imposes on the organization (*content*), (4) how and by what means the pressure is exerted (*control*) and (5) the uncertainty and interconnectedness of the environment in which the pressure occurs (*context*).

The Cause of Institutional Pressure

The first proposed predictor refers to the rationale or objectives underlying the institutional pressure at hand. Depending on whether the demands for the institutional change aim to address current inefficiencies in firms' operations, social concerns, or both, organizations will form some expectations as to the economic or social gains to be achieved from complying with these demands. Social gains are to be expected when the institutional pressure accompanies broader social goals, i.e., an important social concern such as equal opportunities for women. In such cases, the corporations that comply with the societal expectations should benefit from public appreciation and, consequently, gain in terms of social fitness, legitimacy, and reputation. In the same vein, those deviating from societal expectations will likely fall prey to public criticism, experience reputational losses and, eventually, reduced access to resources (e.g., Meyer and Rowan 1977). However, the gains and losses linked to compliance or non-compliance with societal expectations probably do not apply equally to all organizations. Scholarly research on corporate disclosure and corporate social responsibility has previously suggested that these effects depend on the visibility of the firm (e.g., Clemens and Douglas 2005; Julian et al. 2008) and its exposure to the various institutions assessing the legitimacy of organizational structures. This proposition finds support among institutional theory scholars (e.g., Tolbert and Zucker 1983). More visible firms have more exposure to the eyes of the regulators, the media, and the public or are at least likely to perceive the expected social penalties for non-compliance as higher than other firms. Consequently, they should have a stronger motivation to comply with external demands (Goodstein 1994; Ingram and Simons 1995).

We therefore propose that the social benefits derived from compliance with the societal pressure for gender diversity and, consequently, the likelihood of observing female directors on a firm's board will vary with firm characteristics related to the firm's public visibility and social susceptibility (e.g., the expected social penalties for retaining an entirely male board of directors). Previous studies testing Oliver's framework have proxied organizational visibility with measures of organizational size, such as the number of employees (e.g., Ingram and Simons 1995; Goodstein 1994). Larger companies are more likely to be held accountable for their actions (Goodstein 1994; Brammer and Millington 2006; Udayasankar 2008). Given their size and relevance to society, these firms will be scrutinized more closely by the media, interest groups, and consulting agencies (Ingram and Simons 1995). Large companies, moreover, have more employees and probably interact with a larger variety of local and foreign customers and other constituencies that might scrutinize their actions. Considering the increasing participation of women in the various spheres of today's society, these various constituencies are likely to support a stronger presence of women in the boardroom. This leads us to our first hypothesis:

Hypothesis 1a Larger firms are more likely to appoint female directors and will, consequently, have a higher share of women on their boards than other firms.

Besides firm size, other organizational characteristics may influence the reputational damage that companies suffer when not complying with societal expectations. We also expect that the reputational losses from non-compliance will be higher for corporations headquartered in capital cities (capital city region). The concentration of the various institutions assessing the legitimacy of corporate actions (e.g., state regulatory agencies, the media, rating agencies, professional associations, etc.) is generally higher in capital cities, meaning that companies located there are

[5] Other studies investigating organizational responses build on the research pioneered by Oliver. Among the empirical studies, Goodstein (1994) and Ingram and Simons (1995), for example, use this frame to analyze the variations in employers' involvement in work-family issues. Julian et al. (2008) test and expand the framework by introducing internal actors' perceptions of the urgency and manageability of the required change. Okhmatovskiy and David (2011) analyze firm responses to newly adopted corporate governance standards in Russia. Greenwood and Hinings (1996), Greenwood et al. (2011), and (Pache and Santos 2010) are examples of theoretical advancements of this framework.

more exposed to the public eye, regardless of their size. Most importantly, companies headquartered in capital cities are better able to attract qualified board candidates from abroad, due to such headquarters' proximity to international airports (Masulis et al. 2012). Thus, these companies might find it harder to justify an absence of female directors on their board by referring to difficulties in attracting qualified female candidates. Consequently, the likelihood of experiencing reputational losses in the case of non-compliance could be higher for these firms.

Moreover, the supporters of gender diversity also expect that the presence of women on a board will improve gender diversity at lower organizational levels, as it might signal to other female employees that the company does not discriminate when hiring its top employees and thus motivate them to compete for these positions (e.g., Matsa and Miller 2011). In the same way, the absence of women on the board of directors might be taken as a signal of discriminatory practices and drive away some good female employees who aspire to leadership positions and would therefore prefer to work for organizations that are more supportive of female leaders. The probability of such turnover should be higher in companies located in capital cities as the opportunities for alternative employment will be better there. This again implies that the costs associated with a loss of legitimacy (in the eyes of female employees and others who value gender diversity) will be higher for the companies headquartered in the capital region of a country. Therefore,

Hypothesis 1b The firms headquartered in a country's capital city region are more likely to appoint female directors and will, consequently, have a higher share of women on their boards than other firms.

The challenges that countries face in promoting gender board diversity suggest that, overall, corporations are skeptical about the potential economic benefits of a general increase in female representation on corporate boards. This is further exemplified by the case of the gender quota law in Norway, where some private joint stock companies went as far as adopting a new corporate form to escape the consequences (Bøhren and Staubo 2014).[6] Such reactions find some support in the extant literature, which (as yet) offers no unified view on the benefits of gender diversity for board efficiency and corporate performance (e.g., Ahern and Dittmar 2012; Bøhren and Strøm 2010). While women bring new resources to boards of directors, improve their accountability, and enhance board decisions by providing new angles and critical perspectives (Adams and Ferreira 2009; Nielsen and Huse 2010), forced changes due to quotas or affirmative action may also lead to the recruitment of less competent directors, potentially impairing board efficiency.

According to Oliver (1992), when the outcome of an externally demanded institutional change is difficult to assess—as is currently the case for female board representation—the organizational attitude toward the new practice will ultimately be shaped by the internal actors' expectations or beliefs about the economic consequences or efficiency of such a change. In the case of gender diversity, we would therefore expect a firm's willingness to comply to depend on what those in charge of selecting directors—i.e., the company's owners and the current board members as the owners' representatives[7]—perceive or expect the economic effects of an increased female presence in the boardroom to be. In this regard, we propose that these expectations will, on average, be more positive (or less negative) in cases where a larger share of the owners and directors are (or represent) institutional investors.

We derive this proposition from the academic research on the role of institutional investors in endorsing good corporate governance practices (e.g., Dobin and Jung 2011; Farrell and Hersch 2005). Institutional investors have, over the last few years, been active in promoting corporate governance reforms that have led to stricter board monitoring and stronger director independence, thus challenging the embedded practices of the traditional directors' elite (Westphal and Khanna 2003). Enhancing gender diversity on company boards may be considered part or in line with such reforms. In fact, women are found to have higher board meeting attendance rates and to improve board oversight (Adams and Ferreira 2009). They are less embedded in the traditional directors' networks and therefore possibly less susceptible to the influence of managers or other members of the elite (Fanto et al. 2011). Although there is no robust evidence that they would be

[6] In June 2003, after a period of intense public debate, the Norwegian government issued a voluntary recommendation, according to which a minimum 40 percent representation of each gender on the boards of limited liability companies was supposed to be ensured. However, many firms did not comply voluntarily with the assigned two-year period. Consequently, the quota law became effective in January 2006, giving the companies only 2 years to meet the new requirements. The fact that the Norwegian government was forced to resort to a quota law to increase female representation further indicates that corporations were skeptical about the effects of the recommended changes.

[7] We allow for both shareholders' and the current board members' preferences to play a role in the selection of female directors. In the Nordic countries, the shareholders not only formally appoint directors but also play a bigger role in the selection process and—when holding a large ownership share—they themselves hold a board seat. Past studies, however, show that the nomination committee often proposes prospective candidates based on recommendations by current board members or by executive search firms that tend to follow the directors' preferences (Johnson et al. 2011; Stafsudd 2006). Anecdotal evidence and case-based evidence from Nordic firms similarly suggest that the decision to search for a female candidate is often initiated by the board.

better board members, these insights imply that women might be better able to provide independent and objective opinions on how a company is being monitored. Thus, the demanded changes in gender diversity appear to be consistent with governance practices that institutional investors have promoted in recent years and that they probably perceive as valuable. Consequently, these investors will likely be more supportive of these demands that, for example, private individual owners. Moreover, some institutional owners might also be more supportive of gender diversity pressures due to a more political orientation and ties to government organizations or labor unions (Woidtke 2002). Thus, we propose,

Hypothesis 2 The higher the share of institutional investors' ownership, the higher will be the share of women on the board of directors.

