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***Women and employee-elected board members and their contributions to board control tasks***

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**ABSTRACT**

We present results from a study about women and employee-elected board members, and fill some of the gaps in the literature about their contribution to board effectiveness. The empirical data is from a unique data set of Norwegian firms. Board effectiveness is evaluated in relation to board control tasks including board CSR involvement. We found that the contributions of women and employee-elected board members varied depending on the board tasks studied. In the article we also explored the effects of the esteem of the women and employee-elected board members, and we used creative discussions in the boardroom as a mediating variable. Previous board research, including research about women and employee-elected directors, questions if the board members contribute to board effectiveness. The main message from this study is that it may be more important to ask how, rather than if, women and employee-elected board members contribute, and we need to open the black box of actual board behavior to explore how they may contribute.

**KEY WORDS:** Boards of directors, CSR, women directors, employee-elected directors, board control tasks, esteem, creative discussions

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## ***Women and employee-elected board members and their contributions to board control tasks***

The recent crisis in confidence in large corporations has given renewed attention to corporate social responsibility (CSR), corporate governance, and the composition and roles of boards of directors (Kochan, 2003; Schwartz, Dunfee and Klein, 2005). In the present corporate governance and CSR debates the inclusion of women and employee-elected members on corporate boards is often suggested. The question driving our research is how diversity contributes to board effectiveness. Evidence from Norway will be presented.

This article contributes to the literature in several ways. First, it contributes to the ongoing discussion about corporate governance innovations with a focus on CSR perspectives. The CSR perspectives are related to board involvement in CSR issues, and the use of women and employee-elected board members. Second, it contributes to understanding how women and employee-elected board members may contribute to board effectiveness. Third, the article contributes to understanding diversity and board processes in relation to board effectiveness and task performance. The overall conclusion in this study is that it is more important to explore *how* rather than *if* women and employee-elected board members may contribute to board effectiveness.

### ***Need for diversity on boards***

The main argument promoting women and employee-elected board members from a business case perspective has been that diversity is important for corporate value creation. To understand the impact of diversity, scholars have recently argued that it is necessary to explore boards as decision-making groups (Forbes and Milliken, 1999; Rindova, 1999; Robinson and Dechant, 1997), and that board effectiveness and accountability should be evaluated in relation to various aspects of board task performance (Forbes and Milliken, 1999; Zahra and Pearce, 1989). Our research question is to explore the effects of women and employee-elected board members on board tasks. In this article we test hypotheses about effects of diversity on board control tasks, and we use data from a large scale empirical study conducted in Norway. This is an important sample because Norway is particularly interesting as Norway has received international attention for innovative approaches for improving board composition (Singh and Vinnicombe, 2003a).

Although the argument for board diversity is corporate performance, corporate performance is not a direct measure of board effectiveness. Corporate performance is influenced by more factors than board demography, and these relationships are still not properly understood (Daily, Dalton and Cannella, 2003; Zahra and Pearce, 1989). Furthermore, the research studies using demographic measures (such as the existence, number, ratio and critical-levels of women or employee directors) as independent variables have led to inconclusive results. Some studies report positive relations between women and employee-elected board members and company performance (e.g. Catalyst, 2004, 2005; Daily and Dalton, 2003; Erhardt, Werbel and Schrader, 2003; Singh, Vinnicombe and Johnson, 2001); while other studies report negative or no effects (e.g. Bøhren and Strøm, 2005; Randøy, Thomsen and Oxelheim, 2006; Rose, 2007).

### ***Potential contributions of employee-elected board members***

The main business case for including employees on corporate boards is their long term perspective in decision making (Engelstad and Qvale, 1977; Johnsen, 1998; Jürgens et al., 2007; Kochan, 2003). Employee directors are more dependent on the long term survival of the

firm than shareholders. Furthermore, health, environment and safety issues, and the firm's reputation in the local society are more important to the employee than the other directors. Employee-elected directors are also likely to have different backgrounds than other board members, and diversity arguments imply that this diversity increases the quality of the discussions in the boardroom (Levinson, 2005). In contrast, it is argued that employee-elected board members hinder effective board behavior (Bøhren and Strøm, 2005). It has been suggested boards will avoid discussing sensitive behavioral control issues, as for example management control and compensation, if employee-elected board members are present (Hammer, Curral and Stern, 1991; Rose, 2007). Furthermore, employee-elected directors are perceived as having insufficient competence to contribute in relation to financial and budget control issues (Bøhren and Strøm, 2005).

Employee representation at the board level has been proposed as one mechanism to counterbalance the "shareholder supremacy" orientation on boards. It has been argued that corporate performance based on ownership control and the supremacy of shareholders leads to stock market efficiency. However, other scholars argue the assumption about shareholder supremacy is not only flawed, but wrong (Blair, 1995; Blair and Stout, 2001; Grandori, 2004). They argue this assumption leads to negative and even disastrous consequences such as Enron, Tyco, WorldCom, etc (Ghoshal, 2005; Kochan, 2003). It is in this debate that a renewed interest in employee representation at the board level has reappeared.

