

National and Gender Diversity in the Board of Directors - The Case of Outokumpu

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NATIONAL AND GENDER DIVERSITY IN THE BOARD OF DIRECTORS - The Case of Outokumpu

Objectives of the Thesis

The main theme of this thesis is board diversity with a focus on gender and national diversity. In addition, the main reasons why companies diversify their boards are looked at as well as the recruiting process and roles and contributions of female and foreign board members.

Methodology and Data Collection

Case study was chosen as a research method for this thesis because of its unique capabilities in explaining and describing complex phenomenon, which board diversity is. The case studied in this thesis is the Outokumpu board of directors, and the individual board members act as the multiple units of analysis. Data on the company generally has been gathered from a longer time period, from 1999 to 2007, to explain and describe the context of the case. More thorough attention is given to years from 2001 to 2007 since during this time the board of directors went through many changes. Semi-structured interviews were used as the main data collection method and the interviews took place in the end of year 2007 and the beginning of 2008. Altogether nine people were interviewed: the chairman of the board, two Finnish male members, one foreign male member, two foreign female members, one Finnish female member, one former CEO and one former Finnish female member.

Main Findings

The thesis identifies main barriers to and criteria for recruitment, the reasons for accepting a position, and roles and contributions of female and foreign board members. In addition, three novel findings appeared during the research. Firstly, foreign members encounter many barriers on their way to a Finnish company's board. These are: the short recruiting process, one year tenure, low meeting fees, recruitment relying on Finnish networks, and the remoteness of Finland. Secondly, the main reason for the female members' recruitment used to be gender in the beginning of the 21st century. However, this effect of gender has diminished during the last few years. Thirdly, the actual amount of female and foreign members proved significant: the minimum number of female or foreign members is two for the board to be able to reap the benefits of diversity.

Key Words

Board of Directors, Board Diversity, Gender Diversity, National Diversity, Internationalization

HALLITUKSEN MONIMUOTOISUUS KANSALLISUUDEN JA SUKUPUOLEN NÄKÖKULMASTA

Case: Outokumpu

Tutkielman tavoitteet

Tutkielman tavoitteena on tutkia hallituksen monimuotoisuutta sukupuolen ja kansallisuuden näkökulmasta. Eriyisen tarkkailun alaisina ovat pääsyyt sille miksi yritykset lisäävät monimuotoisuutta hallituksissa, sekä nais- ja ulkomaalaisten jäsenten rekrytointiprosessi sekä roolit ja kontribuutio hallituksessa.

Tutkimusaineisto ja -menetelmät

Tutkimus toteutettiin case-menetelmää käyttäen jossa päätutkimuskohteena oli Outokumpu Oyj:n hallitus. Yritystä koskeva tieto on kerätty pääasiassa vuodesta 2001 vuoteen 2007 saakka, sillä näiden vuosien aikana tapahtuivat suurimmat muutokset hallituksen kokoonpanossa. Tärkeimpänä tiedonkeruumenetelmänä käytettiin haastatteluja. Haastattelut tapahtuivat vuoden 2007 loppupuolella sekä vuoden 2008 alkupuolella. Yhteensä kahdeksaa ihmistä haastateltiin: hallituksen puheenjohtajaa, kahta suomalaista miesjäsentä, yhtä ulkomaalaista miesjäsentä, kahta ulkomaalaista naisjäsentä, yhtä suomalaista naisjäsentä, yhtä aiempaa Outokummun toimitusjohtajaa sekä yhtä aikaisempaa suomalaisista naisjäsentä.

Keskeiset tutkimustulokset

Tutkimus määrittelee naisjäsenten ja ulkomaalaisten jäsenten rekrytoinnissa kohtaamat suurimmat esteet, tärkeimmät kriteerit hallitukseen nimittämiseksi, syyt jäsenyyden hyväksymiseen sekä roolit ja kontribuutiot hallitustyöskentelyssä. Näiden lisäksi tutkimuksessa tuli esiin kolme tärkeää tulosta. Ensinnäkin, ulkomaalaiset kohtaavat useita esteitä Suomalaisten yritysten hallitukseen rekrytoinnille: lyhyt rekrytointiprosessi, vuoden kerrallaan kestävä hallitusjäsenyys, alhaiset kokouskorvaukset, rekrytoinnin riippuvaisuus Suomalaisista verkostoista sekä Suomen etäisyys. Toiseksi, naisjäsenten tärkein rekrytointisyy oli sukupuoli 2000-luvun alussa, joskin sen merkitys on vähentynyt viimeisten vuosien aikana. Kolmanneksi, nais- ja ulkomaalaisten jäsenten lukumäärällä on merkitystä: naisjäseniä tulisi olla vähintään kaksi ja ulkomaalaisia vähintään kaksi, jotta monimuotoisuuden hyödyt saataisiin otettua käyttöön hallitustyöskentelyssä.

Avainsanat

Hallitus, hallituksen monimuotoisuus, naisjäsen, kansallinen monimuotoisuus, kansainvälistyminen

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1 INTRODUCTION

1.1 Background

Multinational corporations (MNCs) encounter an increasingly complex environment as they reach for new markets and customers. The share of sales in the home country or continent of the company decreases when the company becomes more international, thus increasing the pressures to cope with cultures, conditions and diversity more unfamiliar to the company. One way to respond to these needs is to have a diverse group of people leading the company in the board of directors. Many academics and other specialists call for similar diversity in the board to what is represented in the other environments of the company.

The two most relevant diversity dimensions with regards to corporate boards are gender and nationality. Even though women have increased their representation in business life, their representation on the board level lags behind. On a global scale 75% of the Fortune 1000 companies have at least one woman in the board of directors (Daily and Dalton 2003). In Finland 52% of the Finnish publicly listed companies had one or more female board members in 2007 (Tuomisalo 2008). However, from all board members 11.7% were women (Jämsä and Mettovaara, 2008), which indicates a rather superficial female representation in Finnish companies' boards.

With regards to national board diversity on a global scale the results are quite similar to gender diversity: in 2005, 75% of the world's largest transnational corporations (TNCs) had at least one foreign board member. In the Finnish context foreign representation is not on as high level, since in only about 32% of the publicly listed companies there was at least one foreign board member in 2007. Again, if looking at the share of foreign board members from all board members, foreigners occupy 13.4% of the positions (Jämsä and Mettovaara, 2008).

Even though these figures give an overall picture of the current situation of diversity on corporate boards, the in-depth outcomes and reasons for these numbers remain unclear. The Nordic Innovation Centre (NIC) tackled the issue of board diversity in the context of Nordic publicly traded companies by launching a project called “Corporate Governance as a Source of Competitiveness for Nordic Firms”. The project was divided into two parts: the quantitative part looks at the current situation of gender and national diversity in the boards, and the qualitative side of board diversity concentrates on selected case companies. This thesis contributes to the project by creating a thorough case report of board diversity in a Finnish MNC, Outokumpu.

Outokumpu, a stainless steel company, was chosen as a case company for this study due to many reasons. Firstly, its business is highly international with its proportion of sales outside Finland being 95% and the share of foreign shareholding being 38% in 2007. Secondly, the composition of the board of directors in 2007 was very diverse with three female members and three foreign members out of altogether eight members. These proportions, 37.5%, are on a very high level if compared to all Finnish listed companies. Also, the changes in the composition since 1999 have been significant; in 1999, the board merely consisted of Finnish men. These facts contribute to a very interesting board of directors and make it interesting for research. This thesis will thus drive for getting an in-depth understanding of the reasons why the composition of the board has changed, and what are the consequences of those changes in the functioning of the board by looking at the contributions and roles of female and foreign members.

1.2 Research Problem and Gap

Board diversity has increased its attention as a research field with the rise of corporate governance. From different diversity dimensions gender has received the most attention of, while national diversity remains quite un-touched. Most research has looked at board diversity from a quantitative point of view: either comparing companies or countries with regards to diversity or creating mathematical models to see map a possible

connection between company performance and board diversity. However, the qualitative side of board diversity as a phenomenon has remained unexplored.

This thesis tackles the research problem of the qualitative side of board diversity, and national and gender diversity more specifically. The research gap evolves from the absence of in-depth qualitative studies of board diversity. This thesis aims at contributing to the understanding of national and gender diversity on a board of directors by looking in a qualitative manner at the reasons why these minorities have been appointed to the board, what have been the main barriers to their recruitment, and defining the main contributions and roles of the female and foreign board members. The scope of this study will be limited to the Finnish context only, and more specifically to a Finnish MNC, Outokumpu, and its board of directors.

1.3 Research Questions

In the light of the research problem and gap, the research questions are as follows:

Main research question: Why do companies diversify their boards in terms of gender and nationality?

Sub question 1: How are the female and foreign members recruited to the board?

Sub question 2: What are their roles and contributions in the board?

1.4 Definitions

In this part the most important definitions for this thesis will be introduced. They will be discussed in an alphabetical order to make it easier for the reader to find the ones needed.

Board Diversity

A more specific definition used in this thesis is board diversity, which has been defined by many authors. For example, Rose (2006, 114) defines diversity in company boards being “how the board is composed in relation to gender, ethnic background, education and proportion of foreigners etc”. However this definition is not specific enough, even though it gives a good general picture of board diversity.

Also Carter et al. define board diversity. According to them board diversity is the “percentage of women or minorities (i.e. African Americans, Asians, and Hispanic) on the board of directors” (Carter et al. 2003, 36). However this definition is not used in this thesis since its concentration on ethnic differences is not relevant in the context of Outokumpu, which is a European company where there is no diversity with regards to ethnic backgrounds of the board members.

According to Milliken and Martins (1996, 403) the dimensions in which board members can differ from each other can be divided to two categories: the “observable” or readily detectable attributes and “less visible” or underlying attributes. In the first group are included “race or ethnic background, age, and gender” and in the second group “education, technical abilities, functional background, tenure in the organisation, or socioeconomic background, personality characteristics, or values” (Milliken and Martins 1996, 403-4).

In addition Erhardt et al. (2003, 103) define diversity on boards as “the representation of ethnic and gender difference on boards of directors” (p. 103). This goes quite close to the previous definitions. They also divide the differences between observable and non-observable characteristics. Observable characteristics are basically demographic differences, such as age, gender, race or ethnicity. The non-observable characteristics are cognitive, including characteristics such as knowledge, education, values, and personality. This definition of Erhardt et al. will be used in this thesis due to its specificity.

Corporate Governance

The term corporate governance refers to “the system by which companies are directed and controlled” (Cadbury Report, 1992). This mainly refers to the control mechanisms used for monitoring the management of the company. One of the most important tools in corporate governance is the role of the board of directors, and especially its responsibility looking after the interests of the shareholders.

Diversity

A very essential term for this thesis is “diversity”. According to the Oxford English dictionary, diversity is “the condition or quality of being diverse, different, or varied; difference, unlikeness”. Being diverse, then, is defined as being “different in character or quality; not of the same kind; not alike in nature or qualities”.

Independent / Dependent director

According to Ruigrok et al. (2006, 132) an independent director is “a director that has no formal professional or personal relationship to the company over the past three years”. Thus, members falling under this definition do not have important connections to the company other than their board position. On the contrary, a dependent director has or has had a professional or personal relationship to the company.

Inside / Outside director

Another way to describe the connections of a board member to the company is to divide the members to inside and outside directors. According to Kesner (1988, 68) an inside director is a “current or former employee of the company”. However, this definition leaves other types of relationships without attentions, and thus the terms “independent” or “dependent” director will be used in this thesis.

Internationalisation of a board of directors

Staples (2007, 319, note 2) defines the internationalisation of a board of directors being “the extent to which the board consists of individuals who are not citizens of the country

in which the parent enterprise is located”. This refers to having foreign board members and thus is relevant also for this thesis.

1.5 Limitations

This thesis looks at national and gender diversity in the board of directors of a Finnish multinational corporation, Outokumpu. Thus, the scope of the research is limited to one company and its board, giving a more thorough picture on the outcomes, roles and contributions of board members’ nationality and gender. This research uses a qualitative research method, and thus quantitative measures are used only to support some findings.

1.6 Structure of the Thesis

This thesis is structured into six parts. The first part deals with basic themes relevant for a thesis. The second part of the thesis goes through existing literature on board diversity and its subtopics: gender diversity, national diversity and other dimensions of diversity with their subtopics. After that, the third part of the thesis focuses on the methodological issues of the conducted research.

The fourth part of this thesis takes a closer look at the case company, Outokumpu and its board of directors. This is done by going through Outokumpu’s internationalisation process from many different points of view and after that concentrating on the board of directors using the findings from the interviews. After that, the different topics raised in interviews will be dealt with. The fifth part of the thesis combines the existing literature and the findings from the interviews in an analysis by different topics. Lastly, in the sixth part of the thesis, a summary of the findings as well as conclusions and managerial implications and suggestions for further research are discussed.

2 LITERATURE REVIEW

Board diversity has gained more interest and attention with the rise of corporate governance as a topic in the business world. The focal point of diversity has shifted from the contrast *diversity or no diversity* to *what are the outcomes of diversity and how could they be further developed*. This indicates that diversity has spread to corporate boards as well, and the question remains to what extent and how does it affect the functioning of the company.

As a separate dimension of diversity, gender has got the most attention. Quantitative research exists on the current amount of women in corporate boards on a global level, as well as on national levels. Also, mathematical models have been created to connect the company performance and female representation on company and board level. In addition, qualitative research has looked at the underlying reasons on how women have made it to the boards, and how do these women make a difference in the board. This latter type of research is the closest to this thesis and its point of research; gender and national board diversity in the Outokumpu board of directors, as well as the roles and contributions of female and foreign board members.

Even though gender diversity on the corporate board level has been researched in depth, the same cannot be stated on national diversity. The only important researches that have concentrated on national diversity in boards of directors have looked at the number of foreigners in corporate boards in a quantitative manner. The NIC project tackles this gap, and as an outcome there now exists statistics on the share of foreign board members in Finnish corporate boards (Tuomisalo 2008, Jämsä and Mettovaara 2008), as well as one qualitative study looking at national diversity (Martikainen 2008). These two diversity dimensions, gender and nationality, are in the focus of this research since they are the most common minorities represented in the corporate boards, and their share is increasing continuously.

This part of the thesis is structured so that an overview of board diversity is given first. After that we will look more closely to gender diversity and different research fields under it. Then, national diversity will be concentrated on, and lastly other diversity dimensions will be introduced.

2.1 Board Diversity - Overview

Board diversity is a multidimensional phenomenon (Ruigrok et al. 2006, 142). As such, there are many dimensions that have been and could be examined more thoroughly. Existing research actually supports this with many findings, which also contradict each other quite often. As Milliken and Martins (1996, 403) state, diversity in groups creates great opportunities as well as enormous challenges.

Some general findings that have not been contradicted are those of Carter et al. who looked at 638 companies of the Fortune 1000 firms in 1997. Even though the main finding of their study was board diversity and its links to the company's improved financial value, they made some general findings as well. For example, when there are more female members in a board of directors, there are also more other minorities (e.g. foreigners) (Carter et al. 2003, 51). Also there was a significant positive correlation found between the size of the company and the level of diversity on the board. Even though these findings are quite general by nature, they give some kind of view on the scope of research conducted on this field.

A very interesting point regarding board diversity was highlighted by Ruigrok et al. They noted that increased diversity will lead to increased complexity. And if one dimension of diversity is increased, it might happen on the expense of another diversity dimension (Ruigrok et al. 2006, 142). This means, for example, that if a homogeneous board (all men from the home country of the company) is thinking about recruiting one person from a minority to the board they might be considering between a foreigner and a woman. In this case one could see women and foreigners as competitors for board positions.

2.1.1 Company Performance and Firm Value

There are already some researches that look at the connection between board diversity and company financial performance. One of these researches was conducted by Erhardt, Werbel and Schrader (2003). They concentrated on board diversity from the point of view of demographic differences, looking at the percentage of women and other minorities in the boards. The data used for this research covered 112 large public companies of various industries in the USA, in the years 1993 and 1998. Their main finding was that the executive board of director diversity was positively associated with both return on investment (ROI) and return on assets (ROA). Also, the theoretical implications of the study argued that the diversity could be associated with effectiveness in the oversight function of the board of directors, meaning that diverse boards would be better able to look after the CEOs and settle possible agency issues. (Erhardt et al. 2003)

Another research looking at the connection between board diversity and firm financial performance was conducted by Oxelheim, Randøy, and Thomsen (2006) in the Scandinavian context. They looked at board diversity by gender, nationality and age in 500 largest companies from Denmark, Norway and Sweden for the year 2003. The main finding of their research was that there is no significant effect of these diversity dimensions on stock market performance or ROA. However, they also state increasing diversity by these dimensions does not decrease the value to the shareholders. (Oxelheim et al., 2006)

In addition DAMVAD, a Danish consultancy company, examined the possible linkage between innovation and diversity on a company level in 1700 Danish companies. An index for diversity (factors: gender, age, educational background, and nationality) was created and the results were compared with the company performance to see if there is a connection. The main finding from this research was that the higher performing companies also score high on the index, thus indicating a connection between company performance and diversity. (DAMVAD 2007) Also a research of Carter, Simkins and

Simpson (2003), which was mentioned already, found a “significant positive relationship between the fraction of women or minorities on the board and firm value” (Carter et al. 2003, 36).

2.1.2 Diversity Outcomes – Creativity, Atmosphere and Innovation

Another popular finding from the board diversity literature is that of increased innovation and creativity (e.g. Huse et al. 2005, DAMVAD 2007, Walt and Ingley 2003, Erhardt and Schrader 2003). For example Distefano and Maznevski (2000) argue that diverse teams have greater possibilities than homogeneous teams to be more creative, and thus create more and better alternatives for decisions as well as generate new criteria for evaluating those alternatives (Distefano and Maznevski 2000, 45). In the following there are some specific examples of the existing research on this topic.

Huse et al. studied what influences value creation in the board of directors of a Norwegian multinational company, TINE, during 2003 and 2004. According to their study, diversity in a boardroom leads to many advantages. First of all, the creativity of the board is increased by the differences in the personalities. Secondly, when the members differ from each other in more ways than gender, race, educational background and business experiences, an atmosphere of mutual trust and respect can be found. Thirdly, the differences are important because of the criticality it brings up in questioning, interactions and general discussion. (Huse et al. 2005)

A US research and advisory organisation Catalyst (2004) found that a more diverse management improves companies’ performance. Barnes et al. had a closer look on the underlying reasons for this finding. They concluded that more diverse boards, where well-educated and informed people work together, are better able to make strategic decisions and that listed companies are more likely to do better if their board is more diverse, since the shareholders are thought to value diversity. (Barnes et al. 2007)

Ruigrok et al (2006) conducted a longitudinal study on 210 Swiss public companies between 2001 and 2003. Even though they concentrated on board nomination committees, some of their findings are also relevant here. They found that the versatile points of view of a diverse team lead to more innovative and creative problem-solving (Ruigrok et al. 2006, 124).