The Constituencies of Institutional Pressures

Shareholder perceptions of female directorships may also depend on the role women play as organizational constituencies, i.e., consumers, employees, and others. For example, female directors might be better able to understand female customers and could, consequently, be more beneficial to a company with a large share of women among its customers. At the same time, we expect that a firm's dependence on female constituencies will make it more susceptible to the pressure promoting gender equality. Consequently, in line with the propositions of the resource-dependence theory, a company's dependence on the constituencies behind this societal pressure should be an important driver of the organizational willingness to comply with the pressure (Oliver 1991). Ingram and Simons (1995) and Goodstein (1994) apply this proposition in studying organizational responsiveness to work–family issues. Specifically, they show that organizations' concerns and efforts related to such issues increase with their dependence on female constituencies, namely the percentages of female employees and managers. Using the lens of the resource-dependence theory, Hillman et al. (2007) similarly predict that the probability of finding a female director will be higher within industries in which women are important customers or employees. According to them, female directors in such industries are more beneficial as they can facilitate the firm's access to female employees and consumers. They find empirical support for this claim using a sample of the largest publicly listed US corporations during 1990–2003. We consequently propose the following:

Hypothesis 3 The higher a firm's dependence on female constituencies, the higher will be the share of women on its board of directors.

The Content: Deinstitutionalization of Old Practices and the Incumbents' Resistance to Change

Oliver (1991) argues that an organization's willingness to comply with a new societal norm or practice will depend on its content, namely on how consistent it is with the current organizational goals and processes, and how much the new norm restrains the discretion of the decision makers in the organization.[8] Along these lines, we expect that the incumbents will be reluctant to introduce a new practice when they perceive it as being in conflict with the current organizational goals and interests (e.g., Oliver 1991, 1992). As shown in the literature, organizations generally do contain such structural inertia. Internal actors, in particular, may be reluctant to change when the nature of the change is poorly understood, is perceived as costly, increases uncertainty, or threatens the identity of the dominant coalition (e.g., Astley and Van den Ven 1983; Child 1972; DiMaggio and Powell 1983; Oliver 1992; Westphal and Khanna 2003). This is often the case when societal pressure requires the organizational actors to deinstitutionalize a practice that is currently or was earlier considered appropriate, such as when the demand for a change does not originate from inside the organization (Oliver 1992). In such circumstances, the actual change will be likely conditioned by the key actors' support of the status quo, as well as by the position or power that the groups, respectively, opposing and promoting the new practices in the organization (e.g., Greenwood and Hinings 1996; Greenwood et al. 2011; Pache and Santos 2010).

Contentwise, the external pressure for greater gender diversity in Nordic firms does challenge the institutionalized practices of director selection. The calls for more gender-diversified boards ultimately require that organizations change their current recruitment practices, i.e., the criteria and channels of recruitment, and fill the boardrooms with individuals who are therefore in many ways different from the traditional members. Given these differences, the newcomers (i.e., females) will—at least initially—be less strongly associated with the currently required competence profile, directors' networks, professional associations, and other social structures[9] (e.g., Pelled et al. 1999; Withers et al. 2012), and have different CVs,

[8] Prior studies (e.g., Covaleski and Dirsmith 1988) support the relevance of the fit between the existing norms and practices, showing how an organization's established practice dissolves or changes once its objectives change and become inconsistent with the organizational objectives and processes.

[9] Women reportedly encounter barriers to building professional relationships with the male members of the corporate elite, and to moving up the organizational hierarchy (e.g., Farrell and Hersch 2005; Waldstrøm and Madsen 2007).

orientations, and dispositions than the traditional members (e.g., Ahern and Dittmar 2012).

Given these differences and the insights from institutional theory, we expect that in the companies whose dominant actors still strongly support the current (institutionalized) practices of directors' selection, for example, demanding CEO or CFO experience as an important qualification for new board members, we should observe a general resistance toward the new practices promoting the appointment of candidates, i.e., women, less likely to fulfill these criteria. Based on this, we first propose that the organizations where the majority share of the board members is still represented by those prototypical of the old elite should be more resistant to appoint new female directors in comparison to other firms. We use the current board structure to capture the position and influence of the traditional elite in the firm based on Greenwood et al. (2011), who propose that the power and preferences of the different stakeholders or groups in the organization will ultimately reflect in the governance structure, such as their representation on the board of directors.

We, however, argue that—even in these firms with the traditional type of board—the resistance toward female directors will not be equally strong. If the concern for maintaining the status quo is the one driving the actors' resistance toward female directors, the strength of this resistance should vary with the incidence of other demographic minorities on the board. Specifically, we propose that the board's resistance will be stronger, and that women will be less likely to hold seats on company boards, when some (minor) share of board seats is already held by members who do not correspond to the prototype of a traditional director, i.e., diverse male directors. Differently put, the marginal effect of a female director on the board's current practices is expected to be perceived as stronger (and more challenging to the current status quo) when diverse members, such as younger male or foreign male directors, are already present on the board.

We derive this proposition from the critical mass theories and the extant evidence on minority influence in groups (such as boards of directors). As proposed by Kanter (1977), when a dominant share of members of a group are homogeneous with respect to salient demographic characteristics, i.e., skewed groups, it will be difficult for other types to influence the group. However, this can change as these various diverse members turn from "tokens" into a minority. For the case of gender diversity specifically, we could therefore expect that, when other non-traditional members or diverse males[10] are present on a board, a woman may be able to form a subgroup with such members, thereby reducing the pressure on these members to go along with the dominants. An increase in the probability of the formation of such groups of diverse members will increase the perception of the influence that (new) women could have on the board (e.g., Lau and Murnighan 1998). As noted by Kanter (1977, p. 382), "Minority members are potential allies for each other, can form coalitions, and can affect the culture of the group. They begin to become individuals differentiated from each other as well as a type differentiated from the majority." In support of this, Westphal and Milton (2000) find that the minority influence is enhanced when alternative bases of in-group categorization, i.e., in terms of age, nationality, education, etc., and social similarity are created between minority and majority directors.

The arguments presented above suggest that—in the companies with the dominant share of traditional directors—a higher (minority) share of diverse members should imply a lower presence of women on board. This relationship might however become positive in the cases where the diverse male members actually dominate the board. As argued above, some corporations might have—at some point in the past—already deviated from the standard channels of director selection and began appointing diverse board members, whether as tokens or for efficiency reasons, e.g., due to changes in their business environment (entering global markets) or changes in their ownership structure (e.g., an increase in foreign ownership). As is also noted by Oliver (1992), "a dissipation or rejection of a practice can occur from within an organization in cases where the perceived worth of an institutional practice is re-evaluated or reconsidered and becomes non-efficient, such as when important environmental constituents reorient their demands on the organization so that the organization is rewarded less for the sustained implementation of institutionally acceptable structures…".

Particularly in the case of a geographical expansion of a firm's activities, traditional practices are likely to be challenged and replaced by norms and practices that are more general and defocalized (Oliver 1992). In this fashion, studies show how the globalization of firms' activities and ownership has led some firms to look for candidates outside their traditional networks and to recruit foreign individuals that can provide knowledge and expertise on foreign markets (Oxelheim et al. 2013). Coming from abroad, these members are likely different from the traditional board elite and will probably identify less strongly with the local directors' practices. They should, consequently, be also less committed to defend the existing practices (e.g., Pache and Santos 2010). Hence, we would expect the concern for maintaining traditional practices to no longer be relevant in corporations whose boards already predominantly consist of non-traditional directors. To the

[10] The members with diverse backgrounds and experiences have different interpretive frameworks (e.g., Oliver 1992; Pelled et al. 1999), and will therefore be more likely to join women in questioning taken-for-granted practices.

contrary, being themselves still a minority in the corporate elite, these members might actively promote the entry of new diverse members onto the board of directors. They might also have—through their own networks—better access to potential female candidates, which should facilitate the appointment of female directors. Therefore, we propose,

Hypothesis 4 There is a curvilinear relationship between the share of diverse male members on a firm's board (younger and foreign male directors) and the share of women, so that the impact of diverse male members on the share of women on a board will change from negative to positive once diverse male directors dominate the board.