The renewed interest in employee-elected board members can be connected to the new European Union Statute of European Companies and the Council Directive supplementing the statute with regard to the involvement of employees. The inclusion of employee-elected members on corporate boards is seen as an important feature of a European model of corporate governance (Gordon and Roe, 2004). The level of attention to employee-elected board members is also rising among both national and European level trade unions (Carly, 2005; Taylor, 2005). This renewed interest makes it important to understand how employee-elected board members may contribute to various board tasks and board effectiveness.

### ***Potential contribution of women on corporate boards***

In recent years, there have been increasing pressure from both society (Grosser and Moon, 2005) and investors to appoint women directors on corporate boards (Burgess and Tharenou, 2002). As a result, the number of women in top management and board positions has slowly increased over the last decade (Burke and Mattis, 2005; Daily, Certo and Dalton, 1999; Singh and Vinnicombe, 2003b, 2004). In this article we focus on the diversity argument for including women on corporate boards. It is important to better understand how gender diversity contributes to variations in board tasks. However, the argument about gender diversity has in some of the literature been disputed as there may be larger differences *among* women and *among* men than the differences *between* men and women (Arfken, et al., 2004; McCabe, et al., 2006; Ruigrok, et al., 2007).

The main diversity argument for women on corporate boards is that they exert a positive impact on tasks of qualitative nature such as strategic and CSR controls (Bilimoria, 2000; Rosener, 1990, 1995; Selby, 2000). One criticism of men is that they focus on money and quantifiable issues and less on the human and social aspects of business (Huse and Solberg, 2006). Women are expected to be more socially-oriented than men, and therefore have the potential to broaden discussions on strategic and CSR control issues (Burgess and Tharenou, 2002; Ibrahim and Angelides, 1994; Williams, 2003).

Given the debate as to whether adding women directors increases the diversity of thought in boardrooms (Huse and Solberg, 2006) a core question is how women directors contribute to board tasks. (Arfken, Bellar and Helms, 2004; McCabe, Ingram and Dato-on, 2006). Our main argument is that diversity in backgrounds in board members leads to improved decision-making (Ruigrok, Peck and Tacheva, 2007).

### ***Need to understand board work***

Some recent qualitative studies have redirected the research question from *if* women make contributions to *how* they can make contributions (Huse and Solberg, 2006). A more detailed knowledge about boardroom behavior is thus required. Recent studies about the understanding of board effectiveness have therefore also included measures of boardroom discussions (Forbes and Milliken, 1999; Huse, Minichilli and Schøning, 2005; Simons, et al., 1999). They show positive relations between open and creative boardroom discussions and various aspects of board task performance.

Our story is to show the need to go beyond board composition and corporate financial performance when exploring the business case contributions of employee-elected and women directors. We argue here that their contributions may be explored by taking four steps in exploring the black box of actual board behavior (Daily, et al., 2003). The first step is to go beyond demographic descriptions of women and employee-elected board members. The second step is to explore differences related to various board tasks. The third step is to include open discussions in the boardroom as a mediating variable between board member characteristics and board control tasks. The fourth step is to show the importance of the esteem of the various board members.

Critics of these main streams of studies argue that there is a need to study board effectiveness in intermediate steps (Zahra and Pearce, 1989), to consider the board as an open system focusing on processes inside and outside the boardroom (Pettigrew, 1992), and to study the board as a strategic decision-making group (Forbes and Milliken, 1999). New research streams with a focus on actual board behavior are now thus evolving (e.g. Hillman and Dalziel, 2003; Huse, 2007; Leblanc and Gillies, 2005; Pye, 2004; Ravasi and Zattoni, 2006; Roberts, McNulty and Stiles, 2005; Stiles and Taylor, 2001; Sundaramurthy and Lewis, 2003).

Board tasks are often grouped into control tasks, service tasks and strategy tasks (Stiles and Taylor, 2001; Zahra and Pearce, 1989). Control tasks usually include board tasks done on behalf of external actors, service tasks are about what the boards do on behalf of internal actors, and strategy tasks will include the boards' own initiatives to develop a firm (Huse, 2005, 2007). However, there needs to be even more fine-grained definitions of tasks in order to understand the antecedents and consequences of board performance. For example, various control tasks are identified in the literature such as strategic controls, behavior controls and budget controls (Baysinger and Hoskisson, 1990; Stiles and Taylor, 2001). CSR control tasks have also been identified as managerial or governance tools and have received considerable attention in recently developed codes for good corporate governance. Based on insights from previous research and the above presentation, we focus below on board involvement in different sets of control tasks (Huse, 2007: 247-255).