Also the research performed by DAMVAD found that diversity provides new possibilities for a board. It was stated that diversity can act as a source of innovation and renewal. Also, on an organisational level diversity will strengthen creativity of the entire workforce, creating ability to develop new ideas, products, services, and business models. A concrete finding from the research was that “companies committed to promote diversity are up to twice as likely to be innovative as companies that do not work actively with diversity”. (DAMVAD 2007, 10) In contrast to all these researches, Rose noted that board diversity will increase complexity. And this complexity will lead to more difficult problem-solving (Rose 2007, 406).

2.1.3 Moral Basis for Board Diversity

According to the basic view of corporate governance, the main role of the board is to ensure that the interests of the shareholders are looked after in the running of a business. An extended view on this role takes also other stakeholders of the company into account. This implies that the board of directors should represent the diversity of those stakeholders. For instance, Van der Walt and Ingley (2003) argue for diversity in boards due to the moral obligations of the board of directors. They state that the board of directors has to take care of the interests of the owners, but also to represent the diversity of the owners, thus leading to a more diverse board of directors. In addition they call for more general responsibility towards the society in which the organisation operates. They argue that since the society gives the organisation the permission to operate, the company should represent that society, also in terms of demographic diversity (Van der Walt and Ingley 2003, 219). Furthermore, the premise of equal opportunities in today's society implies that capacities and abilities are equally

distributed to people, and thus the management and directors should also be drawn from the whole labour pool (ibid , 225).

Brammer et al. (2007) also highlight the equality of opportunity, which should be driven for also on the board level. This refers to equal possibilities regardless of gender or ethnicity, but rather on the basis of ability. They add to this, in consensus with van der Walt and Ingley, by stating that there should be equality of representation on the boards as well. This would mean that women and ethnic minorities would be represented on the corporate boards with the same proportions as they are in the society. (Brammer et al. 2007, 394)

2.1.4 Negative Side of Board Diversity

Generally stating, all research and articles written on board diversity concentrate on the positive outcomes and sides of diversity. However, there are a few authors that also note the negative aspects of diversity. For example, Bryson (2004) highlights the burden of diversity for the organisation. In her research she looked at foundations and found that the burden on the board of directors increases with diversity. This is because the community expects the organisation to be more responsive and accountable since the board is more diverse and thus able to understand different needs and people. This burden of expectations and social pressure is usually concentrated on the minority representatives, for example women (Bryson 2004, 44). Related to this is a comment made by Barnes et al. (2007). They noted that when someone is a token (woman or foreigner), that person has the responsibility of representing the whole group that person is from, thus increasing the possible stress on the person.

2.2 Gender Diversity

Gender diversity has been a popular topic for decades. It has been researched from many different points of view, with regards to countries, as well as organisational levels. Mostly the relevant research for this thesis on gender diversity is quantitative by nature, only a few qualitative researches exist on gender diversity on corporate boards. More specifically, there is no qualitative research on the context of Finnish companies' boards on gender diversity.

2.2.1 Situation in the Boards of Directors in the Early 2000s

Generally, it has been found that there are more women in such corporate boards where the company operates in an industry where the proximity to the final consumer is the smallest. These industries are retail, utilities, media and banking. (Brammer et al. 2007, 400) This means that in these industries there are relatively more women in the board than in the personnel. Brammer et al. also found that from all UK companies 37% have a female director, 12% have a female executive and 29% a female non-executive (Brammer et al. 2007, 397). Unfortunately the research did not clearly state what was meant by these terms, so the findings can only give a general picture of female representation on the highest levels of companies in the UK. These numbers are relatively low if compared to the percentage of women in the whole workforce, which is 44%. Daily and Dalton (2003) also found that actually there are more women in the Fortune 1000 corporate boards than in the management level of these companies. In their research it was found that 75% of the Fortune 1000 companies have at least one woman in their boards, whilst 11% of the directorship positions of these companies are held by women. Even though the relative amount of women in the highest level of companies is low in comparison to the proportion of women, for example, of the whole workforce, Walt and Ingley note that women have made most progress into the corporate boards from all minorities. (Van der Walt and Ingley 2003, 224)

On the Scandinavian context Oxelheim et al. (2006) found that female representation is 14.5% of the board members of 500 largest Danish, Norwegian and Swedish companies

in 2003. (Oxelheim et al., 2006) Kotiranta et al. (2007) looked at the situation on Finnish companies' boards in a quantitative manner for the year 2003. They examined the connection between women managers and company performance in about 14000 limited Finnish companies that have at least 10 employees. Data was given by the Central Statistical Office of Finland for the year 2003. They found that 7.6% of the companies have a female CEO, 7.1% of the companies have a female chairman of the board, and altogether 22.3% of the board members are women. (Kotiranta et al. 2007, 3)

In addition there are two researches that also looked at female representation in Finnish companies boards. However, these researches concentrated on listed companies only, and thus the results are different. Tuomisalo's and Jämsä and Mettovaara's theses were conducted as part of the NIC project on corporate governance. They created a databank on all Finnish companies that were listed in the OMX Helsinki Stock Exchange in 2007. From these companies information on the company, its operations and the board of directors was collected. Tuomisalo found that there were female board members in 56 companies of all the 107 companies looked at (Tuomisalo 2008, 69). Jämsä and Mettovaara (2008) looked at the amount of female board members more specifically. They found that from all board members 11.7% are women. In addition, the women in the boards were distributed so, that most companies have no female members, while about 36% of the companies had 1-20% female representation on the board. (Jämsä and Mettovaara 2008, 42). Figure 1 shows these figures in more detail. The main message of the Figure 1 is that the female representation in the Finnish listed companies is relatively superficial since more than 85% of the companies have a maximum of 20% female board members.

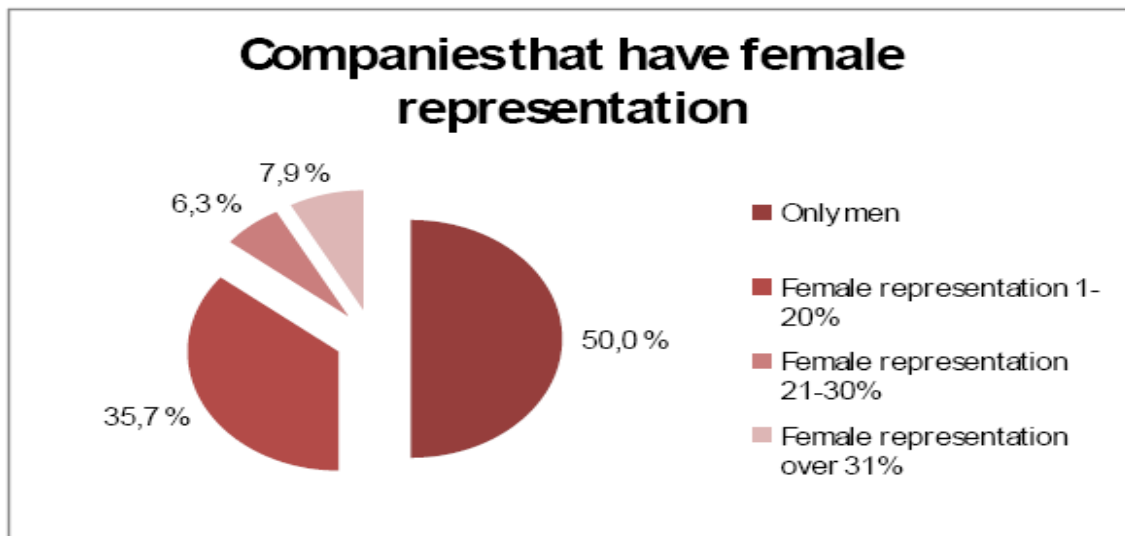


Figure 1 Female Representation in Finnish Listed Companies in 2007

Source: Jämsä and Mettovaara (2008, 42).

2.2.2 Reasons for Appointing Women to Corporate Boards

Existing literature and research has found many reasons for having women in corporate boards. These outcomes are discussed in the following part of the thesis.

2.2.2.1 Financial Performance

There have been a few researches looking at the possible connection between gender diversity on board level and other levels and company financial performance. For example Kotiranta et al. (2007) found that it is financially worthwhile to have a woman as the CEO or female board members; the profitability of a company with a female CEO is 1.5% higher (after controlling for all variables) than if the CEO would be a man, and if more than half of the board members are women, profitability of the company is 2.1% higher than if the majority would be men. ROE, ROI and percentage of profit were used as the measures of profitability. (Kotiranta et al. 2007)

A similar quantitative study was conducted on a global scale by Catalyst. The data used covered 353 of Fortune 500 companies, during the years from 1996 to 2000. The research found that the group of companies with the highest representation of women on their top management teams experienced better financial performance than the group of companies with the lowest percentage of women (ROE 35.2% higher). In other words, if a company has more women in the top management teams also its performance is better. Even though the research concentrated on the management level of the company, not board of directors specifically, the findings show a connection between the amount of women in higher levels of the company and company financial performance (Catalyst 2004). Also, the research conducted by DAMVAD came to the conclusion that gender from all diversity dimensions was the one with highest correlation with high performance (DAMVAD 2007, 9)

Another positive financial outcome of having women in corporate boards is that of increased stock returns. According to Daily and Dalton (2003), stockholders value minority representation in corporate boards, as well as in other levels of the company, thus evaluating the stock higher (Daily and Dalton, 2003). This can be seen as a profitability factor for the company. Also Carter et al. find that even the presence of women or other minorities improves the company value (Carter et al. 2003, 51).

In addition to these findings there are some researches that have derived somewhat opposing results. For example, Rose conducted a quantitative study on listed Danish companies between 1998 and 2001. His main finding was that there is no connection between firm performance, when measured with Tobin's Q, and female board representation (Rose 2007, 411).

2.2.2.2 Improved Decision-Making

The existing literature on women in corporate boards has found many ways in which female board members can contribute to the board decision-making. The most important way is through increased innovation and creativity, which is pointed out by

many researches (e.g. Bilimoria and Pederit 1994, DAMVAD 2007, Van der Walt and Ingley 2003). For example, Bilimoria and Pederit (1994) argue that this increased innovation and creativity enhances problem solving since more points of view are taken into consideration and “groupthink” can be avoided. They base this on their research made of Fortune 300 companies from year 1984. Also Catalyst’s research (2004) agrees with the increased innovation and creativity, when adding women to corporate boards. This was concluded from the study where 353 of Fortune 500 companies’ quantitative data were examined. However, the research points out that proper management is a prerequisite for getting the advantages of more diverse groups (Catalyst 2004). Also Rose (2007, 406) questions whether the higher degree of diversity would actually make problem-solving more difficult and time consuming.

Other ways in which female board members contribute to innovation and creativity, is their ability to ask questions more freely (Van der Walt and Ingley 2003, Bilimoria 1995, Huse and Solberg 2006). Daily and Dalton add to this by stating that women can enhance the board discussions also by bringing in their distinctive points of view, experiences and working styles (Daily and Dalton, 2003).

The analysis made by DAMVAD gives more precise information on how gender in the board influences innovation. The research looked at innovation and diversity in 1700 Danish companies. Diversity included gender, age, ethnicity and educational background. From these diversity dimensions gender was found to have the most significant connection to innovation: “if a company increases its level of gender diversity the chance that the same company is innovative will increase by a factor of 2.1”. (DAMVAD 2007, 9)

Adding on to the ways in which female board members can improve board decision-making, Huse and Solberg conducted a qualitative study where they interviewed eight Scandinavian female directors. Altogether these women had experience from more than 100 corporate boards, and these experiences were used to create 339 stories. From these stories, among other things, it was found that women in corporate boards are needed to

increase the diligence and “wisdom” of the company board, which improves decision-making in the team. In addition, women were found to promote good atmosphere, which boosts effective working and thus adds up to decision-making. (Huse and Solberg 2006)

Also Bilimoria (1995) points out in her article that some of the corporate advantages derived from women directors are the leadership functions they contribute. These skills are: collaboration, sharing of power and resources, and flexibility. Bilimoria states that these skills are needed for teamwork, alliances, and networks, and through them the working of the team improves, also adding to improved decision-making (Bilimoria 1995). Burke adds to this by stating that having more women in boards “enriches board information, perspectives, debate and decision making” (Burke 2000, 193 in Van der Walt and Ingley 2003).

2.2.2.3 Signalling Effect

Another important role of female board members that has been mentioned in many researches is the signalling effect of their membership (e.g. Rose 2007, Daily and Dalton 2003, Van der Walt and Ingley 2003, Ruigrok et al. 2006). This effect implies that women on the highest levels of the company indicate to all stakeholders that women and their qualifications are recognised and valued, and that career advancement is not hindered because of gender, thus signalling an equal organisation. The signalling effect reaches all stakeholders of the company, both external (for example investors), and internal (for example employees) (Daily and Dalton, 2003).

Very closely related to this signalling effect is the symbolic value that women in boards of directors have. Van der Walt and Ingley (2003) define this symbolic value as the premise of equal opportunities in a company, which derives from equally spread talent and ability, and thus the directors should also be selected from the entire labour pool. Van der Walt and Ingley (2003) also add that women on the board act as role models for women throughout the company acting as champions for women’s issues regarding, for

example, recruitment and advancement (Van der Walt and Ingley 2003, 225). In addition Daily and Dalton (2003) state that women on corporate boards can act as mentors to women on other levels. Bilimoria made the same notion in her article in 1995. She also listed other modelling functions through which women can contribute to the corporate environment, such as acting as a champion and helping to break stereotypes. (Bilimoria 1995)

Huse and Solberg (2006) also argue that women are needed in company boards to represent diversity and soft values in general. Even though this might be positive for the board and the company as a whole, the actual individual representing the minority might not be so well of. As mentioned before, Barnes et al. argue that if someone is a token, that person has the responsibility of representing the whole minority group from which that person is, thus, increasing possible stress (Barnes et al. 2007).

2.2.2.4 Using the Whole Labour Pool

Many authors (see for example Daily and Dalton 2003, Van der Walt and Ingley 2003) highlight the importance of using the whole labour pool when searching for board members. This would be the only way to get the best person for a specific position and thus gain competitive advantage. Also Catalyst highlights the advantage of getting better educated and skilled labour if using the possibilities of the whole labour market (Catalyst 2004). The aspect of using the whole labour pool also becomes increasingly important when the demographic change continues, and the actual number of qualified applicants decreases (Van der Walt and Ingley 2003, 225). For example, Erhardt et al. (2003) argue that soon there simply will not be enough qualified men for fulfilling all the board positions.

2.2.2.5 Business Case for Diversity

Another reason for increasing board diversity, according to Van der Walt and Ingley, is the business case for diversity. This view states that diversity should be treated as any other business investment, which leads to a close linkage between board diversity and the strategic objectives of the company. They also add that increasing the diversity on the board level will increase the strategic input of the board, and referring to the resource dependency theory, the links to the environment would be enhanced and increased with a more diverse board. (Van der Walt and Ingley 2003, 225)

Adding women to the board of directors can be seen as a strategic decision also from the point of view of the increased importance of women in making and influencing purchasing decisions (Catalyst 2004). According to Catalyst this influence of women has increased significantly during the recent years, and this change will continue to happen in the future as well. Thus, it is increasingly important for companies to acknowledge the needs of female customers, also on the company board level. Erhardt et al. add to this by arguing that women can better represent and take into account all customers' needs, not only those of female customers (Erhardt et al. 2003).

2.2.3 Recruitment to the Board

Burke (1997) conducted a quantitative research on women's recruitment to boards of directors. He investigated 280 women who have positions on corporate boards. The aim of the study was to look at the criteria for the selection to the board, reasons for accepting the memberships and advantages from the board positions. The main three criteria for getting a board position were: a strong track record, important business contacts, and a good understanding of business principles on a general level. The most common method for nomination and selection to a board was a recommendation by a board member. This fact clearly highlights the importance of previous personal contacts to the board in question. The most important characteristics of an applicant for a board position were (in the order of importance): having the desired areas of expertise and knowledge, having an appropriate job title or leadership position, being a woman, fitting

the desired regional profile for board members, and having high visibility on corporate boards or in other contexts.

From the research the three most important factors for accepting a board position were: interest in the company, expanding skills and areas of expertise, and interest in the industry of the company. Two main benefits from a board position were taking part in top level strategic planning and decision making, and broadening of special knowledge of the business. (Burke 1997)

In addition, Huse and Solberg defined five ways in which women can contribute to corporate boards in their research. These were: creating alliances with other board members inside the board, preparation for the board meetings and involvement in the board meetings, attending important decision-making arenas also outside of the company, taking leadership roles that are seen highly important also for the boards, and being visible in contrast to men. (Huse and Solberg, 2006)

2.2.4 Critical Mass of Women in the Boardroom

One interesting issue about female board members that was raised in Rosener's book is that of the importance of the number of women in a corporate board. She states that there is a "rule of three" with regards to women in corporate boards. According to this view there has to be at least three women in a corporate board for the women to be able to make an impact in the board, i.e. to create a critical mass. Also, this rule states that if there is only one woman on a board that woman is a token in the group and if there are two women in a board, the men in the board feel threatened by the women. Thus, three is the correct amount of women in a board since that constitutes a critical mass for acting as a bloc and being able to make a difference in the board. (Rosener 1995, 121)

2.2.5 Barriers to Appointing Women to the Board

Some researchers have looked at the topic of factors hindering women joining the boards of directors. Van der Walt and Ingley (2003) define six barriers for women entering boards of directors. Firstly, they state that the selection process for these positions relies significantly on “the old boys network” and that the role of a woman is still seen in a conservative and old-fashioned manner. Secondly, the risk aversion of the board is seen as a hindering factor for women to join boards, since the board can see female members bringing changes, and thus changes with them to the board. Thirdly, the recruiting process for board positions is seen as unclear and closed, thus decreasing the possibility for women nominations. Fourthly, women are stated to lack support from other people and that the differences between genders are seen as barriers for entering the board. In addition, the lack of social similarity or existence of differences between the male and female members, create difficulties for women to enter the board. Lastly, since women are usually outside directors, and the increase of outsiders to the board is seen in negative light because outsiders decrease the power of the CEO, the increase of women in boards decreases the power of CEOs. (Van der Walt and Ingley, 2003, 228-229)

Vinnicombe and Singh (2003) looked at the key barriers to success for directors. They conducted 12 semi-structured interviews of directors of a UK telecommunications company. From the interviewees six were men and six women. According to the research there are four main barriers to success for directors, of which most affect both genders. These categories are based on Kirchmeyer’s (1998) categorisation. The first one is connected to human capital and applies for both men and women, namely to the lack of qualifications. These lacking qualifications can be connected to, for example, academic experience, language knowledge or experience abroad. The second barrier to success is called individual phenomena. This one includes personality traits and female gender. The personality traits that cause hindrance for success in women’s director career are, for example, perfectionism and assertiveness. Perfectionism is connected with being too thorough in work, rather than striving for career advancement. Assertiveness causes problems since male colleagues conceive women as too

aggressive. For diminishing the effect of assertiveness, the researchers define teamwork as being a good tool. The gender of female directors is seen both in negative and positive light. The positive side of being a woman on the director level is the increased visibility of the person. The negative effect relates to awareness of the gender issue.

