

## **Gender Balance in Corporate Boards and in Top Management in Latvia**

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**Abstract.** In Latvia, the education level of women is higher than of men, while the rate of remuneration is higher for men than for women, and women are under-represented in management positions. The aim of the research is to analyse the theoretical aspects of the gender balance and diversity management in companies, to explore the situation of the gender proportion within the large companies of Latvia and to identify the factors that contribute to the growth of the women representation within the TOP management. The European Commission (EC) has set the target to reach the women representation up to 40% within the management of companies by 2020 and encourages the EU Member States on the application of the legislative quotas. Latvia is among those EU countries that has expressed official position against the introduction of quotas within the legislation, and thus, is seeking for other opportunities to stimulate gender balance within the companies. Latvia is a newcomer and lacks research in this field that emphasises the novelty of this paper. The paper investigates the gender situation in order to determine to what extent the 'glass ceiling' affects women's career growth in large companies of Latvia. Moreover, the paper analyses the benefits of the gender diversity to be used as incentive for the large companies of Latvia. The article has been prepared based on the analysis of primary and secondary sources, outcome synthesis and the evaluation of results of a survey of employees of large companies of Latvia (n=211) and survey of HR managers of large companies (n=50). Results present characteristic features of good female and male managers as perceived by the respondents. Managers of each gender have their strengths, which could together contribute to improved management performance.

**Key words:** gender equality, diversity management, women in business.

**JEL code:** J16, M12

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## **Introduction and research objectives**

Recently Regional Studies Association Network „Entrepreneurship, Gender and Structural Transformation“ has started debate on how global transformation promotes and requires entrepreneurial ideas and perspectives to frame the changing economic and social environment. Business activities reflect the enduring gender segregation of the labour market and statistics show a higher participation in business amongst men than women. The papers presented in the special issue of RSA Quarterly suggest the need to examine in more depth the structural and regional conditions for the development and implementation of business ideas (Regions/RSA 2013) and the role of gender within decision-making bodies of companies.

In Latvia in 2012, about 1/3 (35%) of officials and 1/3 (36.6%) of company founders were women (SIF, 2014). The proportion of women on the executive boards of large companies in Latvia is relatively high: in January 2012 it was 26%. This figure ranks Latvia among those countries that are developed in the field of gender equality such as Finland (the proportion of women on the executive boards of large companies 27%), Sweden (25%), and France (22%). However, the proportion of women on the executive boards of large companies is still far from the target defined by the EU – 40% in 2020 (Reding, 2010).

Does it mean that available resources are used to their maximum potential in the situation when Latvia's population is facing demographic trends like ageing and low fertility?

**The aim** of the research is to analyse the theoretical aspects of the gender balance and diversity management in companies, to explore the situation of the gender proportion within the large companies of Latvia and to identify the factors that contribute to the growth of the women representation, in particular within the TOP management. **The hypothesis** is that a 'glass ceiling' on women's career growth in the TOP management of large companies of Latvia exists in the form of different structural, cultural and social constraints. **Tasks** of the research: 1) to analyse theoretical aspects of the diversity management and, in particular, the gender equality; 2) to explore the gender situation in the large companies of Latvia (with the number of employees above 250); 3) to determine the characteristics of good female and male managers that contribute to diverse management; 4) to identify factors that might contribute to the growth of the women representation in the management of large companies.

The research is based on the literature review and the survey results obtained by surveying employees and HR managers of large companies of Latvia during the

“Study of the Situation of Men and Women in the Large Companies of Latvia” (SIF, 2014).

### **Methods of the research**

Document analysis is used for studying the general situation and summarising the background information. The primary sources of data are laws, regulations and policy planning documents on the gender equality. Other studies, the EC reports and statistical data were used as secondary sources.