- CSR control includes the degree to which boards are involved in meeting CSR requirements and stakeholder expectations, including evaluations of health, environment and safety; and concerns for the natural environment and corporate social

responsibility. Board involvement in contributions to charities was also included in this category.

- Strategic control is decision-making related to major resource allocations. It includes assessments of the politics of resources, products and markets. Strategic control will have a long-term perspective and often be of a qualitative nature.
- Behavior control includes evaluations of the performance of the CEO and the top management team, CEO compensation, and systems for compensating the top management team.
- Budget control includes evaluating and following up budgets, e.g. cost budgets, investment and capital budgets, liquidity and payments, risk management, and sales and market budgets. These kinds of controls have often a focus on the past and they are typically quantitative.

### ***Creative discussions***

Various studies have highlighted that the working styles of boards (i.e. working structures and processes) intermediate the relationship between board member attributes and board task performance (Forbes and Milliken, 1999; Huse, 2005; Zahra and Pearce, 1989). Debate, creative discussions and involvement in the boardroom are among the team processes that have been used as mediators in the understanding of board task performance. The diversity arguments rest on expectations that decisions made by groups with diverse knowledge and expertise will be higher in quality than those made by persons with homogeneous backgrounds; as long as the knowledge and skills of all board members must be used (Forbes and Milliken, 1999). Group decision making often fails to use the potential of diversity (Brodbeck, Kerschreiter and Schulz-Hardt, 2007). One intermediate measure of whether employee-elected and women directors have influenced board performance is the level of creativity in board discussions (Simons, Pelled and Smith, 1999). Open and creative discussions are key elements in understanding the boards' working style (Cadbury, 2002; Letendre, 2004; Simons et al., 1999). In this study we focus on creative discussions, and we expect that creative discussions in the boardroom are mediators between women and employee-elected board members, and board control tasks.

The preceding arguments about the need for diversity lead us to the following hypothesis:

Hypothesis 1a: Employee-elected board members have a positive influence on creative discussions in the boardroom.

Hypothesis 1b: Women on corporate boards have a positive influence on creative discussions in the boardroom.

### ***Esteem of directors: the potential contributions of these different types of directors***

Cohesiveness and esteem among the board members have been argued to be critical for effective board task performance (Forbes and Milliken, 1999; Huse et al, 2005). Board cohesiveness refers to the degree to which board members are attracted to each other and are motivated to stay on the board (Forbes and Milliken, 1999: 493). Esteem is about how individual board members are perceived and included by the other. Cohesiveness and esteem contribute to the use of knowledge and skills of the board members. The actual use of knowledge and skills are major board leadership challenges.

The boardroom is often a place for the execution of power, and a power game between various groups of board members can take place (Westphal and Milton, 2000). Boards can also be an arena where the interests of an inner circle of business elites are addressed (Useem, 1984). Esteem can be related both to power and the inclusion in an inner circle. Even though

all board members have the same responsibility and are equally liable, often some groups of board members have higher esteem and power than other board members (Huse, et al., 2005; Huse and Solberg, 2006).

We anticipate that the higher the esteem of various groups of board members, the higher impact they will have on board tasks. New-comers and persons with alternative backgrounds will often have lower esteem. Their voices may not be properly heard, and they become 'second class' members of the board. We therefore expect to find a negative relation between the negative esteem of individual or groups of board members and their contributions to board control tasks. Based on the above arguments we present the following hypotheses:

Hypothesis 2a: Employee-elected board members have a positive influence on board control tasks.

Hypothesis 2b: Women on corporate boards have a positive influence on board control tasks.

Hypothesis 3a: The esteem of the employee-elected board members is positively related to board control tasks.

Hypothesis 3b: The esteem of women on corporate boards is positively related to board control tasks.

## **METHODS**

### ***Data set***

We tested our hypotheses through a deductive study based on a unique Norway data set. There were three main reasons why we used a Norwegian data set. Boards in Norway have one of the highest ratios of women members and a tradition of employee representation. We used the Norwegian "Value creating board" survey data about actual board performance (Use, 2009; Sellevoll, Huse and Hansen, 2007). The advantage of this survey data is that many of the concepts and the methods are used and validated in studies across Europe (e.g. Minichilli and Hansen, 2007; Pugliese and Wenstøp, 2007; van den Heuvel, van Gils and Voordeckers, 2006; van Ees, van der Laan and Postma, 2008; Zattoni and Zona, 2007). The questions in these surveys were developed in English and translated for specific countries. The response rates in the Norwegian surveys were generally as high as 30%. This is considerably higher than in the surveys of most of the other countries.

Corporate laws in Norway are similar to those of the other Scandinavian countries. CEO duality (that the CEO also is the chairperson) is not allowed, and the employees can elect one-third of the board members in firms with more than 50 employees. Furthermore, there is a compulsory delegation of the daily operation of the firm to a CEO. A two-tier system similar to those in Continental Europe exists, but the executive level is generally filled by the CEO and not by an executive board. There is also a new law in Norway requiring that 40% of the board members in publicly tradable firms shall be of the least represented gender. The requirements of this law were not fully met during the spring of 2006.