The third barrier is defined as interpersonal phenomena and it refers to, for example, not being part of the political arena. Also the “old boys network” is seen as a part of the political arena, and thus women (and some men) not belonging to this network can be left outside of the career advancements gained through good connections to influential people. Also not having a mentor is included in the interpersonal phenomena that cause problems for career advancement. The fourth and last key barrier to a successful career is that of family determinants. These influence both men and women and include not having enough energy to concentrate on the business career after taking care of one’s family. From these factors that create barriers to a successful career, Vinnicombe and Singh (2003) also list main factors for success. These are; gaining a mentor, taking up challenging assignments, and gaining visibility through networks and contacts. (Vinnicombe and Singh 2003, 325-333)

2.3 National Diversity

The topic of national diversity on a board of directors has not been investigated thoroughly. There are only a few articles concentrating on this topic or a related issue. The reason for this might be that there has not been much to research; the boards of directors have remained quite homogeneous in regards of nationality in most of the companies, only the biggest multinational companies have had diverse boards in regards on nationality. However, there is a change taking place, and thus the topic is becoming more popular among scholars as well.

2.3.1 Situation in the Boards of Directors in the Early 2000s

Staples' (2007) research on board globalisation in the world's largest transnational corporations (TNCs) could be seen as the most relevant research for this thesis. He looked at the 80 world's largest TNCs' boards between 1993 and 2005 to define if they have become more diversified with regards to nationality. As a basis and comparison for the research he used Gillies and Dickinson's study from 1999, where they looked at the amount of non-nationals in the boards of the world's 80 largest TNCs. Gillies and Dickinson had found that in 1993 35.8% of the companies had at least one foreigner in the board (Gillies and Dickinson 1999, 240). According to Staples, in 2005 this number had grown to 75% (Staples 2007, 315). Even though the amount of foreigners in the companies' boards had increased (Staples 2007, 316), the globalisation of the boards is relatively superficial. This can be seen, for example in the fact that in 2005 24.3% of the companies did not have even one foreign board member (Staples 2007, 316). In addition to these findings Staples discovered that the most common way for a TNC's board to increase its internationality is through company wide mergers and acquisitions (M&As) (Staples 2007, 318).

Another article of Staples (2008) looks at cross-border acquisitions and board globalisation. The data for this research was collected from the world's 148 largest TNCs and commercial banks in 2003. Even though this article concentrates on M&As of the world's largest TNCs and it has a sociological perspective, there are some findings that are interesting also from the point of view of national diversity on the boards of directors. For example, he found that cross-border acquisitions almost always result in a more multinational board, and international boards are likely to do cross-border deals. Also, once a board becomes multinational it tends to stay that way. He also found that multinational boards are concentrated on European companies, which he rationalises to be due to integrating forces of the EU. (Staples 2008, 45) European companies' boards seem to be very international when compared to companies from other continents; from the European TNCs, in 24.2% there were more than five different nationalities represented in the board, while there were not that many nationalities in any of the US and Japanese companies' boards (Staples 2008, 37).

Another interesting finding from this research was that even though in 2005 69.6% of the TNCs had a foreign board member, there are big differences between companies. For example, in some companies 30.4% of the board members are foreign, whilst in others there are no foreign members. Also, when looking at the amount of nationalities in these companies' boards, there is quite some variation; 21.6% of the boards had three, and 13.5% had two nationalities in the board (Staples 2008, 35-36).

A further research done in the field of board internationalisation was conducted by Heijltjes, Olie, and Glunk (2003). They looked at top 35 Swedish and top 45 Dutch companies for the years 1990 to 1999. The aim of their paper was to define how international the top management teams of these companies are. They found that in 1999 foreigners occupied 10.1% of the Swedish and 11% of the Dutch companies' board memberships. For the Netherlands the proportion of companies that had foreign board members had increased from 8.8% in 1990 to 26.6% in 1999. (Heijltjes et al. 2003, 91) According to the research by Oxelheim et al. (2006), in Scandinavia (Denmark, Norway and Sweden), the share of foreign board members added up to 8.4% of all board members in 2003 (Oxelheim et al., 2006).

In the Finnish context only two researches have looked also at the share of foreigners in Finnish companies' boards. In addition to the female representation on corporate boards, Tuomisalo and Jämsä and Mettovaara reported the share of foreign board members in their theses as part of the NIC project. They found that 34 (32%) of all 107 Finnish companies had at least one foreign board member (Tuomisalo 2008, 69). The overall share of foreigners from all board members was 13.4% (Jämsä and Mettovaara 2008, 44). Keeping in mind the share of female board members (11.7%) or the share of foreign members in Scandinavian companies boards (8.4%) this figure is quite high.

2.3.2 Reasons for Appointing Foreigners to the Board

In their paper Heijltjes et al. (2003) also define reasons for increasing national diversity in the management level. The first argument states that the proportion of foreigners in the management should match with that in the workforce. Secondly, the internationality of the management should mirror the degree of the company's foreign involvement. The degree of foreign involvement is described to include sales and geographical or cultural diversification. The third reason for increasing internationalisation on the top relates to international ownership; if a significant share of the company's owners are foreign, so should be the top managers. The authors have a strong emphasis on this point, especially if the company's stocks are listed on some major international stock exchange. Fourthly, if the company is orientated towards international operations, its management team should support this by composition. This view is based on Perlmutter's theory on multinational corporations. The fifth argument is based on Porter's theory, and suggests that if the industry in which the company operates and if the strategies of the company are international by nature, so should the management of the company. The last argument for international management refers to the country of origin of the company. If the home country is small there is a need to grow internationally, and thus the management should be international as well (Heijltjes et al. 2003, 93).

A very recent study in the field of international board diversity is the thesis of Martikainen (2008), which was also a part of the NIC project on corporate governance. She looked at the challenges of board internationalisation and the most beneficial qualifications of a board member. The thesis is based on an in-depth study of a Finnish biotechnology born-global company, Biohit, and its board of directors. The most important characteristics of board members of a born-global, as identified by Martikainen, were industry and global business knowledge. These issues were emphasised over the traditional diversity dimensions such as age or gender. Also, the background, experience and merits were seen as more important than the actual nationality of the board member. (Martikainen 2008, 48)

There have also been some relevant findings for board national diversity gathered from researches whose topics have only marginally been related to the issue. For example Ruigrok et al. (2006) found in their study that “diversity in nationality backgrounds will increase a company’s ability to cope with pressures from different cultural and institutional environments” (Ruigrok et al. 2006, 129). Their study looked at 210 Swiss public companies during the years 2001 to 2003 and the aim of the study was to “identify the impact of nomination committees’ existence and their composition on board independence and board demographic diversity” (Ruigrok et al. 2006, 119). In addition, Van der Walt and Ingley (2003) found that national diversity on the board level shows a premise for equal opportunities for all nationalities and both sexes within a company. They state that since ability and talent are equally spread through people, also the board members should be drawn from the whole labour pool, not leaving other nationalities outside of the recruiting process (Van der Walt and Ingley 2003, 225).

2.3.3 Barriers to Appointing Foreigners to the Board

Martikainen (2008) also looked at the hindering factors to increasing international representation in the board. The board of Biohit had become fully Finnish after having one foreign member in the board for two years. The main reason for this shift back to only one nationality in the board was found to be practical issues of arranging board meetings. For example, the time investments required from the foreign member were much greater than for the Finnish members. Other challenges appearing with a foreign member were the change of the operating language and finding potential candidates for the board positions, especially from the existing networks of the board members. (Martikainen 2008, 48)

2.4 Other Diversity Dimensions

In addition to gender and national diversity, there are a few diversity dimensions that have been investigated in the existing research. These are tenure, skill-based diversity, and independency of directors, which will be introduced in the following parts of the thesis. Also, research on the size of the board will be discussed. Another diversity dimension that would have been relevant for this thesis is age diversity. Unfortunately though, no research could be found at the point of writing.

2.4.1 Tenure in the Board

The issue of tenure, i.e. “the length of time a member has served on a board” (Kesner 1988, 70) came up as one of the diversity dimensions in some articles. However, tenure as a diversity dimension was found irrelevant in almost all researches conducted in the field. A few exceptions exist though. For example, Bacon and Brown (1973) state that for a director to get adequate knowledge and understanding of the company and its operations, she/he needs to be in the board at least three to five years (Bacon and Brown, 1973, 70). Also Kesner found that women generally have a much shorter tenure than their male counterparts. (Kesner 1988, 75) In the case of Outokumpu board of directors in 2007 this applies to some extent; the average tenure for male members was 2.4 years and 2 years for female members.

2.4.2 Diversity of Experience

Only a few researches have been done in the field of skill-based diversity in boards of directors. Milliken and Martins (1996) define skill-based dimensions as, for example, educational, functional, or occupational background, as well as industry experience. They state that diversity in this dimension “has generally been found to be associated with some cognitive benefits at the board” (Milliken and Martins 1996). However, they do not mention more specifically what these benefits are.

One of the researches on this field is that of Ruigrok et al. (2006) in which their main finding was that diversity with regards to educational background is more important than functional background in the board of directors, since the board members do not need to execute the decisions made. Also, educational background diversity was found useful for giving a more abstract and broader view, which can be used to help the management (Ruigrok et al. 2006, 129). In addition, Milliken and Martins (1996) noted that for cross-organisational groups, such as the board of directors, diversity in regards of organisational memberships is extremely relevant. This could be seen to be due to the large scope of issues the board has to deal with and experiences of different types of organisations can help to understand the larger environment.

2.4.3 Independency of Directors

Independency of directors refers to the possible connections a director has to the company. An outsider is a director that is not or has not been employed by the company, whilst an insider is a director that is or has been employed by the company. The issue of outsiders versus insiders in a board of directors has been a traditional topic for research in corporate governance. For example, Raheja (2005) looked at board size and composition in his article. He created a quantitative model with which the optimal structure of a board of directors can be attained with regards to outsiders and insiders. He found that outsiders are more independent of the CEO, but less informed about firm projects. (Raheja 2005) Because of their independency, they are better able to monitor the managers and thus minimise agency costs (Van der Walt and Ingley 2003). Milliken and Martins highlight the importance of outsiders in the board in representing the shareholders' interests, which would not be looked after so thoroughly if all board members were insiders (Milliken and Martins 1996). In addition, Kesner states that outside directors can contribute by bringing a "broader range of experience because of their contact with different companies and industries" (Kesner 1988, 68). This again refers to the resource dependency theory, which highlights the board's role in ensuring needed resources.

Raheja (2005) also found that insiders act as an important source of firm-specific information. Due to this information, their presence may lead to more effective decision making. Also Kesner's article agrees with this, and adds that the insiders can help prove the accuracy of information given by the CEO, thus adding to the monitoring function in a different way. Kesner also adds that insiders can function as a communication link between the board and management team members. (Kesner 1988)

2.4.4 Board Size

Even though board size is not a diversity dimension with regards to board members, it still affects the board. Thus, we need to have a look at this factor, in which usually boards of directors differ from each other.

Board size and its effects on the company have been examined in many researches during the last decades. For example, Dalton et al. conducted a quantitative study to verify a connection between board size and firm financial performance. They looked at 27 existing studies, from which they gathered 131 samples. Their main finding was that the bigger the board, the better the company's financial performance. (Dalton et al. 1999) From this research they also concluded that a bigger board guarantees better access to critical resources and possible contacts through board interlocks. These go hand in hand with the resource dependence view, according to which the board acts as a connection between the company and its environment. They also add that larger boards have more knowledge for usage, since most of the board members are former or current CEOs and CEOs have the most relevant experience for the company. (ibid)

In addition to these advantages of a larger board, Dalton et al. list some advantages that are associated with smaller boards. Firstly, in a small board all members have to be active, and thus social loafing will be avoided. Secondly, in a small board there are better chances for group cohesiveness since all members are able to know each other rather thoroughly. Also, a small board is better able to commence strategic actions. Lastly, there are fewer conflicts within the board. (Dalton et al. 1999)

Another research that is connected to board size is that of Brammer et al. (2007). They looked at demographic diversity (man/woman, white/non-white) on 543 UK PLCs listed on the FTSE All Share index, in 2002. They found that bigger boards with more non-executive directors are more diverse with regards to nationality and gender (Brammer et al. 2007, 401).

3 METHOD OF RESEARCH

This thesis constitutes a part of the NIC “Corporate Governance as a Source of Competitiveness for Nordic Firms” project. The project was conducted in cooperation between the Helsinki School of Economics from Finland, Copenhagen Business School from Denmark, Lund University from Sweden, and the Agder University from Norway. The project was divided into a quantitative and a qualitative part. The quantitative part included gathering specific data on all publicly listed companies of these countries. The data included, for example, company performance related figures, as well as data on the board members characteristics. The qualitative part concentrated on a few case companies, digging into deeper issues inside a specific board. This thesis is one of those qualitative case studies.

Finland had a special role in this project in that it acted as a pilot; other subprojects from other countries used the experiences and material of the Finnish studies. For example, the interview guides for different board members (see appendices) were used for the interviews in the rest of the countries after appropriate adaptation to the specific company and interviewee.

This part of the thesis looks into the methodology of the research, describing carefully what was done, when and why. Also, different tests for ensuring reliability and validity of the study are discussed.

3.1 Method of Data Collection and Analysis

This study uses a single case study method, and it was chosen as a research method due to many reasons. Firstly, it was chosen since the case study method is very suitable for contemporary events, which board diversity is. Secondly, this study is explanatory and descriptive by nature, and strives to answer why and how –questions, and thus case study method suits it well. Thirdly, case study is used because of its unique

qualifications on capturing interpersonal relations which is one focus of this research (Rose 2007, 412). Also, the case study is the most effective means of revealing and explaining complex issues, such as board diversity.

3.1.1 Case Study Design and Criteria for Case Selection

This study uses a single case design with embedded units of analysis. The focus of the case is the board of directors of Outokumpu in 2007 and the units of analysis are different members of that board, as well as one former member of the board. An embedded case study design is used instead of a holistic case study, since also the subunits, i.e. the individual board members and their way to the board, are given attention.

The time period under analysis is the years from 2001 to 2007. This period was chosen since during that time most changes in the composition of the board have taken place. However, the composition has been investigated already from year 1999 since in 2000 the first female member entered the board. The interviews were held during the end of the year 2007 and the beginning of the year 2008. Even though each interviewee was interviewed only once, and thus the point of focus was a single situation, some the issues covered also handled past happenings and thus added to the whole picture. Retrospective investigation was used when searching for company information from the annual reports of different years. Those reports and other company data, for example company presentations, give a concrete picture of a specific situation in the past.

As the NIC “Corporate Governance as a Source of Competitiveness for Nordic Firms” project looked at Nordic public listed companies in 2007, we started the case selection from all Finnish public listed companies. A table of company and board of directors data was created for selecting the exact case company. In addition to the criterion set by the NIC project, there were other characteristics that the board needed to have to be selected for the purposes of this case study. Those were a board with female and foreign members, as well as recent changes that have happened in the composition of the board

of directors. Outokumpu fulfilled all these requirements. The approval of the chairman of the board in 2007, Jukka Härmälä, was of critical importance for this case study to be successful. He indicated his interest towards this project and gave the permission to contact the other Outokumpu board of directors' members.

3.1.2 Data Collection and Participants

Cross-sectional data collection method was used by using various types of data: company data such as Annual Reports, company presentations and documents, as well as interviews and articles from the media to get background information on the company and the interviewees. The participants for the interviews were chosen carefully to get a holistic and many sided picture on the board of directors of Outokumpu. Altogether nine people were interviewed; six of the Outokumpu board members in 2007, one former board member and a former CEO of Outokumpu. From the 2007 board members Evert Henkes was interviewed due to his experiences as the first foreigner entering the board. Also the other foreign members, Anna Nilsson-Ehle and Victoire de Margerie, were interviewed since they represent both foreigners and women on the board, and their comments and reflections on the board were very important. From the Finnish board members of the year 2007 the chairman of the board Jukka Härmälä, and members Ole Johansson, Leena Saarinen and Leo Oksanen were interviewed. The chairman was chosen for the interview due to the significance of this position in the board. Ole Johansson was interviewed since he had the longest experience in the Outokumpu board. Leena Saarinen was interviewed because she is one of the first women in the board and Leo Oksanen due to his differing background. In addition, Soili Suonoja, a former Outokumpu board member, was interviewed because she was one of the first women in the board, and she might give a different perspective on the issue researched since she is not a member of the board anymore. Also, to add on the outside view, and for adding knowledge about the company and its historical past and strategies, the former CEO Jyrki Juusela was interviewed.

The interviews took place in different locations. Evert Henkes and Anna Nilsson-Ehle were interviewed in the Outokumpu headquarters, Victoire de Margerie in Hotel Kämp's café in Helsinki, Leo Oksanen in hotel Scandic Helsinki, and Jyrki Juusela in his home in Helsinki. The rest of the interviewees were interviewed in their places of work: Jukka Härmälä at Capman, Ole Johansson in Wärtsilä headquarters, Soili Suonoja at Alko premises, Leena Saarinen in her office at Tradeka. In all interviews there were two interviewers present: the thesis author Elina Inkeroinen and the thesis supervisor, Professor Rebecca Piekkari, who is responsible for the NIC project in Finland. The atmosphere in all these interview situations was open and friendly, and the interviewees were answering the questions readily.