The Institutional Pressure and Control

As mentioned in the introduction, the low level of female representation at the top of business organizations around the world has become a hot topic in public debates over the last few years. The approaches taken by governments to enforce, or promote, greater gender diversity vary across countries and time. Furthermore, in cases where governments have implemented forced gender representation, the associated penalties for non-compliance have varied greatly. The first country to opt for coercive measures was Norway when, in January 2006, its government adopted a law requiring a minimum 40 % representation of each gender on the boards of public limited liability companies. While a few other European countries, including France, Spain, Belgium, and the Netherlands, have decided to follow Norway's example, other countries have adopted a softer approach. In Sweden in 2002, for example, Margareta Winberg—the deputy prime minister from the Social Democratic Party—threatened companies with binding regulations if they failed to increase the female representation on their boards to 25 % within 5 years. Two years later (2004), it became mandatory to disclose the gender distribution of boards, but no legal quota was imposed. After years of discussion on the issues surrounding quotas, Denmark recently settled on a softer option, introducing a law that only requires the largest companies to adopt internal targets and to actively promote gender diversity in their boards. In Finland, the gender-equality discussion resulted in a quota law that only applies to companies operating in the public sector.

The types of processes through which institutional control is exerted, the types of sources of pressure, and the types of bodies monitoring the compliance will define the strength of the institutional pressure on organizations and in turn the odds of organizational adaptation (Zucker 1987; Oliver 1991). The pressure to comply will likely be stronger when societal demand is supported by law and promoted by governmental organizations than when the pressure stems from public debates and appeals by interest groups, in which case the sanctions for non-compliance remain limited to eventual reputational losses. When the societal demand is supported by law or the threat of government intervention, the corporations are made explicitly aware of the public interest, and of the measures they must take in order to achieve compliance. Consequently, eventual deviations are also more easily identified. Finally, as evidenced in the case of Norway, where non-compliance with the quota law was punishable by the dissolution of the firm in question, the consequences of non-conformity are likely to be more severe when they are imposed through government or legal mandate. Based on this, we propose the following hypothesis:

Hypothesis 5a The higher the degree of legal coercion behind the institutional pressure for female directorships, the higher will be the share of women on the firms' boards of directors.

Legal coercion is not the only mechanism through which institutional pressure and expectations may be placed on organizations. Referring to empirical evidence (Tolbert and Zucker 1983; Fligstein 1985), Oliver (1991) suggests that organizational compliance with institutional pressure to adopt a new practice will be higher when the practice has already spread through an organizational field, i.e., among a company's peers. Differently put, when a substantial share of other corporations in the organizational field have already adopted the demanded change in a practice or behavior, it will be harder for an individual organization to justify a deviation from this new norm. For example, with regard to gender diversity in the boardroom, companies often attempt to excuse themselves by claiming that it is very hard to find qualified female candidates.[11] However, such an excuse will be less credible once the public can observe that many other comparable organizations have successfully overcome this barrier and complied with societal expectations. Besides limiting their ability to justify non-conformity, a broader diffusion of the new norms, values, or practices in the field will also increase the validity and credibility of these norms or practices, thereby reducing any organizational skepticism toward their effects and increasing organizational willingness to comply (Oliver 1991). Consequently, we propose,

Hypothesis 5b The share of women on a firm's board will be higher, the higher is the share of the firm's peers that already have female directors on their boards.

[11] http://www.svd.se/naringsliv/nyheter/sverige/spendrups-uttalande-om-kvinnor-uppror_8977028.svd.

The Context of Institutional Pressure

As the final factor, Oliver (1991) considers organizational context. She argues that organizations are more likely to comply with institutional pressure when they operate under a high level of environmental uncertainty, and when the level of their interconnectedness through various professional associations and organizations is high. We do not make explicit hypotheses on these factors as we generally expect that the Nordic public corporations face similar levels of uncertainty and—considering the small countries' sizes—are associated with the same professional associations and organizations (within a given country or industry). Yet, we allow for differences in the impact of these factors in our models by including country, time, and industry dummies.

Sample and Methods

Sample

Our study addresses non-financial publicly traded firms headquartered in Denmark, Finland, Sweden, and Norway during the period 2001–2008. For these companies, we collected the name and surname, gender, year of birth, time of first appointment to the board, and nationality of the CEO and of the directors. The main source of director information was the annual reports. In order to correctly identify the directors' nationalities, the information was collected by a national of the country in which the firm was headquartered. When the identification of the nationality was not straightforward, a number of alternative data sources (such as BoardEx, Business Week, the internet, and lists of important individuals) were used. We performed a final check by comparing the information for the same board member across different years, and rechecking all information using at least one alternative source. Not all firms in the sample had been listed on the stock exchange since 2001, and some had delisted before 2008; firms were included in the study only for the years in which they were listed. About 15 % of the companies were excluded from the sample because we could not retrieve information on their board structures. However, we found that they did not differ systematically from the companies we included in the analysis. For consistency with previous research (e.g., Farrell and Hersch 2005), we also excluded financial firms (SIC 6000–7000). The board information was then merged with financial and ownership data. Financial data were collected from the Worldscope/Thomson Financial Database, and ownership data from the Thomson Ownership Database. Merging the data from these various sources resulted in a final sample of 3124 firm-year observations (502 firms) across the four Nordic countries.

Variables

Dependent Variables

The focus of our study is firms' compliance with the societal pressure for more women on boards. Oliver (1991) distinguishes between various typologies of compliance, which also capture the extent to which organizations submit to external pressure. In this paper, we focus on the extent of organizational compliance (as in Ingram and Simons 1995) rather than on the exact typology of the organizational response. Following Ingram and Simons (1995), we assume that a higher level of organizational compliance with external pressure implies a higher amount of what is demanded, namely a higher share of women on the board of directors. We consequently define our main dependent variable as the percentage of women on the board of directors (*Female directors %*). In this regard, we need to consider that in the Nordic countries, some of the board members may be employee representatives. Given that they are elected by the employees and from among the company's workforce, the recruitment of these members to the board might be less influenced by the norms and values of the traditional elite, and less targeted by the societal pressure.[12] Consequently, we define as an alternative dependent variable the percentage of shareholder-elected women out of all shareholder-elected directors on the board (*Shareholder female %*). In selected specifications, where we control for the role of a female chairman or female CEO, these percentages only include women who are neither the chairman nor the CEO of the company (*Non-leading shareholder female %*).

Explanatory Variables

To capture firm visibility (Hypothesis 1a), we first define a size variable as the logarithm of the total number of employees (*Firm size*). Other studies using the Oliver (1991) framework refer to firms' size as an appropriate proxy for their exposure to public criticism (e.g., Goodstein

[12] The Norwegian quota, for example, states the criteria separately for the shareholder and employee-elected directors. For shareholder-elected directors, it requires the following: on boards with two or three members, both genders are to be represented; on boards with four or five members, each gender is to be represented by at least two members; on boards with six to eight members, each gender is to be represented by at least three members; on boards with nine members, each gender is to be represented by at least four members; on boards with more than nine members, at least a 40 % representation of each gender is required. Different rules apply to employee-elected directors. In cases where two or more employee representatives are to be elected, both genders must be represented. This rule, however, does not apply in companies where a gender represents less than 20 % of the total number of employees at the time of the election.

1994; Ingram and Simons 1995). With regard to our Hypothesis 1b, we include a dummy variable to which we assign the value 1 when a firm is headquartered in the capital city region of a country and 0 otherwise (*Capital*). We further hypothesized that institutional investors are more likely than other owners to perceive female representation as beneficial (Hypothesis 2). To capture this effect, we define the variable *Institutional investors %* as the ratio between the total ownership share held by institutional investors (when present among the five largest owners) and the total ownership share held by the five largest owners, expressed as a percentage. We consider only the five largest owners due to data restrictions (information on owners' shares and identities was only available for the five largest owners). This appears to be a minor limitation, since there are generally no more than five owners with any relevant influence, i.e., owning at least 5 % of the shares, in the companies constituting our Nordic sample.

To test whether the perceived benefits of appointing women and the pressure to do so are stronger in certain industries that are more dependent on female directors (Hypothesis 3), we include Fama-French industry dummies in pooled regressions, i.e., models without firm fixed effects. We chose the 17-industry classification based on the distribution of our companies across the various industries. Following Ingram and Simons' (1995) study, which measures organizational dependence on women by the share of female leaders, we include two indicator variables in selected specifications, a dummy for companies with female leadership of the board of directors (*Female chairman*) and a dummy for those with female leadership of the management board (*Female CEO*).