### ***The variables***

To answer our research questions and to test the hypotheses we used the survey data that was collected from ordinary board members and not CEOs or board chairpersons in the respective firms. The data were collected during spring 2006 and contained responses from 840 board members. In testing the hypotheses, due to the nature of the research questions, we needed to limit our sample to firms having both women and employee-elected board members.

(Insert Table 1 about here)

Descriptions of the respondents are found in Table 1. The descriptions may be used as indicators of attributes of the board members studied. Several significant differences among the respondents exist with respect to age, shareholding, board experiences, competence and independence. The largest differences are generally between shareholder- and employee-elected board members, but on various measures there are also significant differences between men and women.

We had full data sets from 384 respondents that were either elected by the shareholders (57%) or by the employees (43%). The construction of the variables is displayed in Table 2.

(Insert Table 2 about here)

Board size (number of board members), women directors (ratio) and employee-elected directors (ratio) were constructed through count measures. In a subsequent analysis we replaced the ratio-measures with the exact numbers of women and employee-elected board members. No main differences in the results were found. The different backgrounds and knowledge of women and employee-elected directors were measured with three items on a 7-point Likert-type scale with Cronbach's alpha of .73 and .80 respectively. Questions about women on boards related to their education and experiences, and how they had other backgrounds than the male directors. Questions about employee representation related to their knowledge on employee attitudes, and activities and operations of the firm. Esteem was measured by questions on whether women and employee-elected directors were considered as 'second class' members of the board. These questions were on a 7-point Likert-type scale, and the correlation coefficient between the evaluations of women and employee directors were .32. Even though only single-item measures were available on esteem, we still decided to use it as few studies have explored this variable.

The level of creative discussions in the board was measured with four items on a 7-point Likert-type scale (all board members are actively involved in discussions; the board members present in meetings provide many creative and innovative suggestions; the board finds creative and innovative solutions; board meetings are characterized by creative discussions). The Cronbach's alpha was .81.

Board task performance in studies of actual board behavior is usually measured through the boards' involvement in various tasks (Judge and Zeithaml, 1991; Pearce and Zahra, 1991). Variables for four sets of control tasks were measured by items on a 7-point Likert-type scale, and a confirmatory factor analysis was conducted. CSR control was measured with three items (issues about health, environment and safety; issues about the natural environment and CSR; issues related to charity). The alpha was .72. Strategic control was measured by three items relating to qualitative control (evaluating human resource and recruitment policy; evaluating organizational and human resources; evaluating product quality and customer satisfaction). The alpha was .82. Behavioral control was measured with three items relating to compensation and evaluation of the management (evaluation of CEO behavior; evaluation of CEO compensation; evaluation of compensation systems for the top management team). The alpha was .80. Budget control was measured with 5 items and the alpha was .89 (evaluation of cost budgets; evaluation of investments and capital spending; evaluation of liquidity and payments; evaluation of risk management; evaluation of sales- and market budgets). An overall control task variable was computed as the mean of the four control task variables.

Two measures about the respondents (if they were women or employee-elected board members) were used as control variables. Correlations between the type of respondent and the other variables are displayed in Table 3. A woman as respondent is generally found in the

boards with the highest number of members and the highest ratio of women. There are positive correlations between women as respondents, the “women different” variable and the “women low esteem” variable indicating that the women as respondents perceived themselves more different than the men perceive them. Women perceived themselves to have lower esteem than the male respondent perceived for the women directors. The responding employee-elected board members were generally in boards with high ratio of employee-elected board members. Compared to the responses from the shareholder elected board members they answered that the employee-elected board members were more different and that they had lower esteem. These differences were larger than the comparable measures from the women respondents. It is also displayed in Table 3 that employee-elected board members rate the various control tasks lower than the shareholder elected board members.

### ***Analyses***

The nature of our dependent and independent variables allowed the use of multiple linear regression analysis to test the hypotheses. Descriptive statistics, including correlation coefficients between the variables, are presented in Table 3.

(Insert Table 3 about here)

The mean board size was 7.44, the women director ratio was .32 and the employee-elected director ratio was .29. Board size is similar to the mean size of the boards of firms listed on the Oslo Stock Exchange, while the ratios reflect that only boards with women and employee-elected members were included in the analyses. Significant skewness was detected in three of the variables (women director ratio; employee-elected director ratio; women director esteem). Logarithmic transformations of these variables were done. The only correlation coefficient among the independent variables higher than .30 was between the esteem of the proportion of the women and employee-elected directors. This correlation did not affect the results of the linear regression analyses.