Interview templates for six different types of interviewees were created as a basis for the interviews. These "interview guides" can be found in the appendices of this thesis. The questions were also reviewed in a thesis seminar meeting. Specific open-ended questions for each interviewee were tailored according to the interviewee's background and experiences of which information was gathered from secondary data sources, such as the interviewee's CV. Open-ended questions were used because they allow the interviewee to represent their ideas more freely (Yin 2003, 90) as well as for the interviewers to tackle issues that arise during the interview. The interview questions were formulated so that they do not lead the interviewee. For example, the interviewees were not asked about diversity using the term "diversity" itself, but rather letting the interviewees define diversity themselves. Also, the interviewees were asked about gender rather generally, and not about female representation on the board.

The language used in the interview was defined by the nationality of the interviewee; Finnish was used with Finnish interviewees and English with foreign interviewees. In all but one of the interviews a recorder was used. Later on the recordings were transcribed and the texts from these transcriptions were saved. Also, during the interviews notes were taken by both interviewers. After each interview the interviewers went through the notes and a summary of each interview was written to make sure that nothing would be forgotten or overlooked. The language of the case report (English)

was checked by David Miller, an English Language Communication specialist, for ascertaining that the meanings and sayings were the intended ones.

3.1.3 Method of Analysis for the Findings

Development of a case study description was used as the general strategy for analysing the case study evidence in this research. As this study is explanatory by nature, this strategy is the most valid one (Yin 2003, 114). The case study has been organised in a way that describes the main themes derived from the empirical findings. The structure of the case study is as follows:

1. Firstly, the internationalisation process of Outokumpu is discussed from the points of view of different business units, ownership structure, sales by market area, and personnel, which is further examined from the point of view of different geographic areas and the structure of the executive committee and the board of directors. These issues give a logical background for further inspection of the board of directors and diversity in it, and they add important information for understanding the context of the phenomena of board diversity.
2. Secondly, the way in which each interviewed board member found his/her way into the board is discussed, starting with the member who joined the board earliest and ending with the last board member. This chronological order makes it easier for the reader to form understanding of the case and its evolution giving a longitudinal perspective.
3. Finally, the actual findings from the interviews are discussed, starting with a general view on diversity, after which continuing more specifically to gender and national diversity. In these two diversity dimensions also the number of women/foreign members and the barriers for recruiting women/foreigners will be covered. After these age diversity and finally the ideal board are dealt with. This structure of the findings has been made on the basis of different diversity dimensions, namely gender, nationality, and age diversity, since these were the

dimensions that came up in the interviews and because these themes also include sub-themes (e.g. number of women).

A few specific analytic techniques are used in this thesis. Pattern matching is partially used when comparing the findings from existing research and literature with the findings from interviews conducted for this research. The internal validity of this research is improved because of using this technique, since many of the findings do correspond with already existing findings they were compared with. (Yin 2003, 116) In addition, time was taken into account to tackle the complexity of the changes over time. This was done firstly, by interviewing a former board member and a former CEO about the composition of the board and their view on the changes from that time, as well as their opinion about the situation in the board in 2007. Secondly, the members of the board in 2007 who had been in the board for many years were asked about changes that had happened in the past, and how those changes affect the board today.

3.2 Reliability and Validity of the Study

For ensuring the reliability and validity of the study Yin's (2003) four tests were used. These tactics for testing are: construct validity, internal validity, external validity, and reliability (Yin 2003, 34).

3.2.1 Construct Validity

Construct validity was ascertained by carefully selecting the changes under investigation, by using multiple sources of evidence and examples, creating a chain of evidence, and having the case study reviewed by the interviewees. In this research the changes under inspection were the changes in the composition of the board of Outokumpu. Especially the change when the first foreign member entered the board, as well as when the women members joined the board, were under careful inspection. These changes were the most important since they represent the reasons why foreigners

and women have been selected to the board, which are the points of focus of this research.

The sources of evidence included different types of documentation, such as literature on Finnish companies' internationalisation processes. Also archival records, e.g. Outokumpu annual reports, organisation charts, and company presentation materials, were used for gathering information. Lastly, the interviews of the board members were used to collect the empirical and most important findings for this research. Unfortunately direct observations or participant-observations were not possible since outsiders are not allowed to take part to the board of director meetings.

The chain of evidence was created by referring to the sources of information carefully throughout the thesis, providing the actual evidence of the information (for example the time and place of the interviews, and proving to have followed the protocol). In addition, the chain of evidence can be clearly seen in the direct quotes from the interviews that were used throughout the fourth part of this thesis. Also, for improving the construct validity, notes from the interviews and the final case study were reviewed by the interviewees to make sure that no misinterpretations took place. About half of the interviews gave comments about the findings derived from their interviews. Mostly comments were made about the description of the main achievements or key turning points in their career. Most of these comments were taken into account after careful consideration and consulting the original transcribed interviews.

3.2.2 Internal Validity

The topic of internal validity in this thesis has to do with the possibility of making unsupported inferences from the used data. This has been minimised by using various means throughout the project. When analysing and presenting the findings from the interviews, unsupported inferences have been avoided using many methods. Firstly, both interviewees were taking notes during the interviews, which were reviewed and compared after the interviews. Secondly, the recorded interviews were transcribed word

by word after the interviews by the thesis author herself. Thirdly, the notes and the transcribed interviews were used together to define specific topics. Fourthly, cited words were copied directly from the transcribed interviews. In using documentation, ungrounded inferences have been minimised by carefully stating the source of the data and citing the used source. These issues also make the chain of analysis traceable.

3.2.3 External Validity

External validity has to do with whether the findings of the research can be generalised to larger entities than the actual case study (Yin 2003, 37). This issue has been handled in this thesis by using similar research methods that have been used in the existing research of the field. For example, the two most significant researches for this thesis conducted in this research field were by Vinnicombe and Singh (2003) and Huse and Solberg (2006). In both of these researches interviews with open ended questions were used. Also some topics were derived from these researches such as the barriers to recruitment. In addition, for increasing external validity the different units of analysis, i.e. board members, were compared to each other. From these comparisons relevant themes were raised and the analysis written on the basis of those themes.

An important factor for external validity is the extent to which the findings can be generalised (Yin 2003, 37). The generalisation of the findings of this thesis is relatively limited, since the focus of this thesis is very specific. In stead of generalisation this thesis strives to conceptualise board diversity as a phenomenon and the topics related to it, namely gender and national diversity. This way the thesis adds to the understanding of board diversity generally and the reasons and consequences of it specifically. In addition this conceptualisation creates new points of view and questions on board diversity and board composition.

3.2.4 Reliability

The reliability of the study means that if another person would conduct the same study, using the same methods, that researcher would end up with the same findings (Yin 2003, 37). One risk for reliability that is of great importance in this thesis is the female gender of the researcher. Since one of the two main themes of this thesis is gender diversity, a conscious effort has been paid to ensure objectivity. Gender was also a reliability factor in the interviews since both interviewers were women. During the interviews the researchers strived to increase reliability by stating gender related questions in an indirect way; for example, interviewees were asked about board composition instead of gender diversity directly.

In this thesis, the researcher has sought for high reliability also by using other means. Firstly, a so called case study database was created to maintain the interview findings as well as the findings from existing research and theories in a constructed and clear form. This database proved very useful when checking themes and findings. Secondly, the research has been constructed and conducted in a reliable manner, so that the readers would be able to understand it and be able to repeat it if needed. Thirdly, the researcher has attempted to be as clear and concise as possible with data collection and reporting of the procedures carried out in this research. In addition, the themes raised in the interviews have been clearly presented, so that they are easy to follow. Reliability of the thesis has also been improved by recording the interviews, and transcribing them word by word personally by the author of this thesis, as well as two interviewers taking notes during the interviews. These procedures have ensured that the findings are as unbiased as possible.

4 EMPIRICAL FINDINGS

In this part of the thesis we will take a closer look at Outokumpu and its board of directors. First, Outokumpu as a company will be introduced and after that the members of the board of directors will be discussed in the “Path to the Board” -section. Finally, the findings from the interviews by topics will be covered.

4.1 Introducing Outokumpu

Outokumpu is a multinational stainless steel company, with headquarters located in Espoo, Finland. Outokumpu was founded in 1914. It has gone through significant strategic changes; at the beginning of the 2000s it concentrated on four relatively different businesses - copper, mining, technology, and stainless steel. It now concentrates solely on stainless steel after divesting the other business functions. Currently, Outokumpu’s business units are General Stainless, Specialty Stainless, and Other Operations. Outokumpu was listed on the Helsinki stock exchange in 1988. In 2007 the State of Finland owned 31% of Outokumpu’s shares. Since this share ownership is less than 50 percentages, Outokumpu belongs to the associated companies.

This part of thesis concentrates on the issue of Outokumpu’s internationalisation, with special emphasis on changes in the board of directors and the members of the board. The first part provides a general view of the internationalisation process at Outokumpu and then proceeds to discuss the path of members to the board and their contributions and roles while members. Finally, the last part discusses various findings concerning changes in the board of directors.

4.2 Internationalisation of Outokumpu

The internationalisation process at Outokumpu can be examined through many indicators. The changes in the business units and their internationalisation processes offer one perspective on the process. On the other hand, the development of international ownership (i.e. the proportion of shares owned by foreigners or non-

Finnish companies) might provide another picture of the internationalisation of the company, while the division of sales by market area indicates the same phenomenon from yet a different perspective. In addition, changes in the personnel, at both top management level and more generally, add to this picture of internationalisation. In the following these topics will be discussed. Finally, the changes on the board of directors will be illustrated.

4.2.1 *Outokumpu over Time*

Over the years, Outokumpu has been involved in many different types of business. Figure 2 presents these in a time line. From this graph one can see that Outokumpu started in mining in the beginning of the 1910s, more specifically in 1914. After that, Outokumpu has engaged in other businesses, which had all been divested by 2007 except for Stainless Steel, which is the company's core business today.

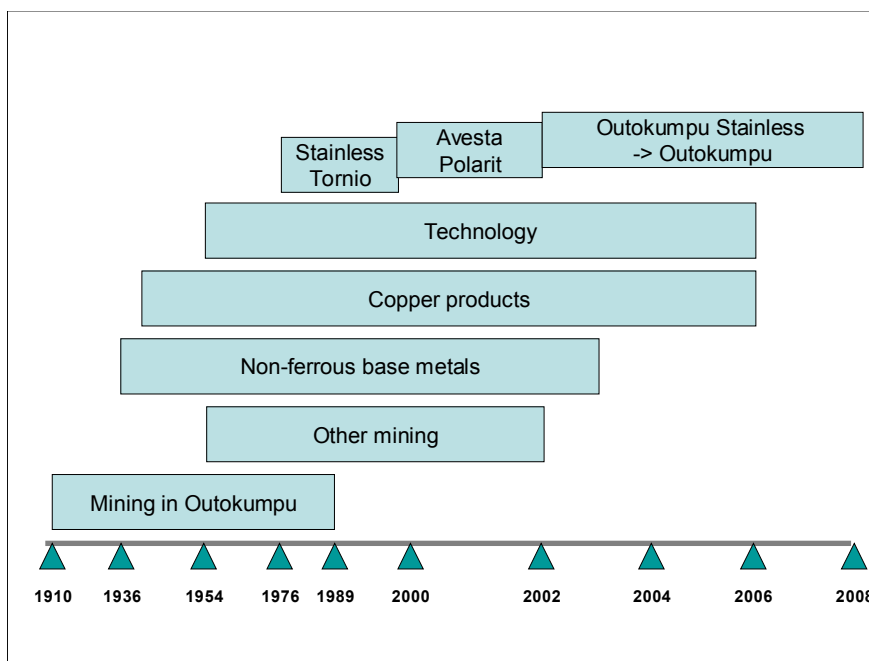


Figure 2 Outokumpu over Time

Source: Armi Temmes, Outokumpu 1.4.2008

Internationalisation of Outokumpu's mining operations started in the 1970s to ensure ore reserves for production. Mines were acquired or set up all around the world, although the emphasis continued to be in Europe. The poor performance of mining operations during the 1990s resulted in Outokumpu exiting base metal mining in 2001. Also, the strategic decision to invest in stainless steel added to this decision.

Internationalisation of the copper products business unit commenced in the 1980s in the US. Other businesses were bought in Sweden and in Spain. During the recession from 1991 through 1993 problems in streamlining the acquired businesses led to losses in the copper business. These losses were so large that the group showed an overall loss. After this, new markets were entered. In the end, there were copper products processes in nine countries, some of which were in Asia. The copper products business unit was sold in 2005.

Outokumpu's stainless steel business was founded in the late 1950s, after a chromium deposit was discovered in Kemi (Northern Finland). In 1976 production started at the Tornio plant, which is now the company's major production site. In 1993 processing facilities were also established in the Netherlands. By the middle of the 1990s, Outokumpu's stainless steel business had a strong position in the market as an efficient producer of quality stainless steel, which was mostly due to the competitive advantage gained through an integrated production chain.

An important phase in the history of the Stainless Steel business unit, and thus of whole Outokumpu, was that of AvestaPolarit. In 2001 AvestaPolarit Oyj Abp was created as a joint venture of Outokumpu Steel and Avesta Sheffield AB, which was the stainless steel department of Corus, a British steel company. During 2002 Outokumpu acquired the rest of AvestaPolarit shares and renamed the business unit Outokumpu Stainless. After the deal Stainless Steel became Outokumpu's biggest business unit. The importance of AvestaPolarit is significant to Outokumpu, since its core business was the same as Outokumpu's nowadays.

The history of the technological business unit dates back to 1954. By the year 2000 heavy investment had been made to improve the business unit. In 2006 Outokumpu Technology was listed on the Helsinki Stock Exchange as an independent company. It is nowadays known as Outotech, and thus its operations are no longer part of Outokumpu.

4.2.2 Ownership Structure

Figure 3 depicts the ownership of Outokumpu from 2001 to 2007. The international ownership has changed every year, and in 2007 it accounted for 38% of all shares. At the same time, the Finnish state's holding has continuously decreased. The direct holding in 2007 was 31%. The holding of the Social Insurance Institution of Finland (Kela) is also included in the graph. It constitutes indirect ownership by the Finnish state, since Kela is a governmental agency. Thus, the actual holding of the state includes the shares owned outright by the Finnish state itself and also those of Kela. Generally, these changes in ownership demonstrate the rapid internationalisation of the company, which has been accelerated by a conscious decision of the state to decrease its shareholding.

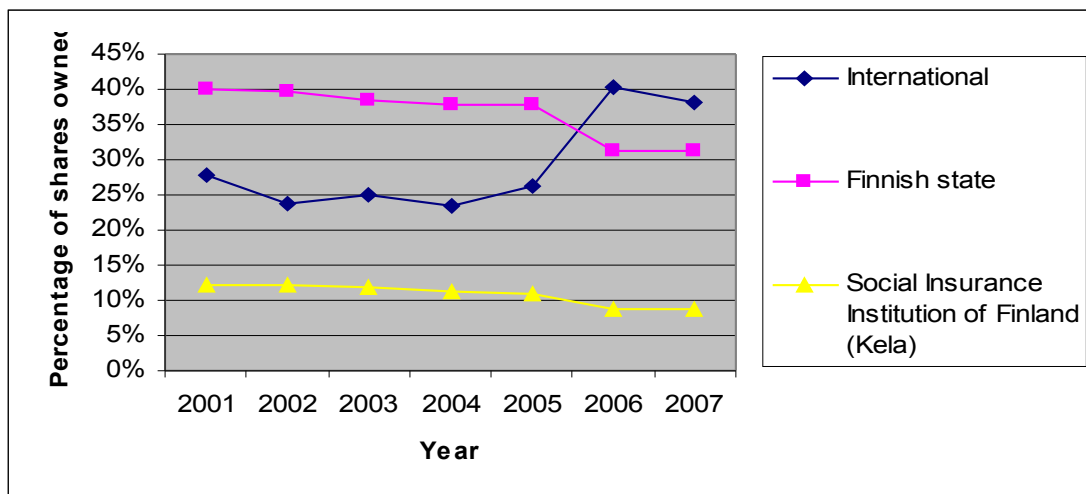


Figure 3 Outokumpu Shareholders 2001 - 2007

Source: Outokumpu annual reports 2001- 2007.

4.2.3 Sales by Market Area

Figure 4 presents the changes in the sales by market area of Outokumpu from 2001 through 2007. A quick glance shows that the market areas have remained virtually constant over the years. However, a closer look reveals that some changes have taken place. For example, Europe continues to be the main market area with more than 60% of the sales generated there. However, in 2006, after the separation of Outokumpu Technology, the importance of Europe as a market area has even increased. Going hand in hand with this is the decrease in the sales percentages for North and South America and Asia. Only the percentage of sales made in Australia and Oceania and other markets have remained fairly stable between 2001 and 2007. However, the proportions of sales in these regions are very small, and thus not particularly important.

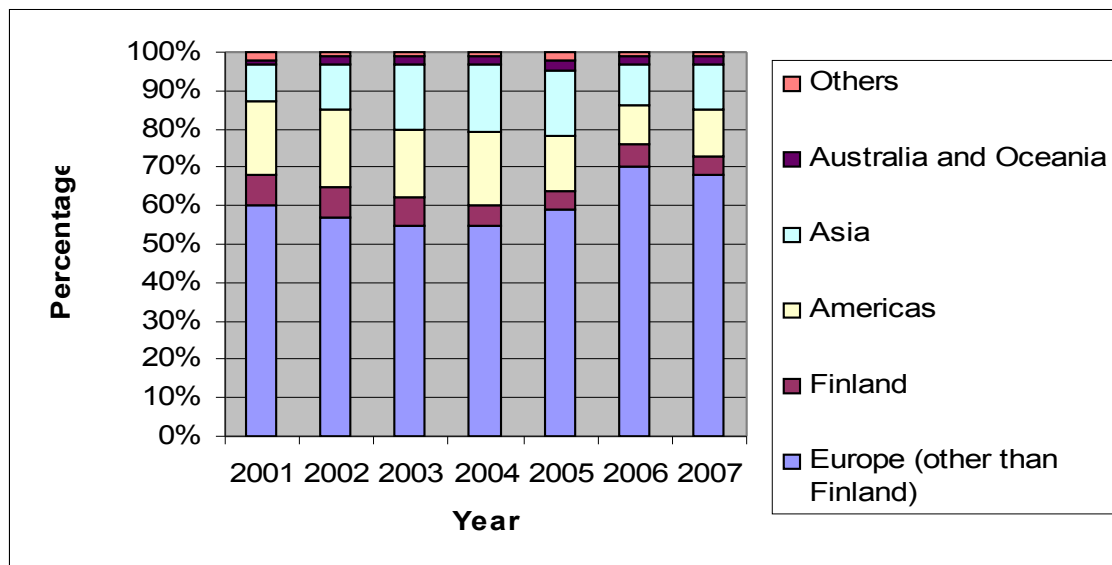


Figure 4 Outokumpu Sales by Market Area 2001 - 2007

Source: Outokumpu Annual Reports 2001- 2007.