For the purpose of testing our Hypothesis 4, we include a set of explanatory variables, capturing the share of non-traditional or diverse board members among the male members of the board, *Diverse male* 1 %. We define the percentage of these male directors, namely those who are demographically different from traditional directors, based on nationality and age. Besides gender, nationality and age are the two most readily detectable demographic characteristics (Jackson et al. 1995), and were also the ones most commonly used to characterize the traditional corporate elite.[13] In the companies with employee board representation, older male nationals that are elected by the employees are also counted as diverse directors, in addition to foreigners and young male directors.

[13] This categorization is not exhaustive in the sense that it does not consider all the attributes that are distinctive of the corporate elite. For example, we do not consider directors' experience and education. However, the directors' experience, in particular, may be partly captured by other variables since it is likely to be associated with age (e.g., Hillman et al. 2002) and residence abroad.

We consider all younger male directors and all foreign directors to be demographically diverse, and calculate the percentage of these diverse members in the total number of male members on the board of directors. We consider young directors to be those younger than 49 years old. This age is about 5 years below the average age of the male directors in the starting year of the analysis (53.2 years in 2001); this definition is in line with other studies that have used a 5-year span to group people of the same age (e.g., Feld 1982). The threshold is also equal to the average age of the female directors in the starting year of our study. Foreigners comprise all non-nationals, including those from other Nordic countries. Speaking a different language and being from geographically distant places, foreign directors might be—we argue—less embedded in the local structures, less connected to the inner circles of the directors' networks, and, thus, perceived as 'different' from the local individuals. Other studies on Nordic boards in fact show that foreign directors represent a relatively small share of board members, and that their presence has mostly been driven by the increasing foreign ownership in the Nordics over the last decade (Oxelheim et al. 2013). Also, it has been shown that European business networks remain within national borders, even in the smaller European countries (Heemskerk 2011). Local individuals presumably resist foreign appointments due to a fear of losing dominance and power in the local corporate arena (Carroll and Fennema 2002; Heemskerk 2011; Rhodes and Van Apeldoorn 1998).

Country and time dummies are included to account for the salience of public pressure for gender-balanced boards (Hypothesis 5a). To account for peer pressure (Hypothesis 5b), we construct a variable that measures the percentage of other firms (in the industry, country, and year) that have at least one shareholder-elected female board member (*Fem industry %*). Specifically, we take all the other companies in a firm's industry in a given year and country and count the number of women on their boards. We then calculate the share of those companies that have at least one shareholder-elected woman on their boards (separately for each industry, year, and country). The construction of these variables follows previous studies, for example, Goodstein (1994).

Control Variables

Corporate governance research has previously shown that the selection of a company's directors is often influenced by the preferences of its CEO (e.g., Westphal and Zajac 1995). Due to concentrated ownership and, consequently, a strong role of owners on the board of directors and in the selection of directors, such an influence is probably weaker in the Nordics in comparison, for example, to the United

States. Moreover, about 60 % of the listed companies in our Nordic sample adhere to a two-tier board system, whereby no members of the management board sit on the board of directors (or supervisory board). In the remaining 40 %, only one member of the management board, normally the CEO, is a member of the supervisory board. Since, in the latter case, the CEO as a member of the board has more opportunities to influence director selection, we include a dummy variable to which we assign the value 1 if the CEO is also a member of the board, and 0 otherwise (*CEO on board*). We further control for the total number of shareholder-elected board members in all our regressions (*Boardsize*). Larger boards are found in more complex and larger companies (Coles et al. 2008), which are likely to have more connections to outside constituencies and to be more susceptible to public pressure. Moreover, it might be easier to make room for a female director in a larger board. Generally, only part of a board can be changed in any one period without substantial cost to the firm, as the existing directors will carry important strategic and operational knowledge, accumulated through their years as board members (Forbes and Milliken 1999). This may be particularly so in smaller boards, where a few individuals are providing a variety of expertise and other resources to the firm. Moreover, the probability that one of the members will leave the board or retire, opening a space for a woman, should also be higher in larger boards.

We also include the firm's age, measured by the natural logarithm of the number of years since a firm's establishment (plus 1). Besides a firm's size, its age has also been found to be correlated with higher perceived status of the firm. The high status intensifies a firm's exposure to institutional demands as high-status firms are probably more visible and therefore attract a lot of media attention (Greenwood et al. 2011). Therefore, older firms should feel more pressured to comply with societal pressure as they have more to lose in terms of status or reputation. On the other hand, a firm's age is also positively correlated with the firm's centrality in an organizational field, which means that older firms might be more embedded in the current institutional relations and practices (Greenwood et al. 2011; Leblebici et al. 1991). Moreover, older companies have more valuable and longer-term relations with different constituencies and more accumulated internal resources than younger firms (Filatotchev et al. 2006). Being less dependent on external resources and having built their reputation on repeated interactions rather than organizational characteristics, conforming to external pressure might be less of a necessity for these companies in terms of their ability to access key resources.

To account for the influence of, and eventually similar or conflicting pressure imposed by, other key constituencies, such as employees and banks, we control for the percentage of employee-elected members on the board (*Employee-elected %*) and for firm debt measured as a firm's short- and long-term debt as a percentage of total assets (*Debt %*). We also control for firm performance, measured by the ratio between the market and book values of a firm's equity and liabilities (*Tobin's Q*). Firms with higher value may be better able to attract the best female candidates, have access to a larger pool, and be better able to focus on diversity issues (Farrell and Hersch 2005). Besides the stated firm-specific controls, all our regressions include time effects and (except for the specifications with firm fixed effects) country and industry effects (Table 1).

Method

We start with a simple model, in which we estimate a regression with the percentage of female directors as the dependent variable and the above-described explanatory and control variables, using the pooled OLS estimator with the standard errors clustered by firm. We present the results in Table 2, model 1. To account for unobserved firm-specific effects, we estimate a linear fixed effects model (with standard errors clustered by firm) in model 2. For the purpose of testing Hypothesis 4, in models 3a and 3b, we include the square of diverse male directors (*Diverse male 1 %*)^2. In model 3a, we include firm fixed effects; to mitigate the reverse causality issues, in model 3b, we re-estimate model 3a with all the explanatory variables lagged by 1 year (i.e., measured at $t-1$). As an alternative to including the squared term, in models 4a and 4b, we estimate the regressions separately for those companies with a majority of traditional board directors (model 4a) and those where the traditional members of the elite are already in the minority, which we argue is likely due to a previous dissipation of the traditional practices and norms (model 4b).

The pressure for gender diversity on boards primarily targets the shareholder-elected board members, as in most of today's corporations, no other constituencies elect representatives onto the board. However, in some companies in our Nordic sample, the employees also have the right to elect a minor share of directors, from among the employees. To isolate the effects of employee-elected members and for the sake of comparison with countries without employee representation on boards[14] (such as Finland), we next replicate our estimations presented in Table 2 using as

[14] Given the high share of women among the labor force currently, the supply of female candidates and the benefits of their representation are likely than in the case of shareholder-elected members. In fact, from the beginning of our sample period, the share of women among the employee-elected directors has been relatively high (around 20 %) and it has not changed substantially over the observation period.

the dependent variable the share of shareholder-elected female directors among all shareholder-elected directors on the board (*Shareholder female %*). We adjust the main explanatory variables accordingly to the percentage of young or foreign shareholder-elected male directors out of all shareholder-elected male directors (*SH Diverse male* 1 %). We present the results in Table 3.

We first estimate a simple OLS regression with standard errors clustered by firm and the square of our measure of diverse directors in model 5a. We add firm fixed effects in model 5b. Both models include the square of shareholder-elected diverse male directors (*SH Diverse male* 1 %)^2. In model 6a and 6b, we estimate the models separately for those companies with a majority of traditional board members (model 6a) and those in which the latter are already in a minority among the shareholder-elected directors (model 6b). The dependent variable in model 7a is the share of shareholder-elected women on the board who are neither the chairman nor the CEO (*Non-leading shareholder female %*). Model 7b replicates the model 7a using firm fixed effects estimator.