The correlation analysis shows that creative discussions are positively related to all the various board control tasks, but also that the distinction among the various board control tasks is important in relation to some of the independent variables (e.g. board size, women director ratio, employee director ratio and the different background and contribution of women directors). The highest correlation among the dependent variables was between CSR and strategic types of control. Various residual analyses were conducted, but no findings were made that influenced the results in the testing of the hypotheses.

### **FINDINGS**

Results of the multiple linear regression analyses are presented in Table 4. Eleven equations are presented. A hierarchical approach was used, and F-changes for each of the steps are reported in the bottom of the table.

(Insert Table 4 about here)

The first two columns in the table show the equation with the overall control variable as the independent variable. Then follow the equations with the CSR control, strategic control, behavioral control and budget control. Two equations are presented for each of the board control variables – first without, and second with, creative discussions added as a predictor variable. The final column shows the equation with creative discussions as the independent variable. Using this approach it was possible to test the effects of creative discussions as a mediating variable. All the eleven equations are significant. The F-changes when including creative discussions are also significant in each equation.

The table displays standardized partial regression coefficients. The control variables were entered first (steps 1 and 2). The variables characterizing the respondents were significant in most of the equations – in particular it had a major impact on the responses whether the respondents were elected by the employees. Ratings of the board control tasks were lower when the respondents were employee-elected than when they were shareholder elected. Furthermore, women rated CSR control lower than the men. Board size was positively related to all board control tasks. None of the control variables were significantly related to creative discussions.

Hypothesis 1a about a positive influence of employee-elected directors and creative discussions in the boardroom was tested by the two variables entered in step 3. The F-change was significant. The beta coefficient for employee-elected different was positive and significant, while the coefficient for the ratio was insignificant. Hypothesis 1a was accordingly supported. Hypothesis 1b about a positive influence of women on corporate boards and creative discussions was not supported. The F-change in step 4 was insignificant, but there was a positive relationship between the “women different” variable and creative discussions.

Hypothesis 2a about a positive influence of employee-elected board members on board control tasks was tested by two variables. These were entered in step 3. The F-change for step 3 was significant in all equations, and the beta coefficients for the employee-elected ratio were positive for CSR control and strategic control, but negative for behavior control. Hypothesis 2a was thus supported in relation to CSR and strategic types of control, but not in relation to behavioral and budget control tasks. Hypothesis 2b about a positive influence of women on the board was also tested by two variables. These were entered in step 4. F-change for step 4 was insignificant in all the equations. Hypothesis 2b was thus not supported. There was, however, a positive relationship between women ratio and board behavior control tasks.

Hypothesis 3 was about positive relations between the esteem of the directors and board control tasks. The esteem variables were entered in step 5. The F-change was significant in all equations. Table 4 shows support for hypothesis 3a in relation to each of the board task measures. Hypothesis 3b about the esteem of women was, however, only supported in relation to budget control tasks.

The F-change reported in step 6 shows that creative discussions in the boardroom have independent significant effects on the various board control tasks. However, the changes in the beta-coefficients between the equations with and without creative discussions, indicate how creative discussions may have mediating effects. The most apparent mediating effects are between the esteem of the employees and the each of the board control variables. Mediating effects also exist between the “employee different” variable and overall board task involvement.

## **DISCUSSION**

The recent crises in the confidence people have in large corporations gave renewed attention to CSR, corporate governance, and the composition and roles of boards of directors. In the ensuing CSR debate innovations about the inclusion of women and employee representatives on corporate boards have received wide attention. We have in this article contributed to our understanding of these issues by exploring boardroom contributions of women and employee-elected board members.

The article has two main particular features. First, we approached the research question through studying actual board behavior using various control tasks as our dependent variables. Creative boardroom discussions were used as a mediating variable. Second, three sets of independent variables about the women and employee-elected directors were used. The different background and the esteem of the women and employee-elected board members were used in addition to the ratio of women and employees as explanatory variables. These variables helped advance our understanding of how women and employee-elected directors may contribute to board effectiveness. We will here present and discuss main findings from the study.

### ***The need to understand diversity: Beyond demographics***

A main set of findings is related to our measures of board demographics. Arguments exist that there may be larger differences among women in the boardroom than between men and women. We have in our study taken such arguments seriously and tried to explore real differences. We have focused on diversity through employee-elected and women board members, and the results show that it is necessary to go beyond easily measurable demographics for understanding the impact of diversity. Our results emphasize the messages by Milliken and Martin (1996) and Rindova (1999): namely that backgrounds and experiences go beyond gender and external demographics, and that the personalities of the individual board members should be considered when researching the implications of diversity.

Then we penetrated the diversity arguments. Our measures of board effectiveness were positively influenced when the employee-elected board members were considered to have different knowledge and information from the other board members. This shows that the use of the particular knowledge and skills of the employee-elected directors should be utilized. Such particular knowledge and skills include knowledge about the employees and the firm, and, perhaps, skills that pertain to their ability to motivate the employees.

