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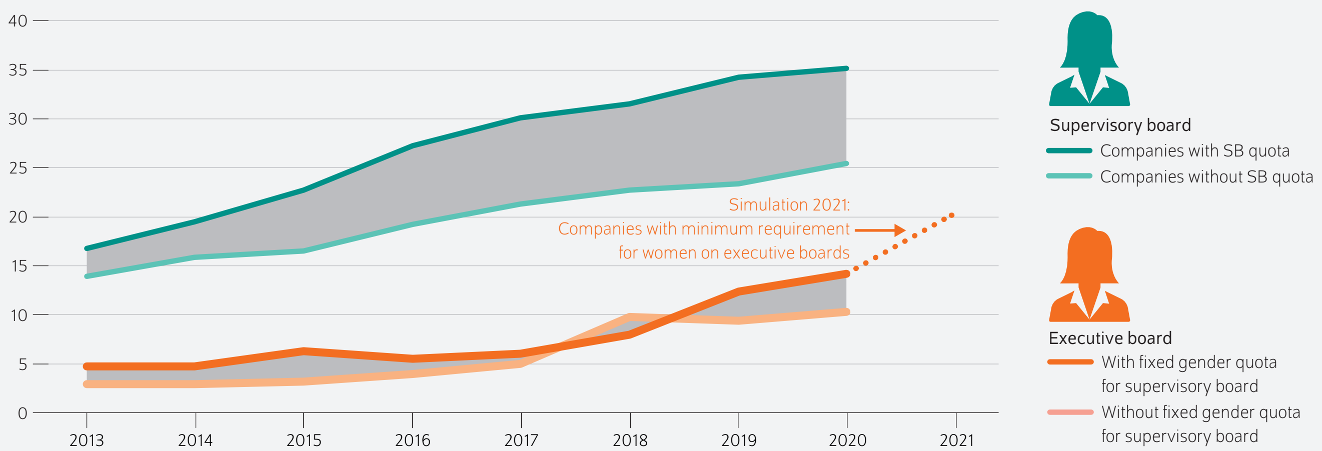
AT A GLANCE

Momentum in sight for the executive boards of major German companies

By Anja Kirsch and Katharina Wrohlich

- More women on the boards of major companies in Germany again, but growth remains restrained in many places, especially executive boards
- A statutory minimum requirement for the participation of women on executive boards could provide momentum and increase the share of women from 13 to 21 percent in affected companies
- Development on supervisory boards highlights that statutory requirements work: markedly higher shares of women on supervisory boards compared to executive boards with increases above the 30 percent threshold
- Analysis of interviews with 60 supervisory board members from 75 listed companies shows that board gender diversity has had a very positive effect
- With women on the supervisory board, executive boards are monitored more effectively; therefore hope that a regulation for executive boards will generate effects beyond the board

Statutory minimum requirement for women on executive boards could significantly increase the share of women
Share of women in the top 200 companies in percent



Sources: Authors' own surveys and calculations.

FROM THE AUTHORS

"The statutory minimum requirement for the participation of women on executive boards sends an important signal when it comes to gender equality. Following changes on the supervisory boards, it is time for change on executive boards, too. This is in the interest of the companies as well, as gender diversity usually has a very positive effect."
— ***Katharina Wrohlich*** —

MEDIA

Audio Interview with K. Wrohlich (in German)
www.diw.de/mediathek

Momentum in sight for the executive boards of major German companies

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2021 began with a political decision that had long seemed impossible: The Federal Cabinet initiated a statutory minimum requirement for the participation of women on executive boards. If the *Bundestag* passes this law over the course of 2021, listed companies with full co-determination and an executive board with at least four members will have to have at least one female board member in the future. This requirement would apply to 74 companies, around 30 of which are not currently in compliance. Were all 30 to implement the law, the share of female executive board members in the companies subject to the requirement would increase from 13 to 21 percent.

The 2021 DIW Women Executives Barometer shows that momentum is needed: in fall 2020, only 101 of the 878 executive board members of the 200 largest companies in Germany were women, a share of around 12 percent and only one percentage point higher than in 2019. Development was slow in other groups of companies as well; the growth of the proportion of women on executive boards even stagnated for the 30 largest listed companies. Following co-CEO Jennifer Morgan's departure from SAP, not a single DAX 30 company is headed by a woman.

However, there is also good news: The previously mentioned "executive board quota" could bring momentum and it will function as an important signal about gender equality policies. The developments on supervisory boards provide evidence that statutory regulations do sustainably increase the share of women on a board: The proportion of women on supervisory boards is continuing to rise—and in the group of 107 companies subject to the 30 percent gender quota for supervisory boards, it continues to rise even after the quota has been reached. In 2020, the average share of women on the supervisory boards of these companies was already around 36 percent.

The results of this development—more good news—seem to be positive, as is shown in the second report of the 2021 Women Executive Barometer. As part of a research project at the Freie Universität Berlin, 60 supervisory board members from 75 listed companies were interviewed about the effects of more women on supervisory boards. The result: interactions, discussions, and decision-making benefit significantly. The interviewees perceived a friendlier atmosphere with more politeness and mutual respect. Additionally, discussions were described as more comprehensive and multifaceted. Above all, women seem to be more likely to question proposals and decisions made by the executive board and to request additional information more often. Therefore, gender diversity in supervisory boards can contribute to monitoring executive boards more effectively. This potentially benefits companies and, ultimately, the overall economy and society as well.

In this regard, there is also the hope that a future minimum requirement for the participation of women on executive boards would not only be reflected in the development of the share of women, but also have a broader effect. However, more women on executive boards is not a guarantee and a legal requirement alone is not enough, especially since the pool of potential female executive board members is significantly smaller than that of female supervisory board members. This is because board members generally have many years of management experience and are usually recruited at the hierarchical level directly below the board—and it is precisely there that women remain the minority.

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There is a need for corporate human resources policies that pay even greater attention to ensuring that women, too, can pursue such a career and gain the professional experience within companies that is necessary for executive board positions. Gender stereotypes in the working world and a management culture that remains male-dominated need to be broken down and new forms of work organization must be discussed. In light of the coronavirus pandemic and the restrictions associated with it, the latter now seems even more urgent.

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