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**WOMEN ON CORPORATE BOARDS IN THE REPUBLIC OF CROATIA  
IN THE CONTEXT OF THE EUROPEAN UNION DIRECTIVES AND  
NATIONAL POLICIES**

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***Review***

**Abstract**

*Gender equality is a very important topic in today's business world that involves the prevention of discrimination and different protection measures for women promotion not only in activities of human resource management such as recruitment, working conditions, training and different benefits, but also in corporate management functions, at board and top level of management. Countries take different approaches in terms of institutional support and setting quotas to increase women presence at boards and top management of the corporations. Across Europe different policies and initiatives are undertaken to increase number of women on corporate boards. In 2011 the Croatian Parliament adopted the National Policy on Gender Equality. This policy aims to create a gender balance of supervisory and management board members in the public and private sectors by ensuring that the share of the women to the Act on Gender Equality, does not fall below 40%. This Policy does not appear to be properly implemented in practice. Statistical data from 2017 shows that share of women on boards of the leading Croatian companies is 17.3%, according to the CROBEX Index which measures the share of women in management positions in the most important companies on the Zagreb Stock Exchange. In 2017 share of women in corporate boards decrease comparing with 2015 and 2016 when it was above 20%. According to the latest available data from the European Commission in*

*April 2016, women are most numerous on corporate boards in France (37.1%), Sweden (36.1%), Italy (30.0%) and Finland (29.8%). The aim of the paper is to analyse position of women on corporate boards in the Republic of Croatia and do the comparison among Croatia and other EU countries with the critical approach to the analysis of secondary data, European Union directives and national policies.*

**Keywords:** *women, corporate boards, the Republic of Croatia, European Union*

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## **1. INTRODUCTION**

World corporations need to operate in a multinational environment where diversity within corporate boards is dominant and is one of the most important topics. According to the Lansing and Chandra diversity is commonly preferable at all levels in a corporation and defined as the composition of different types of people in a corporation or a group of employees. Women on corporate boards can contribute directly and indirectly, directly as leaders, mentors and networking and indirectly by inspiring other women to fight for top management positions and to break the invisible glass ceiling (Terjesen, Sealy, & Singh, 2009, 320-337). In modern corporations the most important internal mechanisms of corporate governance is the board of directors or management board because it is responsible for strategic management processes in corporation and strategic decision-making. The role of the supervisory board is to advise and monitor top management, and for that purpose the supervisory board is typically consisted of competitive individuals who have the specific skills and all required quality information.

The aim of the paper is to analyse position of women on corporate boards in the Republic of Croatia and do the comparison among the Republic of Croatia and other EU countries with the critical approach to the analysis of secondary data, European Union directives and national policies. This paper provides both descriptive and comparative analysis and is based on the secondary research data, both from internationally and nationally respected researchers and institutions. It is divided into 5 sections. First section is introduction. A review of legislation framework in European Union is demonstrated in section 2, further followed by a legislation framework in the Republic of Croatia in section 3. In section 4, the used methodology and secondary statistical data analysis about women on corporate boards in EU28 and the Republic of Croatia is explained. Section 5 includes a conclusion and discussion with implications and proposals for future research.

## 2. LEGISLATION FRAMEWORK IN EUROPEAN UNION

The issue of gender diversity has become one of the most important topics for European Commission and has over the last decade tried to reach a sustainable development within the European Union where gender equality is mentioned as one of the European Union's values. The European Union created one internal market where corporations, as well as people, are assured policies of free movement and standardized legislation and rights (European Union, 2017).

In EU a lot of member states have introduced gender quotas on two different ways: a voluntary and mandatory basis. The directive evolved from when the Commission adopted the *“Strategy for Equality Between Women and Men 2010-2015* (European Commission, 2010), which emphasized the promotion of women in the decision-making field. The European Commission in 2012 has proposed legislation with the aim of a 40% on women on corporate boards in listed corporations (VrdoljakRaguž, 2017, 269-279). These voluntary targets are also to be met in year 2020 (Proposal for a Directive 2012/0299, 2012). All details about quotas in EU28 are presented in table 1.

Table 1. Statistics and national measures in place

Member State	Share of women on boards	Quotas in place	Other national measures in place
Austria	20.1 %	Yes: only state-owned companies (35 % for supervisory boards by 2018).	Self-regulation: The Corporate Governance Code of 2009 recommends representation of both genders in appointments to supervisory boards.
Belgium	26.6 %	Yes: 33% for executives and non-executives in state-owned and listed companies-by 2017 and in listed SMEs-by 2019.	Self-regulation: The Corporate Governance Code of 2009 recommends that the composition of a board is determined on the basis of gender diversity.
Bulgaria	17.9%	No	No
Croatia	22.2 %	No	No
Cyprus	10.9 %	No	No
Czech Republic	8.8 %	No	No
Denmark	27.0 %	No	Boards in state-owned companies should ‘as far as possible’ have an equal gender balance; a man and a woman