Women are expected to have a more questioning attitude than men, and may thus contribute to more open discussions in the boardroom (Kramer, Konrad and Erkut, 2006; Loden, 1987; McInerney-Lacombe, Bilimoria and Salipante, 2008). We found that the contribution of women to creative discussions only existed when the women had a different background from the men. However, this relationship was weak. A possible reason for the lack of strong findings may be that, as Rose (2007) has argued, women directors tend to a larger degree than the employee directors to adopt the ideas of the conventional board members, and thus do not let their potential performance effects materialize. More in-depth studies should explore this argument.

Another possible explanation for the lack of impact of women having different backgrounds and knowledge might be that their contribution is only discernable through the actual use of their alternative backgrounds and expertise. Westphal and Milton (2000), however, found that the extent to which minority board members make a contribution to their boards is highly dependent on 1) their own previous experience in a minority position of other corporate boards; and 2) previous experience by other board members in a minority position. Hence, while women directors may bring alternative backgrounds and knowledge to the boardroom, they may lack the experience of how to actually present and bring through such knowledge. Future research may include more detailed studies of the background of the women directors, and should explore how the interaction among women's' alternative backgrounds, their knowledge, and their previous experience as board members may influence their contribution to board task performance.

### ***The need to understand board work: Tasks and processes***

Another set of findings is that women and employee-elected directors may contribute to board effectiveness, but how they contribute to different board tasks may vary. We found positive relations between the ratios of women and employee-elected board members and strategic types of control as well as between women directors' ratio and CSR control tasks. The relationships with behavioral and budget controls generally were insignificant or negative. These results are consistent with previous findings by Tacheva and Huse (2006) that women directors are more likely to contribute to board tasks of a qualitative rather than quantitative nature. The ratio of employee-elected board members was negatively related to behavioral control tasks. We found, however, that employee-elected board members may have significant positive effects on other board control tasks, and that this depends on their background and their esteem in the board.

A third main set of findings is about the boards' working style with a focus on creative discussions in the boardroom. The importance of creative discussions and a process-oriented boardroom culture is getting increased attention in the conceptual and practitioner-oriented literature (Brodbeck, et al., 2007; Huse, et al., 2005; Simons, et al. 1999). The study has contributed by including creative discussions into an empirical study. We found that creative discussions are significantly related to board control tasks. Creative discussions had effects independent of the other predictor variables in the model. The explanatory power of each of the equations, indicated by the changes in the adjusted R-squares, increased significantly when creative discussions were introduced. However, creative discussions were also mediating the relations between our predictor and criteria variables. The most visible mediating relations were between the different backgrounds and esteem of the employee-elected board members and the various board control tasks. To our surprise, as we mentioned earlier, we did not find strong evidence that the women directors *per se* contributed to creative discussions. However, the combined effect of different backgrounds and the esteem of the women directors were significantly related to creative discussions. Further analyses with additional variables and other samples should be undertaken.

### ***The esteem and contribution of women and employee-elected board members***

Finally, we asserted the importance of the esteem of the board members. We expected that the higher the esteem the various groups of board members have, the higher the impact they will have on board effectiveness. This argument was generally supported in the case of the employee-elected directors, and the findings should have practical implications in relations to board leadership and the attitudes between shareholder and employee-elected board members. In the case of women directors we found that esteem was positively related to budget controls, but not to the other types of control. However, the esteem of the women directors was generally found to be high and the lack of variations in the data might have caused the lack of findings.

Dealing with esteem is a major board leadership challenge (Cadbury, 2002; Huse, 2007; Leblanc and Gillies, 2005). Future research should go further into this issue. Few, if any empirical studies have used measures about the esteem of board members. Our findings were very promising for penetrating into the importance of the esteem, but we only used single-item variables, and further studies should thus also include measurement development.

## **CONCLUSION**

Three issues about boards' contributions to CSR have been presented in this article; the inclusion of women director, the inclusion of employee-elected directors, and the involvement of boards in CSR control tasks. We have tested three sets of hypotheses on how women and employee-elected board members may contribute to board effectiveness. Most studies on the contribution of women and employee-elected board members have used input-output approaches between numbers or ratios of board members and corporate financial performance. Findings in these studies have been inconclusive. We used another approach and designed a study about actual board behavior, including the exploration of board processes and tasks. We found that women and employee-elected board members may contribute to board effectiveness. The contribution of women and employee-elected board members depended, however, on the use and existence of real diversity and not only demographic diversity. The findings revealed that women and employee-elected board members may have particular contributions to CSR controls and strategic controls.

Our study contributes to the literature and fills gaps in existing research in several ways (Coffey and Wang, 1998; Kochan, 2003). First, it contributes to the ongoing discussion about corporate governance innovations with a focus on CSR perspectives. Second, it specifically contributes to a better understanding of the contributions of women and employee-elected board members. Third, the article contributes to our understanding of diversity and board processes in relation to board task involvement.