Two surveys were carried out: one survey of the Human Resource (HR) managers and the other survey of the employees of the large companies of Latvia. In total 157 companies registered in Latvia with more than 250 employees in 2012 were identified as appropriate for the survey. Companies were selected according to the criteria of large companies: 68 companies conform to the EC criteria: at least 250 employees, a turnover of more than EUR 50 million, and/or the asset value of more than EUR 43 million; the other 89 companies conform to the Eurostat criteria having more than 250 employees.

Within the survey of HR managers, the response amounted 38% (50 Latvian large companies). This survey was carried out from August 27, 2014 to October 10, 2014 using the Web survey and computer assisted telephone interviews. Apart from other qualitative information, this survey provided the statistical data on the gender proportion of employees within the large companies of Latvia. The survey of employees of large companies was performed in order to understand better the factors hindering or promoting the involvement of women in the management. Two hundred eleven respondents participated in a web survey, in which the respondents completed an on-line questionnaire. This survey was carried out simultaneously with the survey of HR managers of large companies. Questionnaires were anonymous and no information about the workplaces of particular employees was acquired. Data from the surveys was processed with SPSS for Windows software.

### **Research results**

#### **1. Gender aspect and diversity management in the business**

A low number of women at the higher management level is seen as a problem that leads to the discussion on the gender equality within the companies. From the management theory aspects this is related to the concept of the diversity and smart management of diverse persons among the employees.

Researchers Eger and Indruchova described the evolution of the diversity management concept. As explained by the researchers the natural substance of

diversity exists in the human society where diversity of people from the point of their age, gender, race, ethnicity, mental and physical abilities, sexual orientation and other characteristics is a natural thing that leads to the diversity management of the HR. Initially, the concept of the diversity management has been raised in the US, and then it was introduced to Europe in the 1990s. However, only recently it has been developed and applied in the EU's company practice at a significant level (Eger, Indruchova, 2014).

Wziatek-Stasko explains that the diversity management is about noticing differences between people in (and outside) enterprises and conscious development of strategies, policies and programmes, which create a climate for respecting and using the differences for the benefit of the organization (Wziatek-Stasko, 2013).

The review of the literature in the field of gender equality and the diversity management shows that most of the researchers in different countries analyse the proportion of women in the corporate management. In general, the proportion of women in the TOP management is rather low. In most studies, the statistics of the proportion of women in corporate management varies between countries and can be used to grasp the general context. According to the study of "McKinsey & Company", the proportion of women in the management bodies which could be compared to the supervisory councils is from 2% in Japan (the lowest proportion) up to 34% in Norway (the highest proportion). By contrast, the proportion of women in the management bodies which could be compared to the executive board ranges from 1% in Japan (the lowest proportion) to 21% in Sweden, which is the highest proportion (McKinsey & Company, 2013; McKinsey & Company, 2013). Statistical data compiled in different studies can provide a general picture of the situation in the particular country but they are not comparable as the studies use different groups of companies, the size of companies and the interpretation of the senior management. However, the studies provide conclusions and open questions common to the situation of Latvia.

The statistics confirm that some countries, like Norway, have increased the proportion of women significantly, mainly by applying regulatory requirements in the form of quotas. Norway and Spain have pioneered a new wave of action across Europe with the introduction of legislative quotas for company boardrooms, followed by Finland, France and other countries that have introduced, or are considering the insertion of the gender-based recruitment requirements in their legislation (Villiers, 2010).

However, there are countries, like Great Britain, that are not in favour of the

implementation of the legislative quotas and are seeking for the ways to reach the gender balance without strict regulatory requirements. Researchers are analysing the benefits for the business applying the diversity management and the gender balance, in particular.

As concluded by a researcher Wziatek-Stasko, more and more often research results are popularized which indicate that equality and diversity in the company, in particular in the category of sex of employees, correlate with the company's profitability (Wziatek-Stasko, 2013). Several researchers over the years have observed that the business performance indicators are improving with women in the management, however, they do not show statistically significant correlations (Adler, 2009; McKinsey & Company, 2007; Smith, Smith, Verner, 2005; Kotiranta, Kovalainen, Rouvinen, 2007; Carter, D'Souza, Simkins, Simpson, 2010). It is still an open question, which is the third set of factors that equally affects both the increase of the proportion of women in corporate management and improvement of business performance. Smiths and Verner conducted a research and found an inverse correlation that the proportion of women in management increased when the company's performance improved (Smith, Smith, Verner, 2005).