			<p>nominated for every vacancy (executives and non-executives).</p> <p>From 2013 - obligation to all companies (listed and non-listed) to self-regulate and set their own targets.</p> <p>A company can be fined if it hasn't set any target figures or hasn't submitted any reporting.</p>
Estonia	8.2 %	No	No
Finland	29.9%	No	<p>State-owned companies are required to have an 'equitable proportion of women and men'. The Corporate Governance Code for listed companies contains recommendation that 'boards shall consist of both sexes'.</p>
France	37.1 %	<p>Yes: from 2011 - 40 % by 2017.</p> <p>Applicable to non-executive directors in large listed and non-listed companies.</p>	<p>The AFEP-MEDEF Corporate Code: recommendation containing same quotas as in the Law of 2011, applicable to all board members.</p>
Germany	27.2 %	<p>Yes: from 2016 - 30 % for supervisory boards of the listed companies that are submitted to parity co-determination (the roughly 110 biggest listed companies).</p>	<p>Other companies that are either listed or fall under parity co-determination have to set individual quantitative objectives of women on boards with regard to non-executive and executive board members and senior managers below board level and deadlines to achieve them.</p>
Greece	9.4 %	<p>Yes, 33 % - only companies fully or partially owned by the State.</p> <p>Applicable to all board positions (executives and non-executives).</p>	<p>Soft positive action measures in public sector.</p>
Hungary	11.2 %	No	<p>Soft positive action measures in public sector.</p>

Ireland	16.0 %	No	A policy target of 40 % female participation on all state boards and committees. Soft positive action measures in public sector employment.
Italy	30.0 %	Yes: 33 % by 2015 for listed companies and state-owned companies. Applicable to management boards and supervisory boards (i.e. executives and non-executives).	Yes
Latvia	27.7 %	No	Soft positive action measures in the public sector.

Source: European Commission, 2016.

It is visible that research has been made regarding the development of gender equality within corporate boards in general, but not as much in the top management of businesses, in other words, within executive positions (Sjöberg, Drewniok, 2017, 1-64).

### 3. LEGISLATION FRAMEWORK IN THE REPUBLIC OF CROATIA

The primary sources of corporate governance legislation in Croatia are the Company Act, the Audit Act, the Accountancy Act and the Credit Institutions Act. A Corporate Governance Code was adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange in 2007 and revised in 2010. In line with EU legislation, the Code is to be implemented on a "comply or explain" basis (Cigna, Djuric, Kobel, Sigheartau, 2017, 1-15).

According to the EBRD report from 2017 in the Republic of Croatia corporations can decide to be organized under a one-tier or two-tier system. The average size of a board is seven members, which is a manageable size. Boards of the largest companies show relatively high gender diversity, well above the average of EU countries in the EBRD region. Cigna, Djuric, Kobel, Sigheartau (2017) analyzed different corporate governance acts in the Republic of Croatia together with annual reports of listed corporations and concluded that corporations are required to publish their annual reports and the largest listed companies appear to comply well with this requirement. Regarding the different non-financial information in the Republic of Croatia quality of non-financial information is generally good but there are still some

key information that is not available (qualification of board members, activities and frequency of meetings of board and committees, and committees' composition). Reporting to the markets and shareholders is one of the most important activities and in the Republic of Croatia is regulated by law and is well implemented in practice. Regarding the audit, the audit committee is in charge of monitoring the robustness of the internal audit function. External auditors do not express opinion on the effectiveness of the internal control system. Insider trading is forbidden and regulated by law. The market capitalization of the Zagreb Stock Exchange is quite high but liquidity appears limited. According to Cigna, Djuric, Kobel and Sigheartau the Corporate Governance Code is an excellent complement to the law. All ten largest listed companies have published a compliance statement, however explanations provided by the companies are not always meaningful and appropriate. The regulator and the exchange have prepared very interesting statistical reports offering general overview of the corporate governance and securities market situation in the country. However, they do not monitor the quality of explanations provided by the companies. (Cigna, Djuric, Kobel, Sigheartau, 2017, 1-15).

#### **4. WOMEN ON CORPORATE BOARDS IN EU28 AND THE REPUBLIC OF CROATIA**

Over the last two decades so many different scientist and practitioners have investigated the problem of diversity in corporate boards. According to numerous studies, diversity within corporate boards contributes to different benefits in corporation including creativity, greater supervision and monitoring actions, satisfaction among stakeholders and positive business results for the corporation (Billimoria, Wheeler, 2000, Carter, Simkins, Simpson, 2003, 33-53 de Jong, Dejong, Mertens, Wasley, 2005, 473-503, Krishnan, Park, 2005, 1712-1720, Bilimoria, 2006, 47-61, Campbell and Mínguez-Vera, 2008, 435-451, Lansing, Chandra, 2012, 3-14). Billimoria and Wheeler have shown in their research that gender diversity on boards contributes to more effective corporate governance through the development and progress concerning board processes, such as improved communication. A few studies have shown that the heterogeneous and diverse boards contribute to a more varied perspective in comparison to homogenous boards, where the latter often have a narrower view (Carter, Simkins, Simpson, 2003, 33-53, Lansing, Chandra, 2012, 3-14). A study made of Campbell and Mínguez-Vera (2008) is focused on decision making processes in corporation. According to them the presence of women on boards may enhance shareholder value since women bring a different perspective to the decision-making process.