4.2.4 Outokumpu Personnel

One of the factors providing a picture of the internationalisation of a company is its personnel, and more specifically the division of employees by geographical areas and the changes that have occurred in it. In addition, having a look at the highest levels of

the employees, namely the executive committee and the board of directors, can give yet another picture of how international a company has become. First, the number and division by market of Outokumpu employees from 2001 through 2007 will be introduced. Second, the changes in the executive committee by number and nationality will be addressed. And finally, the changes in the board of directors by number, nationality and gender will be introduced.

4.2.4.1 Personnel by Number and Geographic Area

As can be seen in Figure 5, Outokumpu Personnel 2001-2007, the number of personnel was around 20,000 until 2006. In October 2006, Outokumpu Technology was listed on the Helsinki stock exchange, and thus the personnel of Outokumpu Technology have not been included in the Outokumpu personnel since then. This explains the much smaller numbers of personnel since 2006. This change in the business focus has not, however, influenced the proportion of Finnish employees in Outokumpu: in 2001, 34.5% of the employees were located in Finland, while in 2007 the figure was 34.0%. In contrast, the percentage of employees outside Europe has fluctuated quite a lot: in 2001 17.2% of the employees were outside of Europe, in 2004 this figure grew to 26.8%, but in 2007 it fell to 10.0%. This last change in the number of employees outside Europe reflects the separation of Outokumpu Technology from the group, since it was the most international business unit in terms of operations.

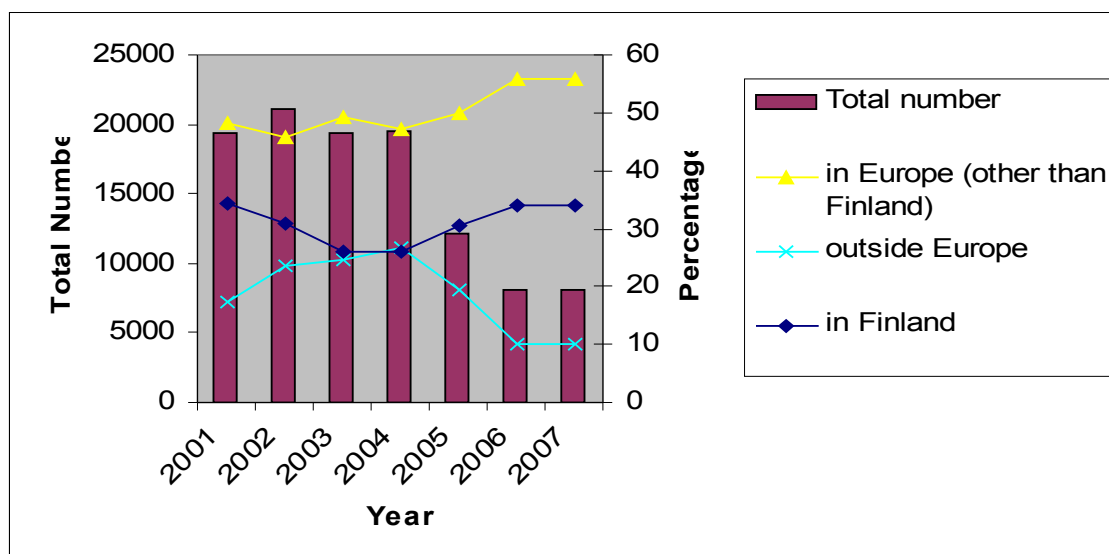


Figure 5 Outokumpu Personnel by Number and Geographic Area

Source: Outokumpu Annual Reports 2001- 2007.

4.2.4.2 Group Executive Committee

In Outokumpu the highest executive level of the group is called the executive committee. This group is ultimately responsible for putting strategic decisions into practice. Taking the international nature of the company into consideration, one might assume that the executive committee would also be quite international. However, this has not been the case until relatively recently. Figure 6 presents the changes in the Outokumpu executive committee between 2001 and 2007 by total number of members and the nationality of the members (Finnish versus foreigners). The gender of the executive committee's members is not relevant, since they are all men. As can be seen from the figure, between 2001 and 2003 all the executive committee members were Finnish. However, during this time, there were foreigners in the top management teams of different business units, for example copper and technology. In 2004 the first foreigners entered the executive committee. Since then, there have always been at least two foreigners on the committee.

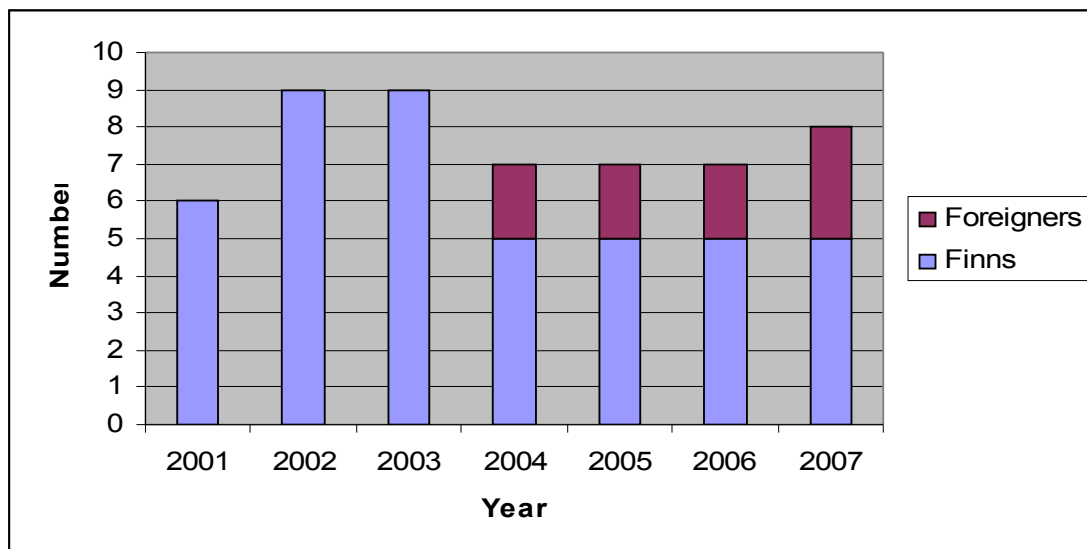


Figure 6 Outokumpu Group Executive Committee 2001 - 2007

Source: Outokumpu Annual Reports 2001- 2007.

4.2.4.3 Board of Directors

While the group executive committee bears the main responsibility for implementing strategic decisions, the board of directors makes the decisions. Also, the board of directors represents the interests of the shareholders. Since the board is responsible for the strategic decisions of the whole company, it would seem logical to find the same diversity and international flavour there. Even though the membership of the Outokumpu board is very diverse nowadays, the situation was not so until recently. Figure 7 represents this shift from a very homogeneous board to a more diverse one. The main changes in the board are reflected through the changes in its composition in terms of number, gender and nationality. Firstly, the number of members has varied from eight to ten, being eight in 2008. Secondly, the number of women has increased from one in 2000 to three in 2007. During these years there have been altogether five different women on the board. In addition, the number of foreigners on the board has increased: the first foreign member entered the board in 2003 and in 2007 there were three foreign members.

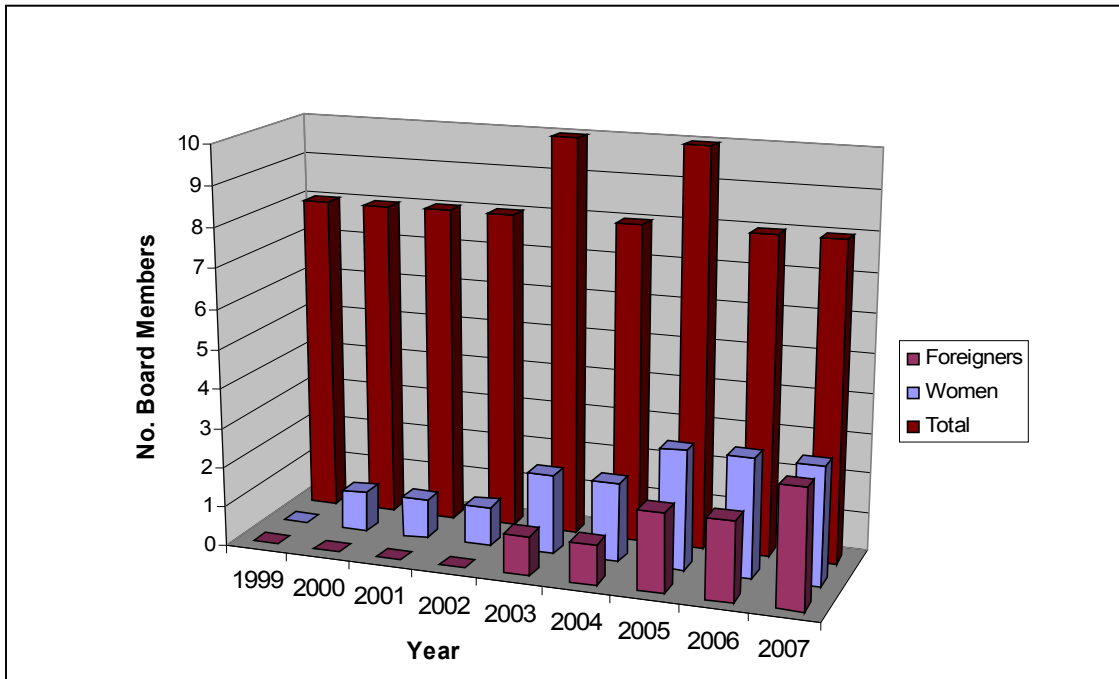


Figure 7 Outokumpu Board of Directors 2001 - 2007, by Number, Gender and Nationality

Source: Outokumpu Annual Reports 2001- 2007.

From this rather general description of the composition of the Outokumpu board of directors, we can now move to a more thorough analysis of the board’s diversity. The next part of this thesis will introduce the findings from the interviews.

4.3 Path to the Board

Table 1 presents the members of Outokumpu board of directors in 2007. The table contains the following information of all the members: name, birth year, age, gender, position in the board, nationality, education, year since in board, years in board, and the number of other key positions held by the person. From these members all but Taisto Turunen were interviewed for this research. In addition, a former member of the board, Soili Suonoja and former CEO of Outokumpu, Jyrki Juusela were interviewed.

Table 1 Members of the Outokumpu Board of Directors 2007

	Name	Birth Year	Age	Gender	Position	Nationality	Education	Since in Board	Years in Board	Other key positions
1	Jukka Härmälä	1946	61	M	Chairman, NCC	Finnish	B.SC.(ECON)	2005	2	3
2	Ole Johansson	1951	56	M	Vice-Chair (2004), AC	Finnish	B.SC.(ECON)	2002	5	4
3	Evert Henkes	1943	64	M	Member, NCC	Dutch	B.SC.(AGECON)	2003	4	4
4	Victoire de Margerie	1963	44	F	Member	French	PH.D.(MGMT) LLM, M.POLSC.	2007	0	5
5	Anna Nilsson-Ehle	1951	56	F	Member, NCC	Swedish	PH.D, M.SC.(ENG)	2005	2	4
6	Leo Oksanen	1945	62	M	Member	Finnish	M.SC.(CHEM)	2007	0	0
7	Leena Saarinen	1960	47	F	Member, AC	Finnish	M.SC. (FOOD TECHNOLOGY)	2003	4	1
8	Taisto Turunen	1945	62	M	Member, AC	Finnish	M.POLSC.	2006	1	2

Source: Outokumpu Annual Report 2007

(In the table: AC= audit committee, NCC= nomination and compensation committee.)

In order to understand the dynamics inside the board of directors of Outokumpu, it is necessary to have a closer view of how these members joined the board. It is also important to study the contributions and roles of the members. However, since in most cases the members do not actually know the underlying reasons for their recruitment or their actual contributions, the comments of other board members are used as sources of

information. In this part of the thesis, these issues are discussed so that first the view of the interviewee is presented, and then the comments of the other interviewees are added.

The interviewees will be examined one at a time, starting with the longest serving board member, Ole Johansson, and ending with the latest recruits, Leo Oksanen and Victoire de Margerie. Each interviewee will be asked about the following topics: firstly, the timing of joining the board, secondly possible membership on the Outokumpu board committees, and other board memberships. Then the key turning points in the interviewee's career that have had the most influence on board professionalism will be examined. Lastly, the recruiting process and the contributions and roles of the board member will be examined on the basis of the interviewee's own comments and then by mirroring them against the comments of other interviewees.

These interviews were made during the winter of 2007-2008, and thus the information used in this part, for example the number of other board and/or committee memberships, is from that time. To maintain the anonymity of the interviewees, two different categories (foreigners/Finns, women/men), and combinations of these are used when referring to the interviewees. This is done so that there are always at least two people from the same category; hence it is not possible to identify the interviewee. In addition, the term "board member" is used for both former and current Outokumpu board members.

4.3.1 Ole Johansson

Ole Johansson has been on the Outokumpu board since 2002. This makes him the longest serving Outokumpu board member of all the interviewees. He has been vice-chairman of the board since 2004. At the Annual General Meeting of 2008 he was chosen chairman of the board. On the Outokumpu board he also occupied the position of chairman of the Audit Committee in 2007. In 2007 he was also the CEO of Wärtsilä, a Finnish manufacturer of diesel engines. Other important positions held by him in 2007 were the chairmanship of Technology Industries of Finland and the vice chairmanships

of the Confederation of Finnish Industries and of the Varma Mutual Pension Insurance Company.

Ole Johansson defines his position as CEO of Wärtsilä, where he has served since 2000, as the most important experience for work on the board.

”It’s been my position as the CEO here. I think that being a CEO is the best qualification for board work. The roles are totally different, the role of the board and the CEO. But being the CEO is the best qualification, because nobody else can understand the role of the board, the content of board work and the needs of the board better than a CEO, because the CEO is the one who really works with the content [of the board’s work]. And in my case it has to do with my position in Wärtsilä and Wärtsilä’s success, and that’s what has qualified me”.

Ole Johansson obtained his qualifications for board work even though the basic business of Wärtsilä and Outokumpu are “apparently totally different”. Outokumpu operates a processing industry, which is very capital-intensive and cyclic, whereas Wärtsilä concentrates on single item production, which is not readily affected by cyclical changes. In addition to the differences there are also many similarities between the businesses. These are their international nature, which means that most customers are outside Finland, and the increasing importance of customer relations management.

When asked about the possible contacts Ole Johansson had with Outokumpu before joining the Outokumpu board, he mentions knowing Gerhard Wendt, who was the chairman of the board of Outokumpu in 2002. He and Gerhard Wendt had worked together in Wärtsilä in the past and Gerhard Wendt had proposed Ole Johansson to the Outokumpu board. With respect to his nomination, Ole Johansson does not have any proof, but he believes that the state and The Social Insurance Institution of Finland (Kela) supported his membership.

Ole Johansson's role on the Outokumpu board has always been important and the other board members have appreciated his contributions as vice chairman. At the beginning of the 2000s he was one of the few active members on the board, according to a Finnish female board member. Also, a Finnish male board member described him as being one of the most active and strongest of the current board members. His contribution to the board comes from his extensive experience of the industry and from international arenas due to the long career as the CEO of a global company, added a Finnish female board member.

4.3.2 Evert Henkes

Evert Henkes, who joined the Outokumpu board in 2003, is the first foreign member on the Outokumpu board. In 2007 he was a member of the Nomination and Compensation Committee of the board. Other important positions held by him in 2007 were board memberships in four other companies: Tate & Lyle plc, CNOOC Ltd, SembCorp Industries Ltd, and Air Products and Chemicals Inc.

Evert Henkes' background is truly global with work experience from around the world. His "globalness" is well illustrated by his definition of his own nationality: "[I am] a global child". By nationality he is Dutch, his family is in the UK and his education is American. Before his first contact with Outokumpu, Evert Henkes had held many executive positions at Shell, the last one being that of global CEO of Shell Chemicals Ltd, in which he served from 1998 to 2003. During his last years in Shell, the organisation was going through extensive changes, for which Evert Henkes had a great deal of responsibility. He mentions change management on a global scale and setting up global processes as the most valuable experiences. He sees them as vital for the current board work. He puts it in the following way:

"Interviewer: Has that particular experience [as the global CEO] equipped you with some specific expertise that you bring to the boards where you're working?"

Interviewee: "Yes I think so, yeah. I think essentially there are two main areas. One is what change management is really all about. And people often think that

this is where you are, this is where you want to get to, and you just [go from] one to the other, bingo. And that certainly is not the case. Very definitely not the case when you're a multinational, an international or global business. Every one of the businesses I am involved in is a global business. I would have less to bring to a board [that] is purely domestic. The other thing is the, what globalisation really means and the setting up of global processes; global HR processes, global IT processes, marketing processes and so on".

Evert Henkes' membership on the current Outokumpu board has a history of its own. His first contact with Outokumpu was through AvestaPolarit, a business unit of Outokumpu that was formed as a joint venture with British Steel's business unit, Corus. Evert Henkes was appointed to the board of AvestaPolarit in 2002. When Outokumpu bought the rest of the AvestaPolarit shares from the British company, Evert Henkes was contacted in March 2003 by the Finnish Ministry of Trade and Industry (MTI) and asked to join the Outokumpu board. Regarding the reason why he was recruited he had the following to say: "...because I guess Outokumpu thought that I had made some contribution to the AvestaPolarit board, they suggested that I be invited to the Outokumpu board in March 2003".

Initially he was interested in AvestaPolarit because of his background in metals and the experience of initial public offerings that he had gathered over the years. This experience was later useful at Outokumpu when the technological business unit of Outokumpu, Outotec, was listed on the stock exchange. Also, the timing of the board membership was convenient since he was planning to retire in May 2003, and thus he "thought that the fit was quite good" for joining the Outokumpu board.

When asked about his contribution and role on the board of directors of Outokumpu, Evert Henkes highlights, in addition to the earlier mentioned change management and setting up global processes, his knowledge of different market areas. Asian markets are familiar to him due to current board positions in a Singaporean and a Chinese company. From his career he has experience from the US, South Africa, and Ghana.