Apart from economic and financial benefits for the business, diversity management may also have other intangible and social benefits resulting in better performance of the management and companies in general:

- the quality of decision-making is improved through implementation of diversity management principles. Diverse composition of the board makes it possible to consider different points of view, come to a wider range of ideas and to adopt more innovative decisions (McKinsey & Company, 2007).
- diverse management is better able to understand a variety of customers and it knows the market better (McKinsey & Company, 2007; Darnell and Gadiesh, 2013);
- diversity management programmes improve employee motivation, customer satisfaction and the company's reputation (McKinsey & Company, 2007);
- an easier access to the talent base – a more open environment attracts more talented and more creative persons (Wziatek-Stasko, 2013). For example, according to the data of the Central Statistical Bureau (CSB) of Latvia, 69% women and 31% men acquired the higher education degree in Latvia in 2013.
- the board with a greater proportion of women ensures a much better management style based on listening to employees, social support and searching for benefits to both parties ("win-win") in conflict situations (Erkut, Konrad, Kramer, 2006);

- women are much more successful in maintaining productivity, improvement of work quality, meeting project deadlines, generation of new ideas and advancement of projects (Villiers, 2010);
- investors are also slowly beginning to pay attention to internal corporate policies, including diversity management. Certain investment funds, such as the "Amazon" (EU) and "Calpers" (USA) have included diversity as one of the investment criteria (McKinsey & Company, 2007);
- for women in business, it is more important to ensure the long-term development, for men – a fast short-term profit. Accordingly, the benefit of gender balance is the diversity of the team (Erkut, Konrrad and Kramer, 2006).

## **2. Gender aspect in the large companies of Latvia**

### **The proportion of women and men in large companies**

The research results show that the companies in general employ more women (59%) than men (41%). At the same time there is a tendency – the higher is the level of management, the lower is the number of women. A clear gender disproportion can be observed at senior management level of the large companies of Latvia. Men are significantly more represented both on executive boards and supervisory councils of these companies, while gender proportion on middle level management is quite similar - among the heads of departments, 46% are women and 54% are men. The survey data highlight that there could be a 'glass ceiling' or structural/cultural/social constraints on women's career growth in Latvian business environment, in particular, for their representation on executive boards. The fact that no gender disproportion is observed on the middle level management leads to the above conclusion.

### **Characteristics of good managers**

To promote gender equality in senior management of companies it is essential to understand the overall behaviour towards the capabilities and competencies of women and men as managers. The survey of employees of large Latvian companies reveals the prevailing perceptions about the skills of particular gender. The question on what capabilities characterise good managers was asked to identify the characteristics of a manager that employees appreciate and see in female managers the most. Respondents determined the sense of responsibility as the main characteristic of a good female manager. Moreover, the effective planning and work scheduling skills are the second most recognized characteristics of a good female manager, which are followed by the ability to hear out a variety of opinions. Good female managers are least characterised by

the authoritarianism, the ability of searching for innovation and making decisions rationally.

In assessing the ability of women to make decisions rationally, female and male respondents expressed a clearly different opinion. Female respondents have often noted rational decision-making as a characteristic of a good female manager, while the male respondents have named it much less often.

In total, male respondents have rated the capacities of female managers lower in all aspect but 23% of the respondents believe that women are not good managers. Gender factor can be observed in the assessment of abilities of female managers, as the understanding of female success is based on diligence and sense of duty. Also, men's opinion about female managers includes the traditional assumptions about women's abilities – irrationality and the lack of initiative.