This paper examines the women presence in executive positions and CEO positions in the European Union and the Republic of Croatia and is based on the secondary data collected from different databases available at European Commission and Eurostat's websites. Using the statistical data is very important because based on them it is possible to make comparison of the data over time.

#### 4.1. Women in European boards

Secondary data from the EUROSTAT data base show that nearly 7.3 million persons hold managerial positions in enterprises with 10 employees or more located in the countries of European Union (EU): 4.7 million men (65% of all managers) and 2.6 million women (35%) (<http://ec.europa.eu/eurostat>, 2017). It is interesting to analyse also the data of EUROSTAT that show the gender diversity among different countries in EU. Managers are mostly women only in Latvia (53%) which is followed by Bulgaria and Poland (both 44%), Ireland (43%), Estonia (42%), Lithuania, Hungary and Romania (all 41%) as well as France and Sweden (both 40%). Different situation is in Germany, Italy and Cyprus (all 22%), Belgium and Austria (both 23%) as well as Luxembourg (24%), Croatia (20%) and Greece (10%). At EU level 35% of managers are women (<http://ec.europa.eu/eurostat>, 2017). In every EU Member State there are differences between women and men in managerial positions concerning wages, male managers earn more than women managers. The gender pay gap in managerial positions is the narrowest in Romania (5.0%), Slovenia (12.4%), Belgium (13.6%) and Bulgaria (15.0%). In Hungary (33.7%), Italy (33.5%) as well as the Czech Republic (29.7%) female manager earns about a third less than her male colleague, and about a quarter less in countries such as Slovakia (28.3%), Poland (27.7%), Austria (26.9%), Germany (26.8%), Portugal (25.9%), Estonia (25.6%) and the United Kingdom (25.1%). (<http://ec.europa.eu/eurostat>, 2017).

#### 4.2. Women in Croatian boards

The Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange for the seventh year in a row, prepared the Annual Corporate Governance Report, in which there is a visible level of corporate governance of the issuer whose securities are listed on a regulated market in the Republic of Croatia (<https://www.hanfa.hr/media/2185/giku-2016-final.pdf>).

According to the Annual Corporate Governance Report out of 139 issuers whose shares were listed on the regulated market of the Zagreb Stock Exchange on 31<sup>st</sup> December 2016, 110 issuers submitted a filled Questionnaire. As of December 31, 2016, most of the board members (38.31%) had between 45 and 55 years, 33.87% had between 35 and 45 years, over 55 years had 22.58% of board members, 5.24% were less than 35 years of age. Most management members under the age of 35 were in the issuers of real estate and funds (five management members from a total of four issuers). Most top management over the age of 56 was with issuers from the tourism sector (13 management members out of 10 issuers). Most of the members of the board had a university diploma (95.56%), 3.62% had a doctorate degree, while 1.21% had a secondary (high school) or lower qualification. The number of women in Management Board is as following, in 2014, 16.67%, 14.75% in 2015 and 15.12% in 2016. Situation in the Supervisory Board is better if the gender balance is taken into the consideration but still not so good as in some other EU28

countries especially those with quotas. In 2014 it was 20.62%, 20.86% in 2015 and 20.37% in 2016.

According to the data of PayLab and service Mojposao the biggest differences between women and men wages in the Republic of Croatia are on the managerial level, where women are paid 17% lower than male (<https://www.paylab.com/>, <https://www.moj-posao.net/>).

## 5. DISCUSSIONS AND CONCLUSION

This paper focuses on the women on boards in listed corporations in EU28 and the Republic of Croatia. It contributes to the literature that analyses gender diversity in top management. The presented statistical data show us that the women are less than men present in corporate boards so it means in top management positions. Statistical data presented only the largest listed companies in each of the EU28 countries and in the Republic of Croatia. It will be interesting for the further research to include in the analysis countries outside the European Union. Then it will be possible to compare different regions and countries all over the world and get the global picture of the gender equality in corporate boards.

For future studies it will be also interesting to interview women in leading positions so that a qualitative study can be presented. With that kind of study it will be easier to understand all difficulties and obstacles that women have in corporate boards and also to have an explanation about glass ceiling and glass labyrinth in different types of corporations.

The role of female and men managers has already changed and is going to change more in the future but to succeed in that aim it is important to change the mind-set according to traditional roles of women in society. Diversity in management is one of the key variables of contemporary management that will be leading the companies to the organizational success.

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