To alleviate multicollinearity problems, we calculated the variance inflation factors for all the main variables in our model. These factors were all well below the critical level of 10, suggesting there is no reason for collinearity concerns. To mitigate the influence of extreme values, the uppermost and lowermost percentiles for each financial variable were set equal to the values at the first and 99th percentiles in each year, respectively. Most of our models include firm fixed effects to account for unobserved firm-specific heterogeneity, which requires some within-firm variation of our dependent and main explanatory variables. Therefore, some additional information might be of interest in this regard. We observe no change in the percentage of women on the board in slightly less than 28 % of all firms in the final sample, while in the remaining firms, the percentage of women on the board either decreased or increased at least once during the period of analysis. In terms of firm-year observations, no change in the share of women on the board is observed in about 64 % of such observations, an increase is observed in 24 %, and a decrease in 12 %. In 2001, only 40 % of the firms in our sample had at least one female director. In the year 2008, this percentage increased to nearly 75 %.

The share of diverse male board members did not change in about 16 % of all firms (47 % of firm-year observations). In the year 2001, about 11 % of the companies had a completely homogeneous composition of male directors (i.e., all shareholder-elected older home-country males); in 2008, the share of such companies increased to 13 % (*Diverse male* 1 %). These percentages are higher when we look at just the shareholder-elected members of the board (*SH Diverse male* 1 %). In 2001, about 16 % of the companies had all of their shareholder members corresponding to the traditional director prototype; diverse males held less than half of the shareholder-elected seats held by men in about 68 % of all companies in our 2001 sample. In the year 2008, nearly 22 % of companies had no diverse directors among the shareholder-elected members of the board; the share of such directors was less than half of the board in just under 70 % of all firms.

Empirical Results

The descriptive statistics and partial correlation coefficients are shown in Table 1. The numbers refer to the sample of 502 non-financial firms (3124 firm-year observations, unbalanced sample) used in the regression analysis. The correlation coefficients indicate a positive and significant correlation between the percentage of female directors and the following: the total number of board members, the capital city dummy, and the share of other companies in the same industry that have at least one shareholder-elected female on their board. The percentage of female directors is also positively correlated with firm size, firm value, and the share of employee-elected board members, while a negative correlation is observed between it and firm age, firm debt, and the dummy for companies whose CEO is also a member of the board.

We report the main results of our empirical analysis in Tables 2 and 3. Here, we discuss the results across the various specifications of regression models and dependent variables. First, as predicted in Hypothesis 1, we observe a higher percentage of women on the boards of larger companies and companies headquartered in capital cities. The effects of size and the capital dummy are positive and significant in the OLS specifications for both the overall share of women on the board (e.g., model 1, Table 2) and the share of shareholder-elected female directors (see variables *Capital* and *Firm size* in model 5a Table 3). The coefficients for firm size, however, become insignificant when adding firm fixed effects or when lagging the size variable by 1 year (see e.g., model 3a, 3b in Table 2).[15] Here, we must note that firm size shows strong correlation with the board size (*Board size*); the coefficient for the latter variable remains positive and significant across various specifications. Since a larger board of directors is also associated with a higher complexity of firm operations (Coles et al. 2008) and, consequently, a higher exposure of a firm to a variety of different constituencies, the positive

[15] The coefficient for the variable *Capital* cannot be estimated in the specifications with firm fixed effects since the value of this variable does not vary in time.

Table 1 Descriptive statistics and partial correlation coefficients

		Mean	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Female directors %	13.69	1												
2	Shareholder female %	11.42	*0.91*	1											
3	Diverse male %	41.32	0.03	0.03	1										
4	SH diverse male 2 %	24.49	−0.01	0.01	*0.77*	1									
5	Firm age (years)	27	*−0.10*	*−0.12*	*−0.11*	*−0.15*	1								
6	Capital	0.57	*0.06*	*0.06*	*0.09*	*0.09*	−0.03	1							
7	Fem industry %	50.40	*0.46*	*0.50*	*−0.05*	−0.04	*−0.12*	−0.04	1						
8	CEO on board	0.39	*−0.09*	*−0.06*	*−0.11*	*−0.11*	*0.09*	0.00	*0.08*	1					
9	Board size	6	*0.11*	*0.14*	*−0.05*	−0.03	*0.24*	*0.05*	*0.16*	*0.28*	1				
10	Employee-elected %	12.27	*0.14*	*−0.08*	*0.28*	*−0.07*	*0.23*	−0.03	*−0.12*	*−0.07*	−0.04	1			
11	Firm size (in logarithms)	6.69	*0.10*	*0.04*	*−0.07*	*−0.13*	*0.38*	*0.13*	−0.03	*0.08*	*0.50*	*−0.31*	1		
12	Debt %	16.94	*−0.05*	−0.03	*−0.05*	−0.03	0.01	*−0.09*	−0.02	*−0.04*	0.07	−0.03	*0.23*	1	
13	Tobin's Q	1.80	*0.08*	*0.08*	0.01	0.03	*−0.12*	*0.04*	*0.08*	−0.02	−0.04	*−0.08*	*−0.22*	*−0.23*	1
14	Institutional investors %	48.58	−0.00	−0.02	−0.00	−0.03	*0.10*	*0.06*	−0.01	*0.08*	0.21	*0.10*	*0.21*	*−0.10*	*0.04*

The mean values and correlation coefficients refer to the 3124 observations (502 firms) used in model 1. Significant correlation coefficients are reported in italics

and significant effect of board size could be viewed as additional support for the conclusion that stronger visibility and social exposure leads to stronger organizational willingness to comply with external pressure. All in all, these results provide support for Hypothesis 1b and only partial support to Hypothesis 1a.

As expressed by Hypothesis 2, we expected a positive effect of institutional investors' ownership on the share of women on a board. The sign of the coefficient for this variable, however, varies depending on the specification of our regression model, which is to be expected considering that institutional investors' ownership is likely endogenous, i.e., correlates with unobserved firm-specific characteristics. In our fixed effects specification, where we account for unobserved heterogeneity, institutional investors' ownership is found to have no significant effect on the incidence of female directors. One reason for the insignificant coefficient for institutional investors' ownership may be that some other ownership categories, which are included in our reference group, such as family ownership or government ownership, are actually associated with quite high levels of gender diversity of the board in the first place. All in all, our results provide no support for our Hypothesis 2.

In terms of industry effects (Hypothesis 3), a significantly lower number of female directors are observed in the metal industry and—in some specifications—in construction and in mining,[16] while other industry dummies are mostly insignificant. Even when we exclude the other control and explanatory variables (which may correlate with industry effects), most of our industry dummies remain insignificant. Alternatively, we capture the relevance of female constituencies by the presence of a female chairman and the presence of a female CEO. For reasons of space, we only show the results for the dependent variable defined as the share of women among the shareholder-elected directors (*Non-leading shareholder female %*) in models 7a and 7b in Table 3. The coefficients for the female chairman and female CEO are insignificant. The insignificant values for these regression coefficients might be partly due to the small number of changes in the gender of the CEO or chairman in our sample. However, even in model 7a, where we do not include firm fixed effects, the coefficients for both variables remain insignificant (and positive for the female CEO, while negative for the female chairman). The coefficients are insignificant also when using the share of women among all board members (*Female Directors %*) as the dependent variable (estimates not reported). All in all, these results provide no support for Hypothesis 3.

In relation to our Hypothesis 4, we find that a higher share of diverse male directors on a board (*Diverse male 1 %*) implies a lower level of female directors on a board

[16] The estimates for the industry dummies are not reported for reasons of space.