The observations of the other interviewees about how Evert Henkes joined the Outokumpu board go hand in hand with his; they also define the reason as his membership in the AvestaPolarit board. This was considered important because the business on which Outokumpu is now concentrating, i.e. stainless steel, was the core business of AvestaPolarit as well. As one Finnish male board member put it:

”And in that sense he was earlier involved in this so-called current-Outokumpu’s operations, since what AvestaPolarit was at that time is what the present Outokumpu is, even though significantly bigger...”

The global background and experience of Evert Henkes has also been noted and appreciated by other Outokumpu board members. His experience brings value to the board mainly through the networks that exist outside Finland. This is reflected by a Finnish male interviewee in the following way:

“...after all we have a considerable amount of international experience, but we do not have the same contact network in France, the Netherlands or England, as Victoire de Margerie or Evert Henkes have, but it is quite different. In addition, both of them serve in other companies, so it is the experience that comes from that [active positions in other companies], it doesn’t come from them being foreigners, but from them sitting in other companies”.

The previous comment also points out that it is not the nationality of the foreigners that contributes to the boardroom work, but rather their experience on the boards of other companies, which comes with being a foreigner. Of special importance for Outokumpu could be Evert Henkes’ board positions in the Asian companies, since Outokumpu is increasing its market focus in that area.

Another contribution that Evert Henkes makes to the board, which also applies to other foreign members, was defined as being the industry-specific knowledge he has gathered during his career at Shell. The following comment made by a Finnish male board

member emphasises again that it is not actually the fact that he is foreign that contributes to the board, but rather his experience:

”Evert Henkes is a good example of a person who knows, for example, the mining industry and minerals and these companies very well, and [he] can understand the trends and market situations of that industry quite easily”.

4.3.3 Leena Saarinen

Leena Saarinen joined the Outokumpu board in 2003, which makes her the second woman on the board. In 2007 she was a member of the Audit Committee of the board as well as the CEO and president of Tradeka Oy, a Finnish retailing company.

Leena Saarinen has wide-ranging experience from different industries, even though she was only 47 years old in 2007. She defines three major turning points in her career, which affect her current board expertise. Firstly she mentions her studies in food technology, which is a rarity at management level. The second milestone was her career at Unilever, where she worked for more than 15 years in different positions. The main lessons learned from the time at Unilever are language competence, experience of geographically different areas, long- and short-term projects, and marketing management. Other important issues from Unilever include the following:

”...it [time in Unilever] has been a very good experience. An international, multinational company is a very good school for doing things systematically and on the other hand also for setting the bar for personal achievements at an international level, not a national level. In which case you can take part in all kinds of management training. I had very good luck at Unilever in that I was given many kinds of tasks; I was in business-to-business marketing, then I became a B2C sales manager, and then I was abroad as a marketing manager”.

The only experience that would have been important for boardroom work lacking from her Unilever years is that of leading a company financially.

”But what Unilever as a multinational company does not teach you or provide for board work is that you are never allowed to manage the financial side of an entire company. Instead you manage the operative accounting side, but the financial side and the balance sheet side you basically never get to manage because they all are taken care of in a centralised manner. In a way it’s an affiliate company”.

Leena Saarinen mentions her previous board positions as the fourth main experience for the board position at Outokumpu. She has served on many different boards, as the CEO or as a board member, and this experience has given her a wide view of both how a board should work and how it should not. She gives an example of a situation where she became the CEO of a company right after it had acquired another company. The integration process was unfinished and there was a “test match” taking place. Even though the position was hard for her, she says, “for a leader and as a leadership experience it was absolutely fabulous”. Also, from these board positions she says that she learned the difference between board work and executive work.

Leena Saarinen’s path to the Outokumpu board is an interesting one. At that time, in 2002, Sinikka Mönkäre from the Finnish Ministry of Trade and Industry (MTI) was making an effort to increase the number of women on the boards of Finnish companies. A headhunter contacted Leena Saarinen and she seriously considered the proposed board membership. However, her Unilever position at that time was very time-consuming and Unilever’s attitude toward outside positions was relatively negative (acceptance from the CEO was required and board fees were deducted from salary), so Leena Saarinen decided not to accept the offer. Later on, she joined a “Potential Leaders” program at Unilever, where she was in personal contact with the managers of Unilever. On this occasion the management supported her membership, and thus she accepted the offer from MTI to join the Outokumpu board. She reflects on the influence of her gender on the nomination in the following way:

”And if you sum it up, why I ended up in Outokumpu, it was by coincidence! And because I am a woman. So that was the reason [for recruitment]”.

Marketing skills are the main contribution of Leena Saarinen to the Outokumpu board. Since Outokumpu is concentrating on customer relations, her contribution has become more important than ever on the board. She comments on this contribution as follows:

”Well, actually it has turned out that the decision to concentrate on sales, marketing, and customer relationship management, -- these have been very important fields for the present Outokumpu strategy, and I have really contributed in them”.

Nearly all the other board members also identified the enhanced importance of gender in board nominations during the early 2000s. However, many also stated that even though Leena Saarinen most likely was chosen to the Outokumpu board because of her gender, she is currently on the board due to her experience and contribution to the board. In addition, one foreign female board member defined Leena Saarinen’s areas of expertise as retailing and process control, whilst a Finnish male interviewee highlighted her marketing and international experience:

”Then there is a Finn [on the board], who has always been working with brands and marketing, a woman, who has a Unilever background, thus very international, you could say, even though in the Finnish arenas”.

4.3.4 Soili Suonoja

Soili Suonoja was on the Outokumpu board from 2003 until the end of 2006. She joined the board at the same time as Leena Saarinen and thus they were both “the second” female member of the board. At the time of the interview, Soili Suonoja was chairman of the board of Alko Oyj and a board member in six companies: Lännen Tehtaat Oy, Itella Oyj, Lassila & Tikanoja Oyj, Tieliikelaitos Oy, Eila Kaisla Oy and Nurmijärven Linja Oy as well as a board member in Hallitusammattilaiset Ry.

Soili Suonoja defines her CEO career in Amica Oy, which lasted from 1989 until 2000, and the many other board positions she has had since the beginning of the 2000s as the

most important training for her Outokumpu board position. For her, Outokumpu was not an unknown company, since she had seen it “in her previous life” when working at Amica, and thus it was easy and interesting for her to join the Outokumpu board. She tells about her recruiting process quite similarly as Leena Saarinen:

“...I was chosen by the Ministry of Trade and Industry, the ownership steering committee in other words. And I think that Sinikka Mönkäre as the Minister of Trade and Industry [had quite a lot to do with it]. Her starting point was that women should be elected to the state owned companies. And since there were already women on the Outokumpu [board], two of us went there, Leena Saarinen and me”.

Soili Suonoja left the Outokumpu board at the end of the accounting year 2006. She says that the basis for her departure was in the shared wish of the board that national diversity should be increased. She describes the event as follows:

”And the reason why I left Outokumpu was that every year the board evaluated itself and every year all the board members hoped for more native international board members. But nobody was willing to say who of us should give up her/his position. And then when [my] fourth year [on the board] and this analysis came out, I noted that this is idiotic. And from this perspective I went to the ownership steering committee, I think it was after three years, and I said that this [board position] is nothing that I want to hang onto whatever happens, so I can change if international members are wanted.”

In the Outokumpu board of directors Soili Suonoja says that her main contributions were in the field of customer relations, employee issues, and profit making. She emphasises her experience of the importance of profit-making as follows:

”...in the Fazer group [to which Amica belongs to] it has been kind of, how should I put it, an unwritten law that the jobs of the owners and employees are best secured by making a good profit”.

In addition, some major changes took place during her time on the board, and she had a role to play in those changes. For example, a dynamic new CEO was hired. Also, commercialism was boosted by: “changing the spirit from one that was a bit stiff, to put it in a naughty way, from an environment where people had time to defend their doctoral theses and do all kinds of fun things, without it having anything to do with the business world, to a profit-making and profit-seeking company”.

Also, other Outokumpu board members agreed with Soili Suonoja that at the beginning of the 2000s the main reason for recruiting women to the board of directors was pressure from the government to increase the number of women on the boards of Finnish companies. Even though the Finnish parliament did not pass a law on female quotas, like its Norwegian counterpart, they recommended that companies increase the number of women on their boards. This recommendation was put into practise especially in the state-owned companies and the associated companies, Outokumpu being one of the latter.

4.3.5 Anna Nilsson-Ehle

Anna Nilsson-Ehle was elected to the board of directors of Outokumpu in 2005, making her the first foreign female member of the board. In 2007 she was a member of the Nomination and Compensation Committee of the board. Other important positions held by her in 2007 were board memberships in three companies: Teknikvetenskapliga Forskningsrådet, Innovationsbyrån Väst AB, and Svensk Bilprovning AB.

Anna Nilsson-Ehle has an extensive background in the industrial sector. She identifies her career’s key turning points as being head of the Volvo 240 Company, working at the Volvo head-office, getting the CEO perspective from Universeum AM, and the position on the Outokumpu board. She developed her strong product orientation at the Volvo 240 Company and learned different production methods. Also, during these years she had complete responsibility for a business, which led to know-how in leadership and management.

In the Volvo head-office Anna Nilsson-Ehle was assigned many new areas of responsibility, for example leadership and quality. Through this responsibility she gained experience in both change management and remuneration issues. Furthermore, during her last years at Volvo, she took the position of vice president on the group level, where she was introduced to board work.

When Anna Nilsson-Ehle was approached about the Outokumpu board position she had had no previous contacts with Finland, not to mention Outokumpu. Other companies offering board positions had contacted her earlier, but at that time the chairman of the company where she was a CEO recommended that she not accept membership of this kind due to the time required by her position as CEO. A headhunting firm made the initial approach on behalf of Outokumpu in the autumn of 2004. In December she had a meeting with a representative of MTI and with the chairman of the board at that time, Heimo Karinen. Outokumpu appealed to Anna Nilsson-Ehle because its sector is similar to that from which she had obtained most of her working experience. She also stated in the interview that the changes that were taking place in Outokumpu were very interesting to her. Another appealing feature of Outokumpu was that it is a listed company, and Anna Nilsson-Ehle had not been on a board of a listed company before.

The main contributions that Anna Nilsson-Ehle makes to the Outokumpu board are in the areas of R&D, customer orientation, brand and project management, and industrial production. She comments on her role and the rationale for her being on the Nomination and Compensation Committee in the following way:

“OK, well I mean what I bring in is of course the R&D perspective and the industry perspective. And my own interest includes a lot about management, project management and also how you make people, how do you make things happen. That interests me. So all of that is involved with being on the CC, the compensation committee. Because it is also about setting targets and incentives. So it’s part of that whole scope of how you make things happen and how you make companies efficient. “

Anna Nilsson-Ehle's appointment to the board could be seen as a combination of two objectives of the main shareholder of Outokumpu, the state: increasing the number of women and foreigners on the board of directors. One Finnish male board member comments on this as follows:

“Interviewer: When Victoire and Anna came to the board in 2005 and 2007, was this internationalisation of the board, to take more foreigners in addition to Evert, a conscious decision?”

Interviewee: Yes, as far as I see it, yes. And it had been communicated by the management and the board to the ownership steering department and to the committee exactly that [more foreigners on the board] were wanted”.

However, one Finnish female board member pointed out that the state was no longer actually trying to attract women when Anna Nilsson-Ehle joined the board. When asked about the recruitment of Anna Nilsson-Ehle on the basis of her gender, she answered:

“I know that the company steering department has been appointing women on the basis of their gender even to the point of stupidity. But I also know that the briefing and work that was done for the recruitment of both of them [Anna Nilsson-Ehle and Victoire de Margerie] has been so that first the emphasis has been on their know-how, and after that gender. So I know it went in that order. And I think that the selection has been absolutely great with that brief. Even if they were men or women, women or men, both of them, they both are just the right type of members with the right substance”.

In 2005, when Anna Nilsson-Ehle joined the Outokumpu board, AvestaPolarit had been fully acquired by Outokumpu. The plant in Sweden had a strategically important position in Outokumpu, and thus one might wonder if the appointment of a Swedish woman, Anna Nilsson-Ehle, would have anything to do with this. However, as a Finnish male board member stated, these two things had nothing to do with each other since Outokumpu already had operations in Sweden long before AvestaPolarit.

As was already stated before, there are three frequent reasons for appointing foreigners to the board of directors, according to a Finnish male board member. Firstly, the large contact network outside Finland was considered crucial. For Anna Nilsson-Ehle this definitely applies due to her three other board memberships and an extensive career in the manufacturing industry. Secondly, these positions on other boards bring value since Anna Nilsson-Ehle has active and current positions that also bring know-how to the Outokumpu board. Thirdly, her experience in industry, rather than in the market area of Sweden, was considered important for understanding market situations and general trends.

4.3.6 Jukka Härmälä

Jukka Härmälä joined the Outokumpu board in 2005. He became chairman of the board in 2006, after which he also occupied the position of Chairman of the Nomination and Compensation Committee. As of beginning of the accounting year 2008, Jukka Härmälä was no longer on the Outokumpu board. Other board memberships held by him in 2007 were in Rautaruukki Oyj, the Russian Timber Group Ltd., and also on the supervisory board of Varma Mutual Pension Insurance Company. He also acts as a senior advisor to Capman Oyj, an alternative asset management company.

Jukka Härmälä has had an impressive career in the paper industry: he was CEO of Stora Enso Oyj from 1992 until 2007 and prior to that the president and COO. From 1984 to 1988, Jukka Härmälä was senior vice president and member of the board of management of Kansallisosakepankki. His main contribution to the board was “an immense amount of board work experience, and chairman experience, and [experience] from different types of companies, and of course [his] own industrial background as well as the combination of these”.

Jukka Härmälä says that his recruitment to the board of directors of Outokumpu was initiated by the state. According to him, at the time of his recruitment the internal board

evaluations had shown that there was general interest in replacing the chairman of the board, and thus Jukka Härmälä was asked to join the board with the intention of making him chairman in one year.

During his time as the chairman of the board, Jukka Härmälä initiated many improvements in the work of the board. Firstly, he removed the passive members from the board, which decreased the size of the board from ten to eight members. Secondly, by increasing open discussion and questions, he enlivened the style of the meetings. Thirdly, he emphasised the importance of executive summaries in making information clear and concise, and thereby reduced the amount of material for each meeting. Also, the management was invited to give presentations. Thanks to these improvements more time remained for discussion at the meetings. Lastly, the decision-making process for major issues was further developed so that the initial discussion was held beforehand and also the feedback and options were already given to the board before the board meeting.

Jyrki Juusela, the former CEO of Outokumpu, was one of those who sought Jukka Härmälä for the Outokumpu board. Jyrki Juusela said that since he knew Jukka Härmälä and his qualifications, he made a personal recommendation to the MTI to include Jukka Härmälä on the board.

Generally, the other members of the board of directors of Outokumpu spoke highly of Jukka Härmälä as chairman. He was credited for his global perspective and experience as the CEO of an international company. Some interviewees expressed their concerns about the future of the board without Jukka Härmälä as chairman. The reasoning behind this was that the changes initiated by him were just starting to show, and more work with the same team was needed. What has to be noted here is that the news of Jukka Härmälä departure from the Outokumpu board came after over half of the interviews had already been held, and thus not all interviewees commented on the issue.

4.3.7 Leo Oksanen

Leo Oksanen joined the Outokumpu board in 2007. His title at Outokumpu is Senior Advisor, Chemical Safety and Occupational Hygiene. He has an extensive career inside Outokumpu; he entered the company in 1974 taking the position of an operational chemist. He was appointed to the Outokumpu board as an employee representative. During his years in Outokumpu he has taken part to many functions, mainly in the employee participating functions. Leo Oksanen has also been in the board of Outokumpu Stainless Oy (one of the most important Outokumpu subsidiaries) for four years. Working with people from many units within the company has given him a profound knowledge of the practical issues of the company and its business.

According to one of the male interviewees, the employee representation on the board of directors has roots in the history of Outokumpu. Due to the harsh working conditions faced by most of the employees of the company, who worked in mines, the retirement age used to be very low. When the company developed and the concentration of the business shifted away from mining, the relative number of employees working in mines decreased. With this shift, the general retirement age has risen. For the employees this would have meant a less favourable contract, and thus they negotiated a seat on the board of directors in exchange for the higher retirement age. However, the employee representative sitting on the board does not represent the employees per se, but is instead independent.

Inside Outokumpu, Leo Oksanen has held many different positions. As the most important ones he defines the positions of trust within the company. From these experiences, he has know-how on employee issues, and this could also be a major contribution in the Outokumpu board.

“Yes, where I could think and provide insight is probably on the personnel side. I’ve been working there for 25 to 30 years”.

4.3.8 Victoire de Margerie

Victoire de Margerie joined the Outokumpu board in 2007. She was the second foreign woman ever to join the board. Since 2008, she is a member of the Audit Committee of the board. In 2007 she had board memberships in three other companies: Ciments Francais, Ipsos, and the UK nanotechnology start up Rondol that she chaired the board of. Since 2003 she has also been a professor of strategic management at the Grenoble Graduate School of Business.

Victoire de Margerie has international business experience of more than 15 years in the metals and plastics industry. She says that she is continental European by nationality, not global or French. This is reflected by her comment where she says that she feels Italian, German, and English, depending on the country where she is. Victoire de Margerie defines two key turning points as a board professional. Firstly, being on the board of a family group from an early age, she got board experience from an observer role, seeing how the board works and what its role actually is in the company. The second turning point was when she stopped executive work and concentrated on board work.

A headhunter made the initial contact with Victoire de Margerie for the Outokumpu board position in April 2006. When asked about the reason for the contact at exactly that time, she says: "No idea. They wanted international guys". During the recruiting process Victoire de Margerie had an opportunity to meet some of the key persons at Outokumpu. The second contact with Outokumpu was in London, where she met with Jukka Härmälä and Evert Henkes. After the meeting, she came to Finland to meet with the CEO, Juha Rantanen. On the basis of these meetings she knew that she got along well with the other members, and she "accepted the board position with joy".

Victoire de Margerie says that for her it was also easy to accept the board position at Outokumpu for other reasons. Firstly, the industry was familiar to her due to her background in metals, specifically in aluminium. The familiarity of the industry she described by saying: "[I'm] back to my speciality". Secondly, Outokumpu was an

appealing company for Victoire de Margerie, since it operates on a niche industry, producing high end, luxurious stainless steel. Thirdly the location of Outokumpu was attractive to her because she had been working in the Nordic countries earlier in her career. In addition, she saw that the climate in the Nordic countries towards women is more open compared with that of France, which was not a reason for joining the board, but did make it more pleasant.