Respondents put rational decision-making skills, ability to take initiative and authoritarian management style as the most important characteristics of a good male manager. Aspects that characterize a good male manager the least are sensitivity towards the feelings of subordinates and transfer of information on time. While a tendency to take risks is a characteristic that rather describes a male manager, as the characteristic 'takes less risk' is selected only by 8% of respondents. The characteristics named are concentrated around the traditional masculinity characteristics that determine the risk and authority as the criteria of masculinity (Kimmel, 1994).

When evaluating the characteristics of a good male manager, the gender differences of respondents are the most prominently in the assessment of the sense of responsibility. Male respondents assess the male sense of responsibility more positively than female respondents. Male respondents see male managers as open to risk/taking risks more than female respondents. But both men and women equally assess the rationality of male managers. So a male manager in the eyes of subordinates of both genders is considered a rational decision maker.

Such differences can be explained by the different management styles of different genders as well as the fact that the society sees the gender stereotypes in the management style of male and female managers. Rationality and authority are emphasized when talking about men, while in case of women – sense of responsibility and the ability to listen and collaborate.

The research shows that both gender posses specific and different set of skills or abilities that all are essential to form the good and well performing management team. This confirms the importance of diversified managers within the business to ensure better performance.

## **Factors hindering and promoting women carrier in TOP management**

Looking at the best practices implemented in the companies by their forms of management, it is evident that the subsidiaries of international companies are the "pioneers" in this field. This practice leads to the assumption that gender equality and diversity management issues are not yet a standard practice of personnel policies of local companies, and these ideas and practices are sooner integrated in the international parent companies of which the strategies and personnel policies highlight gender equality as the company's public value. The survey confirmed that employees believed that the participation of women in corporate management should be promoted through a variety of support tools. This opinion was expressed by more women (66% of women completely agreed or mostly agreed with this statement) than men (39% of men completely agreed or mostly agreed with this statement).

Results of the research "Attitudes towards Gender Equality in Society" in 2014 (Latvijas Fakti, 2014) indicate that, in the society's opinion, the main reason for lower representation of women in management positions is a traditional one – women are more often taking care of the housework, children, family. It is essential to find out what support measures for work-life balance are offered by companies. The survey also confirms that one of the major factors hindering women's professional development, is the family, more specifically, the conservative view of family and women's responsibilities in it prevailing in the Latvian society. Family does not have a similar importance in the life of women and men as well as in public expectations regarding the role of father and mother. The research reaffirms that the representatives of both genders do not have equal career opportunities, because in the case of men the aforementioned obstacles do not exist.

When answering the question on possible solutions for increasing the number of women in management positions and on the executive board, the employees name support measures for families with small children and work-life balance as the priority. Both employees and managers see mentoring and coaching activities and implementation of innovative forms of work organisation as possible solutions for increasing the number of women in management positions. Including the gender equality issues into the company's internal documents and procedures (23% of respondents) as well as training of managers, HR professionals on diversity management (28% of respondents) is also important for the employees. The reasons for such a choice should be studied separately; however, it could indicate a need to strengthen the capacity of managers and HR specialists of managing diversity.

## **Conclusions**

1. The research confirmed the hypothesis - the glass ceiling exists within large Latvian companies hindering the career growth of women in TOP management.
2. It can be concluded that an ideal manager would need features characterising a good male manager and good female manager. A male manager is considered to be good thanks to authoritative management style, ability to take initiative and make decisions rationally. These characteristics have been assessed as minor in evaluation of a good female manager. While it is considered that the essential characteristics of a good female manager are such abilities as sense of responsibility, effective planning and respecting deadlines, the ability to hear out opinions, which are not highly valued, when talking about a good male manager.
3. Mixed management teams could be more effective and create the perfect model of corporate management. By using the strengths of each gender and creating an equivalent team, it would be possible to contribute to employee satisfaction with the company's management.
4. Therefore, a greater involvement of women in corporate management and use of their potential is an important issue that is worth looking at in the context of unused resources. The participation of women in corporate management should be promoted through a variety of support tools ensuring better work – private life balance, allowing more flexible forms of a work and ensuring coaching and mentoring for potential female managers.

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