Table 2 Female directors on Nordic Boards

	Female directors %					
	Model (1)	Model (2)	Model (3a)	Model (3b)	Model (4a)	Model (4b)
Firm size	0.664** (2.087)	0.718 (1.319)	0.800 (1.509)	0.604 (0.962)	0.745 (1.182)	1.321 (1.096)
Capital	1.835** (1.994)	–	–	–	–	–
Institutional investors %	−0.024** (−2.167)	0.007 (0.450)	0.007 (0.454)	0.007 (0.546)	−0.006 (−0.306)	0.053** (2.352)
Diverse male 1 %	−0.045** (−2.377)	−0.042** (−1.976)	−0.233*** (−4.422)	−0.142*** (−2.994)	−0.094*** (−2.733)	0.120** (2.192)
(Diverse male 1 %)^2	–	–	0.002*** (4.047)	0.001*** (2.725)	–	–
Fem industry %	0.079*** (3.657)	0.188*** (9.716)	0.183*** (9.576)	0.149*** (7.493)	0.158*** (6.755)	0.205*** (6.442)
CEO on board	−1.764* (−1.792)	−2.361*** (−2.679)	−2.046** (−2.373)	−1.133 (−1.175)	−2.502** (−2.508)	−5.321*** (−2.838)
Board size	0.868*** (2.855)	0.980*** (2.737)	1.146*** (3.233)	0.483 (1.332)	0.946* (1.954)	2.124*** (3.712)
Firm age	−0.498 (−0.960)	1.471 (0.753)	1.608 (0.826)	2.019 (0.895)	0.873 (0.353)	2.002 (0.680)
Employee-elected %	0.174*** (4.135)	0.064 (0.753)	0.085 (0.986)	0.027 (0.354)	0.025 (0.172)	0.217** (2.075)
Debt %	−0.062** (−2.527)	−0.018 (−0.756)	−0.021 (−0.886)	0.025 (0.935)	−0.039 (−1.318)	−0.012 (−0.306)
Tobin's Q	0.642 (1.189)	−0.226 (−0.808)	−0.235 (−0.841)	−0.045 (−0.145)	−0.250 (−0.786)	0.152 (0.324)
Finland	0.656 (0.355)	–	–	–	–	–
Norway	13.923*** (7.202)	–	–	–	–	–
Sweden	4.403*** (2.631)	–	–	–	–	–
Firm fixed effects	No	Yes	Yes	Yes	Yes	Yes
Country and industry effects	Yes	–	–	–	–	–
Observations	3124	3124	3124	2647	2208	916
Sample	–	–	–	–	Diverse male 1 ≤50 %	Diverse male 1 >50 %

All models include time effects. Constant not reported. Standard errors clustered by firm. Robust *t* statistics in the brackets. All explanatory variables in model 3(b) are measured at $(t-1)$

***, **, * Statistical significance at 1, 5, or 10 %, respectively

(see for example model 1, Table 2). To allow for the fact that the sign of this coefficient changes at some threshold, we model a curvilinear relationship between the share of diverse male directors and the presence of women on the board. In model 3a and 3b of Table 2 and models 5a, 5b, and 7a, 7b of Table 3, we therefore add the square of the percentage of diverse male board members (*Diverse male* 1 %)^2. The coefficient of the basic variable (*Diverse male* 1 %) is negative and statistically significant, while that of the squared term is positive and statistically significant in all models. These relations hold when we add firm fixed effects (e.g., model 3a, Table 2) and also when we lag the explanatory variables (including the one for diverse male board members) for 1 year (e.g., model 3b, Table 2). Alternatively, we divide our sample into two subsamples based on the share of board seats held by diverse male directors. We present the results of this analysis in Table 2, models 4a and 4b and in Table 3, models 6a and 6b. For the subsample of companies in which the traditional directors still hold the majority of the male-held board seats, the relationship between the diverse male members and the share of women on board remains negative and statistically significant. However, the sign of the coefficient for the effect of diverse male board members on the share of female directors (or shareholder-elected female directors) becomes positive in cases where the traditional board members hold *less* than the majority of board seats (see the model 4b in Table 2 and model 6b in Table 3).

Table 3 Shareholder-elected female directors on Nordic Boards

	Shareholder female %				Non-leading shareholder female %	
	Model (5a)	Model (5b)	Model (6a)	Model (6b)	Model (7a)	Model (7b)
Firm size	0.759** (2.332)	0.806 (1.481)	0.547 (0.873)	1.032 (0.730)	0.929*** (3.071)	0.834 (1.515)
Capital	1.682* (1.831)	–	–	–	–	–
Institutional investors %	−0.014 (−1.219)	0.015 (1.021)	0.022 (1.287)	0.023 (0.797)	−0.011 (−0.998)	0.010 (0.671)
SH Diverse male 1 %	−0.096** (−2.217)	−0.136*** (−3.472)	−0.055** (−2.172)	0.104* (1.845)	−0.084** (−2.053)	−0.107*** (−2.797)
(SH Diverse male 1 %)^2	0.001** (2.170)	0.001*** (3.314)	–	–	0.001** (2.084)	0.001** (2.438)
Fem industry %	0.098*** (4.253)	0.199*** (10.006)	0.178*** (8.191)	0.219*** (4.410)	0.114*** (5.548)	0.195*** (10.161)
Female chairman	–	–	–	–	−0.378 (−0.066)	−1.681 (−0.328)
Female CEO	–	–	–	–	3.086 (1.221)	−0.542 (−0.185)
CEO on board	−1.385 (−1.318)	−2.849*** (−3.258)	−2.791*** (−3.030)	−6.440*** (−2.855)	−2.537*** (−2.603)	−3.733*** (−4.087)
Board size	1.028*** (3.420)	1.412*** (3.755)	1.287*** (2.692)	2.154*** (3.137)	1.244*** (4.278)	1.623*** (4.460)
Firm age	−0.317 (−0.610)	3.340 (1.597)	2.809 (1.133)	0.038 (0.009)	−0.330 (−0.647)	3.828* (1.828)
Employee-elected %	0.093** (2.369)	0.029 (0.322)	−0.035 (−0.307)	0.242* (1.686)	0.094** (2.563)	0.035 (0.434)
Debt %	−0.065** (−2.573)	−0.022 (−0.945)	−0.033 (−1.183)	0.018 (0.428)	−0.065*** (−2.599)	−0.027 (−1.145)
Tobin's Q	0.442 (0.837)	−0.124 (−0.436)	−0.159 (−0.509)	0.646 (1.140)	0.429 (0.872)	0.011 (0.041)
Finland	2.665 (1.408)	–	–	–	2.302 (1.400)	–
Norway	16.159*** (8.207)	–	–	–	14.848*** (8.364)	–
Sweden	5.549*** (3.254)	–	–	–	5.166*** (3.185)	–
Firm fixed effects	No	Yes	Yes	Yes	No	Yes
Country and industry effects	Yes	–	–	–	Yes	–
Observations	3124	3124	2476	648	3077	3077
Sample	–	–	SH diverse male 1 ≤50 %	SH diverse male 1 >50 %	–	–

All regressions include time effects. Constant not reported. Standard errors clustered by firm. Robust *t* statistics in the brackets

***, **, * Statistical significance at 1, 5, or 10 %, respectively

All in all, these results support our Hypothesis 4, suggesting that—at lower levels of diverse male board members—a higher incidence of these directors implies a lower incidence of female directors, which is in line with the incumbents exhibiting resistance toward (what is perceived as too much) diversity. However, when the share of diverse male directors on the board becomes higher, this variable has a positive impact on the presence of women on the board. Looking at our coefficients in the regression models with the squared term, the sign changes at a relatively high level of diverse male directors, for example, at above 70 % for the *Diverse male* 1 % variable, and at around 50 % when looking exclusively at shareholder-elected male directors (see the coefficient for the *SH Diverse male* 1 % variable in model 5a, for example).

Support for Hypothesis 5a on the relevance of institutional pressure is found in terms of a higher incidence of women on boards—in comparison to Denmark, the

reference country—in Norway and Sweden. The sizes of the country dummy coefficients (reported in the regressions without firm fixed effects, i.e., model 1, Table 2) are in line with the strength of institutional pressure in the different countries. Moreover, the time dummies (estimates not reported for space reasons) reflect the escalation of external pressure for greater female representation at the top levels of business corporations. The number of female directors is found to increase significantly after 2003, which marked the start of more intense public debate about mandatory female representation, particularly in Norway, but also in the other Nordic countries. In support for Hypothesis 5b, we find the percentage of female directors to be positively and significantly influenced by the percentage of other companies within the same industry that have at least one shareholder-elected woman on their board of directors (*Fem industry %*). This relation remains positive and statistically significant across the different model specifications. These results provide support for hypotheses 5a and 5b, confirming that the likelihood that a firm will comply with the societal pressure is positively correlated to the (perceived) strength of the pressure.

Turning to the control variables, we observe a negative (and in most cases significant) impact of the CEO's presence on the board on the share of women on the board of directors. However, the readers should be cautious when drawing conclusions about the causal effects of this variable since the significance of this variable is stronger in the fixed effects model, which only captures the companies for which the value of this variable changed during the period of our analysis, i.e., only in about 9 % of firm-year observations. We find a positive but not significant relationship between firm performance (measured by *Tobin's Q*) and the percentage of women on the board. The relationship between the percentage of women on the board and the firm's debt is found to be negative, although the coefficients are not statistically significant in all model specifications. The coefficient for the share of employee-elected directors is also found to be statistically insignificant. The same holds for firm age.