When asked about her areas of expertise, Victoire de Margerie mentions her industry and strategic knowledge, which includes strategic design. In addition to these areas of expertise, the main contributions to the current Outokumpu board are her experience in mergers and acquisitions, a strong stakeholder perspective, and the ability to combine the academic and practical business worlds.

More specifically, being active in the academic world enables Victoire de Margerie to translate “a full set of data into a few simple questions”, which is very useful in the boardroom context. Also, the academic knowledge enables a better view of the whole situation, reflecting from other industries using a “helicopter perspective”. However, one interviewee who had not met Victoire de Margerie in person questioned her experience on the practical side of business, thinking that this strong academic background overrode the practical side.

The recruitment of Victoire de Margerie is the latest foreign recruitment to the board, and as such, some of the interviewees actually participated in the process. Evert Henkes told about the process in the following way:

“Interviewee: And basically it was Jukka Härmälä and I who selected Victoire, and then recommended her to the nomination committee.

Interviewer: Was it [a foreign female board member] hard to find?

Interviewee: Yes. It took us two rounds, two efforts. “

As was mentioned before, the increase in the international members on the board was seen as a conscious decision by the state. However, a Finnish male board member

thought that for Victoire de Margerie's recruitment "her background as an economist, as well as her many other board positions, were more important" than her nationality.

Victoire de Margerie's gender was not considered important in her recruitment. As was already mentioned when discussing Anna Nilsson-Ehle's recruitment, both of these foreign women were recruited on the basis of their experience and know-how, rather than their gender. In fact, one of the male board members stated that they would have recruited a man for the position, but they had some personal information on the male candidate that spoke against recruiting him.

Other board members identified many contributions made by Victoire de Margerie to the board. Most significant of these were her background in the industry, and her marketing and sales perspective. Also, her existing networks were seen as important for Outokumpu. One female board member commented on the issue by saying:

"Interviewer: In your opinion, what was the rationale for inviting her [Victoire de Margerie] to the board?"

Interviewee: I don't know because I was not part of that either then. But I think that she brings in a lot of interesting ideas. I mean she has a very good background from her professional career, and understanding of this kind of business. Maybe she has more of a marketing and sales perspective to bring. I mean others also have that but she has been selling this kind of products so to say, not steel but aluminium and I think chemicals, so she has that experience and I think she has a very good network in France and in Europe, so she brings in a lot of understanding, and business flavour."

Another female board member added:

"...Victoire has massive experience, and she comes from [a sector] very close to this industry. And she knows global [business], since French business life is quite in the centre of global business life. So she has a very strong network, and views on many issues that come from the world..."

4.4 Findings from the Interviews

There were many themes raised in the interviews. Some of them were planned beforehand by the interviewers, and some emerged spontaneously during the interviews. This part of the thesis takes up the most interesting and significant findings from the interviews, including some direct quotations from them.

Firstly, the general topic of diversity will be discussed. After that we will move on to more specific topics within diversity: national diversity, gender diversity, as well as age diversity. We go further into the topics of national diversity and gender diversity by discussing barriers to recruitment and the actual number of foreigners/women. After this, we turn to the working language of the Outokumpu board. Finally, we will conclude by considering a possible “ideal board” for Outokumpu.

4.4.1 Diversity - Generally

The interviewees were not asked about diversity directly. Instead, the interviewees themselves mentioned diversity (actually using this term) when asked about board composition. Many of them stated that the Outokumpu board is a very diverse board, especially if compared with other Finnish companies. The fact that this has not been the case until recently was also mentioned many times.

Diversity was defined to include cultural, national, international, educational, and age diversity. Other dimensions in which the members of the board differ from each other were industrial experience and competencies. The importance of international diversity in a truly international company such as Outokumpu is highlighted in the following comment made by a foreign board member:

“... I firmly believe if you’re going to be international you have to be, nearly by definition, you have to be diverse in terms of employment; nationalities and cultures and so on. And to get the best out of your people you will have to understand those

cultures, and you will have to understand what benefits diversity will bring. And that of course then brings along with it gender diversity and religious diversity and so forth. And I genuinely believe that it enhances the business. I think it enhances the quality of your knowledge, your information, and the quality of your decision-making”.

Gender as a dimension of diversity was mentioned in quite a controversial manner. One Finnish male board member stated that he would not seek gender diversity whilst two other interviewees stated that gender is one of the most significant diversity dimensions. Also, a Finnish male board member thought that the gender and nationality issues are not clear since “it is so difficult to say what is a question of personality, what is a question of gender, what is a question of nationality”. The most important of the diversity dimensions was defined to be experience, more specifically industry experience.

4.4.2 Diversity of Experience

One very interesting comment about diversity came from a Finnish male board member. He stated that diversity should not be an end in itself, but it should be used as a tool for change. This opinion he supported by explaining that diversity does not create value in itself since it does not lead people. Rather, what leads people is a common vision and goal. If stressed excessively and forgetting the common goal and vision, diversity can act as a counterforce and take people in the wrong direction.

The majority of the members of the board of directors of Outokumpu have been CEOs during their careers. It could be imagined that this common experience has created a relatively homogeneous group of people in terms of cognitive essence. When the interviewees were asked about their view on this, one Finnish male board member stated that having a homogeneous group with respect to experience diversity is a risk that he would very gladly take. This was justified by saying that CEOs have had time to see and experience important things and that exactly that experience is essential for

managing large entities. As one of the Finnish male board member stated: “As a qualifying course it [being a CEO] is better than anything else”.

This view was also shared by a Finnish female board member, who stated that she sees CEO experience as a prerequisite for effective board membership and that CEO experience brings understanding of the entity to be managed. Quite contrary to this another Finnish male board member argued for some other competence over management experience. He stated:

“Maybe there [in the board] could be even more know-how from different fields, different sides, yet more sides of the story. Many of these [board members] probably have quite a lot of the management approach, but should a steel company have some other points of view strongly represented, if it is a strong steel company?”

4.4.3 Gender Diversity

There were three women on the board of directors of Outokumpu in 2007. The first female member of the board ever, Liisa Joronen, joined the board in 2000. According to a Finnish male board member the increase of women on the board was a conscious decision from the principal owner, the state of Finland. Hand in hand with this notion goes the statement that was made by four different interviewees; the first women were elected to the board primarily on the basis of their gender. However, the same interviewees noted that the women on the current board are there only due to their competence and experience. Even though gender was identified as not influencing the recruitment of board members any more, one Finnish male interviewee stated that recruiting women to the board of directors is important because it signals gender equality to the rest of the organisation. The same applies when recruiting foreign members, as mentioned before. This Finnish male board member expressed the signalling effect as follows:

”..because then [when recruiting women to the board] the organisation sees that yes, all people are treated equally here. And it’s exactly the same if we think

about Finns and non-Finns, those different groups. So that the effect is more in that area [on the mental level], then it influences the organisation in the correct way”.

What seemed interesting in the interviews was that some male interviewees seemed relatively reluctant to talk about the gender issue. This came about when they stated that nowadays it is not an issue anymore, and thus it does not have to be discussed. One Finnish male board member put it in the following way:

”You can’t get me going about it [the gender issue] because in my opinion it’s such a “tell me another one” kind of issue the whole thing. By this I mean that gender quotas and women on boards of directors are a non-issue. You need competent people on the boards and they are both men and women... and that has to be seen to, it’s to everyone’s advantage”.

When women were asked about the same topic, they seemed less reluctant to talk about it, even though they also stated that it is not such an important issue. One Finnish female board member said that having both sexes present on the board changes the dynamics of the group. Another, foreign female board member pointed out that having women on the board brings new points of view and questions to the table, and thus a more complete discussion.

“But I think that what happens is that when you have women present you will get different perspectives, you will get another way of putting things so I think it is very important. So I think women contribute to a more... complete discussion and I also think that as women are not part of the male culture they will, whether they want it or not, put questions in another way or bring up issues that would have not been brought up otherwise”.

What emerged in the interviews with both male and female interviewees was their opinion against gender quotas. This came across in the interviews even though the interviewees were not asked about gender quotas. As one foreign female board member said, women do not want to be thought of as women, being tokens in some sense, but

rather that their contributions and other qualifications are more important. Also, a Finnish male interviewee stated the following: “I think that it is disrespectful to women if they come through quotas to these [board] positions”.

Generally, the interviewees did not consider that gender played a significant role in the Outokumpu board, although it did play a role in the recruitment a few years back. Moreover, other dimensions of diversity, such as personality and experience were seen as more important than gender. As one Finnish female board member put it:

”But it is thought of as being too simplistic if one talks only about men and women, when talking about pluralism, since there are so much more thoughts/points of view to diversity”.

4.4.3.1 Number of Women

An interesting issue that was raised in two interviews was the number of women on the board. One foreign female board member noted that in her opinion it is important to have at least two women on the board. She said:

“...if you’re just one [woman in a board] you might just become an oddity. But if you’re three or if you’re kind of past that threshold I think you will make the whole climate more open and more, it will be more discussions. (sic)”

Another foreign female board member stated that for her, joining the Outokumpu board as a woman was not difficult since she was not the first one to join the board. The same female board member noted that in Outokumpu, and generally in the Nordic countries, there is a neutral approach towards gender, which made it more appealing for her to join the Outokumpu board.

4.4.3.2 Barriers to Recruiting Women to the Board

In many of the interviews the interviewees stated that there have been very few women on the Outokumpu board. The interviewees explained this firstly by saying that it is

very difficult to find women for this kind of positions. A Finnish male interviewee said that the overall masculinity of the industry was the underlying reason for this difficulty. However, he stated that this is changing since, for example in Outokumpu, recruitments are being expanded to include other professions in addition to engineers.

Interestingly, one foreign female board member noted that actually at the board level there are more women than in the top management. This is true for Outokumpu; there are no women in the top management team, and there never have been. She pointed out that women are more eager to take board memberships than top management positions because of the flexibility of board work. Time commitments for the members of the top management team are extensive, whereas the board meets only about once a month.

4.4.4 National Diversity

In 2007, there were four different nationalities represented on the board of directors of Outokumpu; Finnish, Swedish, French and Dutch. From Finland there were five members and one from each of the other countries. The first foreign member, Evert Henkes, who is originally from the Netherlands, came to the board in 2003. After that, in 2003 Anna Nilsson-Ehle, a Swedish woman and in 2007, a French woman Victoire de Margerie joined the board. One Finnish interviewee stated that this relatively late internationalisation of the board of directors was the decision of the biggest shareholder of Outokumpu, the state of Finland. He said that in the beginning of this decade the company needed a change and thus more foreigners were sought for the board. Before this, the highest management of the company had already argued for more international managers, also for the board, but the state was opposing this and thus the board remained Finnish. Because international experience was still needed, many foreigners were appointed to the boards of the different business units. As one Finnish male board member stated, it does not matter from where the know-how comes, as long as it is available.

In addition, a Finnish male interviewee mentioned the importance of the signalling effect of having foreign members on the board of directors. This refers to indicating to the organisation that foreigners are appreciated and that the organisation observes equality with respect to nationality. Another advantage of having foreigners on the board of directors was that new points of view would be raised “because as you don’t understand the culture, you will pose questions that are out of the culture, out of the context”, as a foreign female board member put it. However, the main reason for internationalising the management of the company, according to a Finnish male board member, was that the primary market area, owners, and production facilities are outside Finland.

Another topic that came up in some of the interviews was the difference between a foreign member and a Finnish member who has extensive international experience. Two Finnish male interviewees stated that the home country matters: “You have to live it yourself”. In other words, being originally from another country than the home country of the company adds value more than only having international experience. However, it was also stated that international experience is necessary and that language skills are not enough for this type of position. As one of the Finnish male interviewees stated:

“.. but you would have to find someone from the country of origin [of the markets entered] in some way. It brings so much anyway that kind of “touch” about how the things actually are... If we are talking about cultures that seem strange from here [Finland], Asian typically, living in Shanghai you can see it from one perspective, but it is still very different than someone who originates from there”.

4.4.4.1 Number of Foreigners

The number of foreign members was mentioned in many interviews. Generally it was said by all the foreign members as well as three Finnish members that it is better to have at least two foreign members on the board of directors instead of one. One Finnish interviewee expressed this in the following way:

“But one essential thing, when we start with the Finnish board, is that you cannot do it so that you take only one monkey, you must take two. I have thought it through many times and experienced and seen that it does not work. He/she is too much of an orphan and people tend to speak their mother tongue and then you sit there quietly and... so to get into the culture there must be at least a couple at one time”.

A comment made by a foreign female board member, who was not the first foreign member of the board, was that it is easier to express your opinions in the board since you are not the only foreigner. She expressed this as follows:

“And so one foreigner doesn’t feel comfortable expressing opposing ideas, because then you would just feel odd, but if there are several of you, you might see that it’s not me that’s out of line, it’s the rest of them [the Finns] that are!”

One Finnish male board member also noted that a change in the dynamics of the board happens when the second foreign member joins the board, not the first one. And if the number of foreigners is further increased, it would not have an effect on the dynamics of the board anymore. However, a Finnish female board member thought that the step of taking the first foreigner is quite difficult. She reflected on this from her own experience:

“...if I look at my own situation where I’m looking for some new management team members. I once was looking for someone from both Finland and Sweden. And all the other management team members are Finnish. So you can only imagine that I think in this situation: ”well, do I want to make the effort and hire the Swede?”. The whole language changes, the culture changes, and the culture of doing things is different and I believe that there is this kind of human factor. That it is just easier when you have a Finnish cultural background and frame of reference. I genuinely believe in that, and then it is easier in all ways, people are closer”.

4.4.4.2 Barriers to Recruiting Foreigners to the Board

When talking about increasing the number of foreign members on the board of directors of Outokumpu, many hindering factors came up. One factor that was raised in four interviews, in fact the most often, was that the board meeting fees in Finland are so low. Generally this is the case in all Finnish companies, but more specifically in the associated companies, of which Outokumpu is one. It was stated that the compensation is too small in relation to the time spent in travelling to Finland for board meetings and to the salaries paid to professionals of this level. Another factor that emerged in many interviews and is connected with the previous point is the relative remoteness of Finland, which increases the time needed to travel here from other countries. One solution to this problem, suggested by a Finnish female board member, was to have the board meetings somewhere else, for example in continental Europe. The following quotation reflects the previous opinions:

”But the challenge of internationalisation is that Finland is far away, boardroom work is difficult, you have to travel here, the board always meets in Finland, which is of course one question, why the hell do they have to fly here. But we could [meet] in Paris. If you know what I mean. But really it will become a challenge to get board members to Finland, especially when you look at the board compensation levels from the perspective of a small country, they are not that competitive”.

Another obstacle to getting foreigners on the board was highlighted by a Finnish male interviewee. He stated that Outokumpu as a company or a brand is unknown elsewhere. He also added that Finnish culture is unknown and thus people do not want to come here. Related to this, one foreign female board member said that the Finnish language, which is so difficult, tends to keep foreigners from coming here.

It is often stated that in Finland the pool of potential board members from the biggest companies is relatively small, and thus “in Finland everyone knows everyone else” as a Finnish male interviewee put it. According to a Finnish female board member, the problem arises with foreigners since the same kind of information and connections do not exist to outside Finland, and thus the foreigners are relatively un-known. Also, as

one Finnish male board member pointed out, there are not many people available at this high level. Moreover, if such people do exist abroad, what would motivate them to join the boards of Finnish companies?

Other issues tending to keep foreigners from joining Finnish companies' boards depend more on the recruiting processes of the company or are regulated by Finnish law. The recruiting process for board members at Outokumpu proceeds as follows: First, there is a nomination committee meeting in November. In this meeting the four biggest shareholders are represented as well as the chairman of the board of directors of the company in an advisory capacity. In this meeting, the committee defines possible changes to the composition of the board and starts looking for candidates if needed. If there is to be new recruitment, the nomination committee has time until the next annual general meeting (AGM), which is at the end of the following March, to find, contact and choose possible candidates for the position, as well as to obtain consent from the potential new member. One Finnish male interviewee criticised this process; in his opinion it should be initiated much earlier so that the best possible people could be found. In addition, a foreign board member stated that the short one-year tenure made memberships on the boards of Finnish companies unattractive to foreigners. This is because membership requires considerable personal investment and the tenure of one year is too short by comparison.

4.4.5 Age Diversity

In the board of directors of Outokumpu in 2007, the range of ages of the members was large; the youngest member was 44 years old and the oldest one 64 years old. Figure 8 illustrates the age spread in more detail; two members were below fifty years and four over sixty.

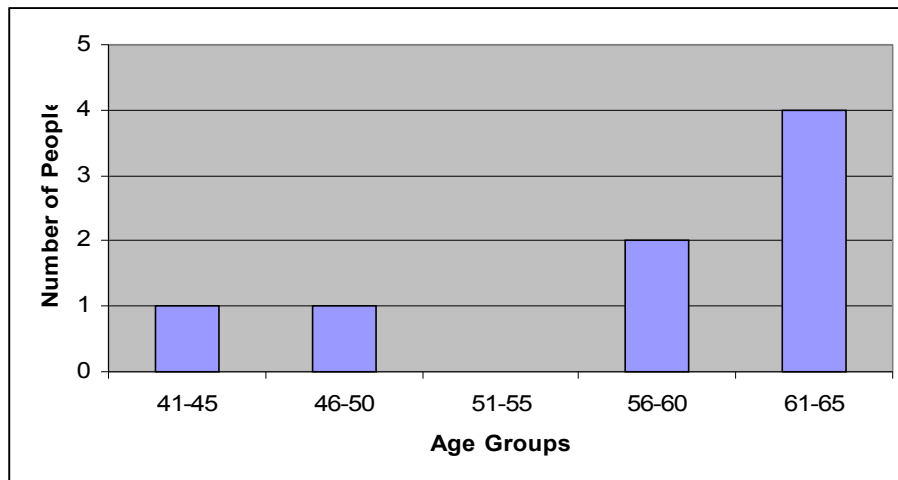


Figure 8 Age Groups in the Outokumpu Board of Directors in 2007

The two youngest members were both women. The level of diversity, with respect to age, was said to be on a very good level by a foreign female board member. Another foreign female board member said that age diversity is an important dimension, but not as important as the other diversity dimensions.