There are two main practical implications of the study. First, diversity and competencies should be important criteria when selecting board members – particularly from a CSR perspective. Women and in particular employee-elected board members may contribute to board effectiveness, but diversity and competencies do not necessarily follow from gender and employee representation. Second, there is a particular board leadership challenge involved in developing a board working style where the actual competencies are used.

The study has also implications for further research about diversity in boards of directors. There is a need to penetrate board task performance. In addition, studies should go beyond easily measurable demographics, and the importance creative discussions and the board working style should be explored. We have used a unique data set from Norwegian firms, but similar studies in other national and cultural setting should also be undertaken.

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Table 1 Descriptions of the respondents

Mean (Standard error mean) Standard deviation	Elected by		Gender	
	Shareholders	Employees	Men	Women
Number	247	212	267	186
Elected by employees			.48 (.03) .50	.42 (.04) .49
Women	.44 (.03) .50	.38 (.03) .49		
Age (years)	<b>51.57</b> (.59) 9.28	45.62 (.65) 9.44	<b>50.91</b> (.59) 9.64	45.74 (.68) 9.24
Shareholding (%)	<b>3.31</b> (.70) 10.64	1.19 (.62) 8.51	2.68 (.70) 11.00	1.78 (.59) 7.56
<b>Board experiences</b>				
Tenure in this board (years)	<b>4.52</b> (.31) 4.82	3.79 (.25) 3.55	<b>4.94</b> (.30) 4.96	3.11 (.21) 2.80
New boardmemberships (less than one year) (number)	<b>.79</b> (.10) 1.52	.13 (.04) .54	.52 (.09) 1.40	.45 (.07) .91
Present board memberships in other companies (number)	<b>3.67</b> (.27) 4.20	.61 (.10) 1.39	<b>2.65</b> (.26) 4.20	1.73 (.17) 2.34
Present and earlier board memberships (number)	<b>9.61</b> (.75) 11.79	1.63 (.25) 3.68	<b>7.59</b> (.72) 11.78	3.46 (.38) 5.22
<b>Competence and background</b>				
Extensive board experiences from other companies (1-7)	<b>4.42</b> (.12) 1.89	2.11 (.12) 1.67	<b>3.64</b> (.13) 2.17	2.91 (.15) 2.00
Extensive relevant industry experience (1-7)	5.00 (.11) 1.68	5.18 (.11) 1.64	<b>5.34</b> (.10) 1.57	4.68 (.13) 1.72
Extensive relevant company knowledge and experience (1-7)	5.63 (.07) 1.16	5.70 (.08) 1.22	<b>5.75</b> (.07) .02	5.53 (.09) 1.18
<b>Independence and relationships</b>				
Family relations with the CEO (yes=1)	<b>.05</b> (.01) .22	.02 (.01) .14	.03 (.01) .18	.04 (.01) .19
Friendship relations with the CEO (yes=1)	.06 (.02) .24	.03 (.01) .18	<b>.07</b> (.02) .26	.02 (.01) .13
Business relations with the CEO (yes=1)	.12 (.02) .32	.09 (.02) .29	.11 (.02) .32	.09 (.02) .28
Relations with major owners (yes=1)	<b>.29</b> (.03) .46	.06 (.02) .23	<b>.22</b> (.03) .41	.14 (.03) .35

Table 2. Validation of the variables

<b>Variable</b>	<b>Operationalization</b>	<b>Validation<sup>1</sup></b>
Number of board members	Count variable	-
Ratio employee directors	Count variable	-
Ratio women directors	Count variable	-
Employee-elected directors on this board have different backgrounds and knowledge than shareholder-elected directors	3 items on a 7-point Likert-scale a) knowledge about attitudes of employees b) knowledge about what takes place in the company c) to embed board decisions among employees	Alpha .80
Women on this board have different backgrounds and knowledge from the men	3 items on a 7-point Likert-scale a) women different educational background b) women different experience background c) women represent other values	Alpha .73
Esteem of employee-elected directors on this board	One item on a 7-point Likert-scale a) employee-elected considered as secondary board members	-
Esteem of the women directors on this board	One item on a 7-point Likert-scale a) women considered as secondary board members	-
Creative discussions	Four items on a 7-point Likert-scale a) creative discussions in the board meetings b) all board members contribute actively in the discussions c) board members presents in meetings creative and innovative suggestions d) board finds creative and innovative solutions	Alpha .81
CSR control: (This board is highly involved in evaluating)	Three items on a 7-point Likert-scale a) health, environment and safety in the company b) the company's responsibilities towards the natural environment and corporate social responsibility c) charity	Alpha .72
Strategic control: (This board is highly involved in the evaluation of)	Three items on a 7-point Likert scale a) products and customers b) human resource and selection policy c) organization and human resources	Alpha .82
Behavioral control: (This board is highly involved in evaluating)	Three items on a 7-point Likert scale a) the CEO's actions and behaviors b) compensation for the CEO c) TMT compensation systems	Alpha .80
Budget control: (This board is highly involved in evaluating)	Five items on a 7-point Likert scale a) cost budgets b) investments and capital expenditures c) liquidity and payments d) risk management e) sales- and marketing budgets	Alpha .89
Control tasks (mean)	Mean of CSR control, strategic control, behavioral control and budget control	

1) Validation through confirmatory factor analysis was done on a sample of 840 board members selected as shareholder or employee representatives. No CEOs or board chairpersons were included as respondents.