Robustness Section

A number of robustness checks were made to support the main results. The estimates of these robustness checks are presented in Table 4. As a first robustness check, we estimated our main model measuring the peer pressure (Hypothesis 5b) by the percentage of other firms in the same region (defined based on the countries' postcode numbers), country and year as the focal firms that have at least one shareholder-elected member on their boards (*Fem region %*). As for the industry-based variable used in the main models, the coefficient for this variable is positive and statistically significant (model 8, Table 4). In model 9a of Table 4, we capture the diversity of male members by two distinct variables that we include at the place of the variable *Diverse male 1 %*. We consequently define a variable for the share of foreign male directors on the board (*Foreign male %*) and a variable for the standard deviation of the male directors' age (*SD male age*). Both variables are found to have a negative and statistically significant impact on the share of female directors on board, thereby supporting our main results.

In model 9b of Table 4, we measure the diversity of the existing board by an alternative variable (*Diverse male 2 %*). This variable differs from the one used in the main specifications by how we define young male directors. Specifically, in *Diverse male 2 %*, young male directors are considered those whose age is one standard deviation (approximately 9 years) lower than the average. In line with our main regressions, the coefficient for the share of diverse male members remains negative and statistically significant. In model 10, Table 4, we add the square term for the share of diverse male members, measured by (*Diverse male 2 %*)^2. In line with the main specification in Table 2, we confirm the curvilinear relationship between the share of diverse male members on board and the share of female directors. Models 11a and 11b in Table 4 refer to the shareholder-elected female directors, while the dependent variable in model 12 is the share of non-leading females among all shareholder-elected members of the board. The aim here is to replicate our main results for shareholder-elected females, while using the alternative definition of the shareholder-elected diverse male directors (*SH Diverse male 2 %*) and its squared term (*SH Diverse male 2 %*)^2. Model 11a and model 12 report the OLS estimates, while we include firm fixed effects in models 11b of Table 4. The results again support a curvilinear relationship (U-shaped) between the share of shareholder-elected diverse male members on board and the share of female directors.

We also re-estimated some models e.g., model 2 in Table 2 (estimates not reported for reasons of space) while additionally controlling for the presence of large owners, which we measure by the percentage of shares held by the five largest owners in the firm (*Largest five %*). Given that controlling owners provide active monitoring of a firm's management, these owners may find it less beneficial to strengthen the board's monitoring function by appointing presumably more independent female directors. Given the strong role these owners have played in appointing directors in the past, they might also be less willing to accept external recommendations and pressure regarding director recruitment. Regardless of the model specification, the effect of ownership concentration is insignificant, while

Table 4 Robustness check

	Female directors %				Shareholder female %		Non-leading shareholder female %
	Model (8)	Model (9a)	Model (9b)	Model (10)	Model (11a)	Model (11b)	Model (12)
Firm size	0.735** (2.328)	0.744 (1.411)	0.729 (1.379)	0.780 (1.545)	0.782** (2.453)	0.769 (1.447)	0.943*** (3.166)
Capital	0.952 (1.018)	–	–	–	1.726* (1.890)	–	–
Institutional investors %	−0.024** (−2.143)	0.002 (0.164)	0.007 (0.475)	0.007 (0.484)	−0.014 (−1.217)	0.016 (1.036)	−0.011 (−0.993)
Fem region %	0.091*** (2.954)	–	–	–	–	–	–
Fem industry %	–	0.180*** (9.583)	0.192*** (9.866)	0.187*** (9.794)	0.097*** (4.274)	0.200*** (10.029)	0.113*** (5.541)
Diverse male 1 %	−0.048*** (−2.603)	–	–	–	–	–	–
Diverse male 2 %	–	–	−0.059*** (−2.619)	−0.286*** (−6.076)	–	–	–
SD male age	–	−0.357*** (−2.610)	–	–	–	–	–
Foreign male %	–	−2.353*** (−4.816)	–	–	–	–	–
(Diverse male 2 %)^2	–	–	–	0.003*** (5.630)	–	–	–
(SH diverse male 2 %)	–	–	–	–	−0.134*** (−3.388)	−0.180*** (−4.981)	−0.122*** (−3.231)
(SH diverse male 2 %)^2	–	–	–	–	0.002*** (2.984)	0.002*** (4.802)	0.002*** (2.931)
Female chairman	–	–	–	–	–	–	−0.626 (−0.113)
Female CEO	–	–	–	–	–	–	3.121 (1.247)
CEO on board	−1.925** (−1.987)	−2.616*** (−2.941)	−2.402*** (−2.697)	−2.160** (−2.435)	−1.498 (−1.416)	−2.974*** (−3.336)	−2.645*** (−2.702)
Board size	0.924*** (3.052)	1.399*** (3.980)	0.989*** (2.775)	1.204*** (3.487)	1.054*** (3.545)	1.455*** (3.917)	1.273*** (4.406)
Firm age	−0.654 (−1.274)	1.025 (0.522)	1.378 (0.713)	1.434 (0.781)	−0.312 (−0.603)	3.201 (1.577)	−0.345 (−0.682)
Employee-*elected* %	0.175*** (4.211)	0.090 (1.146)	0.081 (0.960)	0.113 (1.386)	0.093** (2.379)	0.026 (0.288)	0.093** (2.546)
Debt %	−0.067*** (−2.772)	−0.014 (−0.567)	−0.018 (−0.759)	−0.019 (−0.781)	−0.067*** (−2.654)	−0.019 (−0.827)	−0.067*** (−2.682)
Tobin's Q	0.644 (1.152)	−0.204 (−0.784)	−0.227 (−0.803)	−0.238 (−0.841)	0.443 (0.845)	−0.141 (−0.492)	0.431 (0.875)
Firm fixed effects	No	Yes	Yes	Yes	No	Yes	No
Country and industry effects	Yes	–	–	–	Yes	–	Yes
Observations	3124	3097	3124	3124	3124	3124	3077

All regressions include time effects. Constant not reported. Standard errors clustered by firm. Robust *t* statistics in the brackets

***, **, * Statistical significance at 1, 5, or 10 %, respectively

including this variable does not change the significance and signs of other coefficients. As a further robustness check, we estimated the model 2 (Table 2) and the model 5a (Table 3) using the Tobit maximum likelihood estimator, which specifically considers the distribution of our dependent variable (i.e., the values are limited to 0–100). The Tobit estimates, however, did not differ qualitatively from the OLS estimates, i.e., all the coefficient from the OLS specifications remain of the same sign and significance when applying the Tobit estimator. For the sake of

simplicity of the interpretation of the regression coefficients, we therefore report only the OLS estimates.

Finally, we estimated a model in which we looked at how the existing board structure (in year $t-1$) relates to the chance of new female appointments (in year t), for each year during 2001–2008 (results not reported). Our dependent variable was a dummy set to 1 if we observed an increase in the number of women on the board in a given year, and 0 otherwise. The results of this analysis, using binary outcome maximum likelihood estimators (probit), were consistent with the results presented in Tables 2 and 3. Specifically, a higher share of diverse male directors (when in minority) at time ($t-1$) significantly reduces the odds for new female appointments in the firm. We also found that new female appointments followed increases in board size, changes in the share of women in other firms in the industry, and are more likely in the companies with a female CEO. On the other hand, new female appointments were found to occur significantly less frequently in firms that already had (other) female directors, which again confirms the overall organizational resistance to gender diversity.

Caveats and Limitations

As one of its main contributions, the present paper investigates how the demographic characteristics of the existing board members, which we used as a proxy for the internal actors' support of the traditional practices of directors' selection, i.e., the practices currently in place at the time of the emergence of the societal pressure for gender diversity, impact upon the presence of women on the board of directors. Since our data on directors were collected mostly from the companies' annual accounts, we only observe three demographic characteristics: age, gender, and nationality. While these characteristics are not exhaustive in terms of directors' demographics, they are the ones most often referred to in criticisms of the traditional elite. Moreover, the differences in so-called surface-level characteristics, i.e., age, gender, and ethnicity/nationality, are more easily detectable than are deeper dimensions such as educational background (Kearney et al. 2009).

The age, gender, and nationality are also the ones noted in the diversity sections of the corporate governance codes in the Nordic countries. These three characteristics were most often mentioned when we interviewed the board members of nine large Nordic firms. According to one of the interviewed directors, "if you have women present you will get different perspectives…women contribute to a more complete discussion and are not part of the male culture. They put questions in another way or bring up issues that would not have been brought up otherwise." The presence of foreigners on a board was—despite having a number of benefits—feared to cause changes in the board atmosphere, communication difficulties, and to slow down decision-making. Age differences were viewed as a source of diverse perspectives and attitudes in the boardroom, and often as proxies of differences in the directors' background. Altogether, these insights suggest that age, nationality, and gender are key elements that distinguish the traditional elite from others. A comparison of the relevance of these characteristics with that of other, deeper characteristics, such as directors' education, functional experience, and social status, to the perception of a director's similarity to the traditional elite is undoubtedly an interesting avenue for future research.

We based our empirical analysis on a sample of non-financial, publicly listed firms from four Nordic countries during 2001–2008. While restricting our analysis to the Nordic countries is a limitation, it also carries some empirical advantages. First, given the historically successful role of women in politics and society in the Nordic region, the concern that there is a limited supply of female candidates for board positions can to a large extent be disregarded there, which may not be true in some other countries. This is important, since we attribute the observed variation in female directorships to differences in firm demand for female directors rather than restrictions on the supply side. Second, the Nordic countries can be seen as having been a laboratory for diversity over the last decade. As well as the pressure to implement more gender-balanced governance structures, Nordic boards have been subject to other influences, such as the internationalization of financing and ownership, gradually leading to the demographic diversification of boards in other dimensions than gender (Oxelheim et al. 2013). These trends provided us with sufficient variation in the dependent and explanatory variables, both within and between firms. The former is particularly relevant if significant effects are to be detected when controlling for firm fixed effects in regression analysis. Future studies could expand our evidence to other countries, while properly accounting for the differences in the female representation in the labor force, overall gender equality, and cultural norms shaping the role of women in the society in question.

Discussion and Policy Implications

In the present study, we have followed the stream of research that conceptualizes organizational compliance with institutional pressure as a strategic choice, pioneered by Oliver (1991), with the aim of explaining the variation in Nordic firms' response to the societal pressure for gender-balanced boards. Our study primary contributes to the

scholarly research on the gender diversity of the board of directors. Existing research in this field has predominantly focused on the effects of female directors on board behavior and firm performance (e.g., Adams and Ferreira 2009; Nielsen and Huse 2010). Hillman et al. (2007) and Farrell and Hersch (2005) are among the few that specifically examine the organizational predictors of the presence of female directors. Both studies are US-based and focus primarily on the rational explanations for companies that want to appoint women to their boards, rather than on the motives for corporations not to appoint women, as our study does.

We differ from these studies in adopting the institutional theory as the primary lens for explaining the variation in women's representation on corporate boards and, particularly, in highlighting the role of embedded interests as a key factor explaining the slow penetration of new practices into firms' boardrooms. We view the societal pressure for the entry of female directors into a boardroom traditionally dominated by men as an example of an externally triggered challenge to the current practices, views and norms of the incumbents. Based on Oliver (1991) and further advances within the stream of research exploring the variation in the organizations' responses to institutional pressure (e.g., Greenwood and Hinings 1996; Greenwood et al. 2011; Pache and Santos 2010), we hypothesize how those supportive of the existing practices may influence the presence of female directors in the boardroom. We borrow from the research on minority influences in groups (e.g., Kanter 1977) to conjecture on how the resistance of those supporting the status quo might vary with the minority presence of other diverse members in the organization. With this, we add to the current theoretical understanding of the factors explaining the slow progress of women to the boardroom, and to the current knowledge on the likely implications of the current societal pressure for the relationship between gender and other diversity dimensions on the board.

In drawing conclusions on public policy, it is important to take into account that we cannot in this study empirically distinguish between "rational" (value and performance preserving) and self-serving (value and performance reducing) incumbents' resistance to female board participation. Oliver (1991), for example, suggests that resistance to new organizational demands will be particularly fierce if they are regarded as inefficient, which may be the case also for the traditional directors' perception of practices leading to demographically very diverse boards that could be lacking some of the expertise that is currently considered key to a director's contribution to a board. Moreover, we have focused on the impact of the current characteristics of male directors on female board membership, but it is clear that board members do not elect themselves. Shareholders play a major role, which we have not considered in any detail apart from the impact of institutional investors. Finally, we have not studied the long-run dynamics of female board participation. It seems possible that today's minority directors may become part of tomorrow's dominant coalition. The positive and significant relationship between other diverse members and the presence of women that we have observed in a subgroup of Nordic boards dominated by non-traditional members indicates that such a change is possible.

Regardless of these considerations, some important policy implications can be drawn from our study. First, in the companies with (still) traditional types of boards, we observe a negative relationship between the presence of diverse male directors on a board and the presence of female directors. This suggests that, in a situation where the external concerns over the lack of board diversity are not fully shared with the internal actors, pressurizing for more female directors might lead to more female directors but not to more board diversity overall. Caution needs to be paid, especially when societal pressure is enforced through a legal quota. When firms are legally forced to accept a major change in gender diversity, i.e., ensure that a certain percentage of directors are women, while—at the same time—still aim to maintain the dominance of the "old elite" on the board, female appointments might lead to a reduction of other dimensions of diversity on boards, such as international board membership, and consequently to a loss of important expertise in the boardroom. In other words, women might squeeze out the appointment of other diverse board members, such as younger male directors or foreigners, while remaining only "tokens" in a traditional type of board of directors. This is pretty much in line with anecdotal evidence, or as the Economist (March 11th, 2010) cautions, "if you are a youngish man who sits on a European corporate board, you should worry. The chances are that your chairman wants to give your seat to a woman." Similarly, companies might appoint individuals who satisfy a number of diversity criteria simultaneously (e.g., a director who is young, female, and foreign) rather than increasing the actual number of such members on the board.

Therefore, while ensuring a stronger representation of women on corporate boards, the pressure for gender diversity might not succeed in achieving other aims, such as strengthening board independence, refreshing and improving the old norms and practices of the board elite, and ensuring a higher presence of diverse views and opinion in the boardroom. Instead of "token women" it may therefore be more apt to talk about token diversity or perhaps even a "diversity quota" covering all minority board positions. Based on these considerations, we also suggest that scholars investigating the impact of gender

diversity on board behavior must properly account for the composition of the remaining board, and any changes that accompany new female appointments, such as decreases in the other dimensions of board diversity.

This study indicates that most firm-specific variables, except for firm size, board size and geographic location, have no effect on the presence of women on boards of directors in Nordic firms. Specifically, the presence of institutional investors among a firm's owners does not lead to a higher share of women on the board. Companies operating in industries in which women play a stronger role do not seem to be more likely to have female directors on their boards either. These results suggest that companies and their investors do not (yet) anticipate significant economic benefits from a female presence on the board of directors. This conclusion finds support in other studies, which observe a decline in firms' market value following the introduction of the gender quota law in Norway (e.g., Ahern and Dittmar 2012). As reported by these studies, this may be due in part to the fact that female directors lack the executive and other experience required for directorship. Moreover, the gender quota law forced the Norwegian publicly listed companies to make rather quick changes in their board composition. Such a reshuffling of board membership might result in a loss of firm-specific expertise and experience, with negative implications for firm performance. Thus, we advocate that countries seeking to adopt a gender quota law should provide an adjustment period sufficient to allow boards to comply *and* maintain continuity of boardroom experience.

We do not argue for or against board gender quotas. The results of our study and the numbers on the presence of women among directors suggest that—in the absence of quota laws—the organizational adaptation to societal expectations for more female directors is likely to be slow. This may be true even in countries with strong institutional pressure, such as best governance practice recommendations, public appeals, threats to implement quotas, and the like. To some, such slow change may be politically unacceptable and used as a reason to instigate quotas, while others might regard it as an efficient organizational response to institutional forces. At any rate, regardless of the form that the societal pressure for gender diversity takes, transparency in the nomination process needs to be ensured so as to reduce the likelihood of unqualified candidates being appointed or women crowding out other important dimensions of diversity. In other words, policy makers, regulators, and other institutions monitoring organizational compliance with the new demands should make sure that new female appointments do not only lead to demographically diverse boards, but also to competent boards. Moreover, to overcome some of the psychological barriers to and negative perceptions about a female presence in the boardroom, quotas (if implemented) and other actions need to be supplemented by other activities that ease female inclusion into directors' social networks, associations, and other institutions that cultivate the modern (post-traditional) corporate elite.

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