Table 3. Descriptive statistics and correlation coefficients

	Mean	Std	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Control tasks (mean)	4.44	1.11	-													
2. CSR control	3.82	1.43	.75	-												
3. Strategic control	4.18	1.44	.81	.54	-											
4. Behavioral control	4.30	1.71	.78	.40	.46	-										
5. Budget control	5.45	1.24	.71	.35	.49	.41	-									
6. Empl.-elected respondent	.45	.50	-.37	-.25	-.33	-.34	-.18	-								
7. Woman as respondent	.44	.50	.00	-.05	-.03	.05	.02	-.03	-							
8. # board members	7.44	2.03	.26	.22	.14	.31	.10	-.06	.10	-						
9. Employee ratio (ln)	-.24	.35	-.09	.02	-.00	-.20	-.06	.21	-.02	-.09	-					
10. Employee dir. different	4.96	1.28	.08	.08	.05	.05	.08	.21	-.03	.09	.03	-				
11. Women ratio (ln)	.24	.42	.13	.06	.05	.20	.05	-.11	.25	.26	-.10	.03	-			
12. Women dir. different	3.95	1.39	-.03	.01	-.02	-.08	.01	.01	.12	-.12	.02	.02	-.01	-		
13. Employee low esteem	2.88	1.92	-.37	-.25	-.29	-.29	-.29	.28	.12	-.08	.11	-.16	.02	.11	-	
14. Women low esteem (ln)	1.45	.62	-.21	-.10	-.18	-.15	-.23	.10	-.16	-.11	-.02	.19	-.01	.19	.38	-
15. Creative discussion	4.45	1.17	.50	.38	.36	.36	.43	-.10	-.04	-.01	-.02	.22	-.01	.08	-.36	-.17

N = 371. Pearson's product moment correlation coefficients. All correlations are presented in decimals.  
 Correlations higher than .09 < 10% 2-tailed sign level, .10 < 5% 2-tailed sign level, .13 < 1% 2-tailed sign level

Table 4. Linear regression analysis

Equation	Control tasks (mean)		CSR control		Strategic control		Behavioral control		Budget control		Creative Discus.
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Step 1											
Employee respondent	-.30**	-.28**	-.24**	-.22	-.30**	-.29**	-.26**	-.24**	-.12'	-.09	-.07
Woman respondent	-.00	-.01	-.07	.07	-.01	-.02	.02	.01	.05	.04	.02
Step 2											
Board size	.21**	.22**	.21**	.22**	.11*	.12*	.24**	.26**	.05	.07	.04
Step 3											
Employee-elected ratio	.02	.01	.10*	.10*	.08	.07	-.10*	-.10*	-.02	-.02	.01
Employee-elected different	.08'	.00	.09'	.02	.06	.01	.06	-.01	.06	-.02	.21**
Step 4											
Women director ratio	.05	.05	.01	.01	-.00	.00	.09'	.09*	.01	.02	-.01
Women director different	.03	-.02	.05	.02	.03	-.01	-.03	-.06	.05	.01	.09'
Step 5											
Employee low esteem	-.24**	-.10*	-.18**	-.08	-.18**	-.08	-.15**	-.06	-.20**	-.09	-.20**
Women low esteem	-.06	-.04	.03	.05	-.07	-.05	-.04	-.02	-.15**	-.13**	-.06
Step 6											
Creative discussions		.43**		.33**		.30**		.32**		.38**	
R	.52	.65	.40	.50	.42	.50	.50	.58	.36	.49	.42
Adj R-square	.26	.41	.14	.23	.16	.23	.24	.32	.11	.22	.16
F	15.2**	26.6**	7.7**	11.9**	8.9**	12.2**	13.8**	18.6**	6.0**	11.8**	8.7**
F change step 1		29.1**		13.6**		23.6**		23.9**		6.6**	2.4'
F change step 2		26.8**		18.3**		6.4*		40.2**		2.9'	.00
F change step 3		4.5**		4.49*		3.3*		4.8**		2.9'	15.2**
F change step 4		.20		.39		.02		2.1		.01	.66
F change step 5		14.8**		5.27**		8.2**		5.9**		15.0**	19.1**
F change step 6		94.4**		42.5**		34.1**		46.1**		56.6**	

N=371-380, multiple linear regression, beta-coefficients, ' < .1 sign level, \* < .05 sign level, \*\* < .01 sign level