One Finnish female board member noted that age is not a particularly straight-forward issue in board diversity. In her opinion, this is because experience and age are closely connected. She put it this way: “I would actually rather compare it with, not so much with age but rather with miles, or kilometres. Usually age and miles go hand in hand... It’s hard to deny that when you live longer, you experience and see more.”

However, she also stated that to benefit from experience, board members nevertheless have to keep up with general changes in the environment and that “experience and keeping the rhythm of the actual business, you can lose that very quickly”.

For younger members she saw an opportunity to add value to the board, for example, through know-how in technological development and communications. A foreign

female board member saw the position of a young member, especially a woman, in the board as rather difficult:

“...if it’s a young person, it’s easier to consider the remark [of that person] interesting but not important ... or not valid maybe. It’s easier to disregard if you have a lot of old people. -- It’s hard for a young person and I think it’s - that’s one of the difficulties when you bring women in the boards that they are often both women and younger”.

Another interviewee, a Finnish male board member, viewed the age question through the active positions a member has in the business environment.

“...it is better that there are people who are actively involved somewhere else, boards cannot be clubs for pensioners, on the contrary they are company boards and in that case the company, Outokumpu, gets the best contribution when there are at least enough people who have an active role somewhere else. Then you can also bring something else than what you have read at home”.

In fact, the Outokumpu members are active elsewhere. The average number of active positions in other companies is slightly higher than two; one member had no other board memberships, while another had five. Active positions include board memberships as well as executive positions in all kinds of organisations.

Another aspect that accompanies board membership, according to a Finnish male board member, is that of time management. He says that to ensure sufficient time resources for the board’s work, the board members should not have too many board memberships or other active positions. He reflects on the issue with respect to his own position as a CEO: “And if you think about, for example CEOs, if you think about yourself, then a couple of more demanding board positions of this kind is already the definite maximum in terms of time management”.

4.4.6 "Ideal Board"

The Outokumpu board of directors conducts an annual self-evaluation. As some interviewees stated, such evaluations indicated that all the members fully supported the current composition of the board. However, when they were asked about the ideal board composition, they had some suggestions on how it could be improved. One foreign board member and two Finnish board members were strongly in favour of terminating employee representation on the board of directors. One of them justified his opinion by saying that the board is not the correct place for employee representation; it should instead be on a lower level of the organisation. On such levels the employee representative could actually contribute and promote employee rights. He gave an example of how it is handled in the company where he has had a long career. In that company, employee representatives are on the boards of different business units but not on the corporate group board. In addition, a foreign board member suggested terminating government representation on the board of directors. That person, as well as a Finnish interviewee, criticized the Finnish system of state ownership in listed companies.

If a new member were to be added to the board, many interviewees thought that the person should be from abroad. Two interviewees, one Finnish and one foreign female board member, suggested someone from Asia, because Outokumpu has rapidly expanded its operations in that part of the world. Another of these women commented on the issue of a new foreign member in the following way, and noted that Nokia could be taken as an example of how to resolve the issue:

“..well, maybe I could say that in the next few years there should be a member joining the board from the new world: Asia, the east, China, Thailand. Anyway it is a significant market area and a growing one. I think Nokia has done exemplary work on that in the composition of its board.”

Another Finnish female board member would like to add some native knowledge to the board on Outokumpu's main markets, Germany and Italy. With regard to the other qualifications of a new member, three male board members sought technical

competence and experience, whereas a female board member thought that someone with more business competence would be needed on the board. One foreign board member had the following to say:

“Interviewer: So the dual combination then, having international experience, and technical expertise.

Interviewee: Yes. Those are not unusual birds. They are not rare [laughing]!”

5 ANALYSIS

In this part of the thesis findings from the interviews and other sources of information will be compared to the existing literature findings. Figure 9 illustrates the themes that will be discussed next. The themes have been divided to two main categories: “path to the board”, which includes issues relevant before entering the Outokumpu board, and “in the board”, which includes issues from inside the board. The themes are looked at from two points of view: the female perspective and foreigners’ perspective.

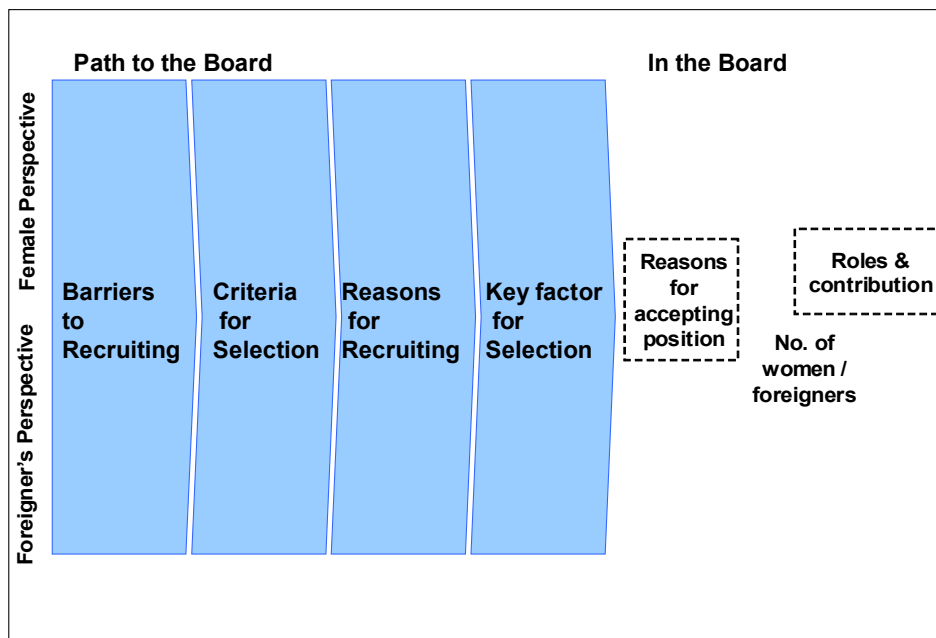


Figure 9 Main Themes in the Outokumpu Board of Directors

5.1 Path to the Board

Before entering the board of directors of Outokumpu there are some issues that have influenced the female and foreign members joining the board. We will start by looking at the barriers these members have faced before joining the board, after which we will look at the criteria, reasons and key factors for their recruitment.

5.1.1 Barriers to Recruitment

Some existing literature and research have looked at the underlying reasons on why there are fewer women than men in the boards. Also, in the interviews this topic was raised and discussed. Table 2 shows the main findings from Vinnicombe and Singh's (2003) research and compares them with the findings from the interviews.

Table 2 Barriers to Recruiting Women to the Board

	Literature	Similar Findings	Differing Findings
Human Capital	lack of qualifications	not enough competent women	
Individual Phenomena	female gender, personality traits		getting a board position because of gender
Interpersonal Phenomena	"old boys network"	personal contacts important in recruitment	
Family Determinants	time and energy consumed for home		more free time as a board member compared to mgmt team

Modified from Vinnicombe and Singh (2003).

From the interviews there were two issues that matched with Vinnicombe and Singh's theory, and two that did not. According to the human capital theory, women have it harder to reach boards of directors due to lacking qualifications. This was agreed upon in the interviews, where it was stated that there simply are not enough competent women for board positions. This was said to be due to the overall masculinity of the steel industry. The other similar finding was connected to the "interpersonal phenomena". With this Vinnicombe and Singh mean the important connections or networks of people. They define the "old boy network" causing hindrance for women in joining corporate boards since women do not have such powerful networks. Also, in the interviews this issue emerged, since quite a few men had been recruited to the board through personal recommendations made by previous managers or board members of Outokumpu. For example, Jyrki Juusela stated that he had recommended Jukka Härmälä for the position, and Ole Johansson mentioned that he knew the Chairman of the Outokumpu board when he was appointed to the board.

In addition to these similar findings, there are also findings from the interviews that do not match with those of the literature. Firstly, Vinnicombe and Singh define “individual phenomena” as being one of the barriers to women. They state that women sometimes do not get the positions simply because they are women. However, in the case of the Outokumpu board, the Finnish women who were appointed to the board in the very beginning of the 21st century actually had gotten the positions because they are women. Another opposing finding was with regards to “family determinants”. Vinnicombe and Singh note that because women are usually more responsible for the family and household, they do not have enough time or energy to take care of such a demanding position as membership in the board of directors. On the contrary, in one of the interviews it was noted that actually board work is much more flexible and less time consuming than for example executive management positions. In fact, this opinion gets support when examining the amount of women in the highest levels of executive managers; there are no women on that level in Outokumpu. Also in the Fortune 1000 companies there are more women found in the boards than in the management levels (Daily and Dalton, 2003).

With regards to barriers to recruiting foreigners to the board, there is only one paper that touches the issues: the thesis of Martikainen (2008). Table 3 compares her paper’s findings to the findings from the interviews of this research.

Table 3 Barriers to Recruiting Foreigners to the Board

	Literature	Similar Findings	Differing Findings
Remoteness of Finland	remote location of Finland	remote location of Finland	unknown companies and brands unknown culture and language
Shortcomings of the governance system			short recruiting process one year tenure
Other	recruiting relying on Finnish networks language change	recruiting relying on Finnish networks	globally few candidates for so high positions low meeting fees

Modified from Martikainen (2008).

Martikainen (2008) defines the remote location of Finland as one of the barriers to recruiting foreigners to the board. The remote location is one of the sub-issues of remoteness of Finland and it also emerged in the interviews. It was stated that since the board meetings are usually held in Finland and Finland is so far from central Europe it is more difficult for foreigners to come to the meetings. Even though one board meeting takes only half a day, the foreign members need at least one whole day for travelling to and from Finland. This is in line with Martikainen's research, where she states that the foreign member of the board required four days for one board meeting, whereas Finnish members needed one. Issues related to the remoteness of Finland that did not appear in previous research are the unknown companies and brands, as well as unknown culture and language of Finland. In the interviews these were defined as decreasing the attractiveness of joining Finnish companies' boards.

Another category of barriers for recruiting foreigners that has not appeared in existing literature is the shortcomings of the recruiting systems, which is partially regulated by the Finnish law. In one interview it was noted that since the actual recruiting process is so short, it is not possible to find many foreign candidates for the board positions. In addition, the one year tenure when compared to longer tenures in other countries' boards is very unattractive in relation to the time investments it requires.

Other barriers for recruiting foreigners include the fact that the recruiting process relies on the Finnish networks, to which foreigners have no contact. Also Martikainen (2008) found this as one of the barriers to foreigners joining a board. The importance of the Finnish networks in recruiting also means that there is no access to such a large amount of information on foreign candidates as there is to Finnish candidates since the highest levels of Finnish management are relatively interconnected. The more detailed information on foreign board candidates would be needed, also since there are even globally only a few candidates for such important positions, as one interviewee mentioned. Lastly, the low meeting fees of Finnish board meetings were defined in many interviews as the most important barrier for foreigners to joining the boards.

Especially in the partially state owned companies this was defined as a big problem when compared to other global companies. However, this matter was not mentioned in Martikainen's work.

5.1.2 *Criteria, Key Factors and Reasons for Recruiting*

5.1.2.1 Criteria and Key Factors for Recruitment

Table 4 shows the different criteria for recruiting in regards of nationality and gender, for Finnish men, foreign men, foreign women, and Finnish women. Two Finnish men, Leo Oksanen and Taisto Turunen, have been excluded from this analysis, due to their special roles in the board: Leo Oksanen is representing the employees and Taisto Turunen the state.

Table 4 Criteria for Recruitment to the Board

	Finnish Men	Foreign Men	Foreign Women	Finnish Women
Key factor in Recruiting Process	Personal contact			gender, contact from the Ministry of Trade and Industry
		Networks/Connections		
Criteria for Recruiting	Other board positions			
	Strong track record			
	Executive experience in a global company			
	Industry experience			

Both Finnish women of this study, Leena Saarinen and Soili Suonoja, were recruited to the board in 2003. At this time, the key factor for their recruitment was their gender. Even though gender was an important factor at that time, its significance has disappeared since; the women recruited to the board after that, Anna Nilsson-Ehle and Victoire de Margerie, were chosen because of other reasons than gender.

The key factor for recruiting Finnish men was having a personal contact to Outokumpu. For Jukka Härmälä, this was the connection to the CEO of that time, and the good relations with the MTI, whereas Ole Johansson knew the chairman of the board of that time, who recommended him to the board. Also for the foreign man personal contacts were of significance; he had been in the AvestaPolarit board and after the company was acquired he was asked to join the Outokumpu board.

Foreign members, both men and women, have a commonality in regards of their reasons for recruiting: networks and connections. These networks refer to the connections the members have created in the past during their work career or from current positions, for example in other companies' boards. Evert Henkes is currently in the board of directors of a Chinese company, which is important for Outokumpu since it is increasing its business in Asia. Also the networks of both female foreigners are important, since their representation in foreign companies brings important connections to the international arenas and these connections were valued in their recruiting to the Outokumpu board.

The board members have not been recruited to the board only because of the factors represented above. In addition, there are some other reasons for their recruitment or prerequisites they have had to fulfil. All the members have significant other board positions, strong track records, as well as executive experiences in international companies. Also, all the foreign members and Finnish men have relevant industrial experience on Outokumpu's industry.

5.1.2.2 Reasons for Having Women or Foreigners in Boards

There is extensive literature on the main reasons why companies have women in boards or on the main benefits which women in boards can have. These are represented in Table 5 with a comparison to the findings from the interviews.

Table 5 Reasons for Having Women in Boards

	Literature	Similar Findings	Differing Findings
Improved decision-making	problem solving innovation & creativity asking questions better atmosphere	new points of view new questions	more complete discussion Changed dynamics
Means of entering	recommendation by board member		contact from Ministry of Trade and Industry
Criteria	track record important business contacts knowing general business principles	track record (board positions, CEO experience) networks abroad (for foreign women)	personality gender (Finnish women)
Characteristics	areas of expertise job title/ leadership function being woman high visibility	areas of expertise appropriate position	
Other	leadership function using whole labour pool signalling effect	leadership function signalling effect	

Combined from Barnes et al. (2007), Bilimoria and Pederit (1994), Burke (1997), Catalyst (2004), DAMVAD (2007), Daily and Dalton (2003), Erhardt et al. (2003), Huse and Solberg (2006), Rose (2007), and Van der Walt and Ingley (2005).

A topic that was raised in both the interviews and literature was improved decision-making. In this field similar findings from the interviews were that women bring new points of view and questions to the board. Also, the interviewees noted that women add to more complete discussions and generally to changed dynamics in the board. These findings were expressed in a differing manner in the literature, as improved problem solving and better atmosphere. Other reasons why women should be appointed to the board that could be found both in the literature and in the interviews were women's skills in leadership and the signalling effect of their board membership. The literature also defined using the whole labour pool as a reason for having women in boards. However, this issue was not highlighted in the interviews.

In the existing literature Burke (1997) identifies the main means by which women enter corporate boards. According to his research, this is the recommendation of a board

member. This is quite different from the reasons that came up in the interviews; it was said that the Finnish women who entered the board were asked by the MTI due to their gender.

The findings from the interviews agree with the existing literature on two criteria upon which women are chosen to the board: track record, and important business contacts. From the interviews track record refers to the other previous or current board positions the member had, as well as to the executive experience of the person. The important business contacts are of special importance for the foreign women, since they were recruited to the board mainly because of them. These business contacts include those to other companies (for example suppliers) that have been created during the career, or to officials (for example EU). In addition, knowing general business principles was mentioned in the literature as a criterion for women to joining a board. This issue was not raised in the interviews, but it could be assumed that it is fulfilled due to its general nature. Criteria that came about in the interviews but are not mentioned in the literature were personality and gender, the latter applying only for Finnish women.

The main characteristics why women have been appointed to a board of directors, according to Burke's research (1997), were areas of expertise. Also from the interviews this was defined as one of the most important reasons for appointing the female members. Other important characteristics according to Burke were appropriate job titles or leadership functions of the women. Even though this was not mentioned with the same words in the interviews, all the women members have this characteristic, i.e. current or previous CEO position. In addition, being a woman and having high visibility were mentioned as important characteristics by Burke. As already stated, the interview findings agree with this since gender was an important criterion for appointing Finnish women to the board.

Table 6 exposes reasons for having foreigners in the board that have been derived from the literature and compares those with findings from the interviews.

Table 6 Reasons for Having Foreigners in Boards

	Literature	Similar Findings	Differing Findings
Cultural knowledge	cope with pressures from different cultures and institutions	knowledge of different market areas	experience on global companies
% of foreign managers	% foreign workforce % foreign involvement % foreign owners company's international orientation industry's/company's strategies if small home country, international markets necessary	production facilities abroad primary markets abroad foreign owners foreign owners global company international markets taken for granted	
Other	signalling effect using whole labour pool global and industry business knowledge background and experiences	signalling effect	new points of view networks and connections abroad

Modified from Heijltjes et al. (2003) and Martikainen (2008).

Heijltjes et al. (2003) looked at the reasons for having foreigners in corporate boards. They noted that the cultural knowledge of foreign members enables the company to better cope with the pressures from different cultures and institutions. This is supported by the finding from the interviews that states that the foreign members bring a lot of knowledge of different market areas as well as cultures. It was also pointed out that this local knowledge is much more thorough and important than what a Finnish person who has extensive international experience can ever obtain. In the interviews it was also noted that the experience that the foreign members have in other global companies is of great importance to the Outokumpu board.

Another important reason for having foreigners in the board, which was mentioned both in the literature and in the interviews, was the signalling effect. Heijltjes et al. (2003) also mention using the whole labour pool as a rationale for appointing foreigners to the board. Other advantages of foreigners in the board, raised in the interviews, were the emergence of new points of view, and the networks and connections of the foreign members that exist abroad. Of special importance were mentioned the connections to

companies in the markets where Outokumpu is increasing its business focus, especially in Asia. In addition, Martikainen (2008) identified the global and industry knowledge as well as background, experience and merits as important reasons for having foreign board members.

Many academic authors call for board diversity that matches with the diversity of other dimensions of the company, for example workforce. Heijltjes et al. (2003) state that the proportion of foreign managers should correspond to the share of foreign workforce, involvement of the company (e.g. sales), and owners. Also, if the orientation and strategies of the company are international, so should the managers. The interviewees' opinions were very close to these and the reasons for having foreign board members were that a significant part of the production facilities, owners, and primary markets are foreign or abroad. Even though the findings from the interviews support the literature with the rationale of having foreigners in the board, it is worthwhile to investigate if these proportions actually do correspond to each other. Figure 10 shows the proportion of foreign board members, executive committee members, shareholders and personnel for the years 2001 to 2007.

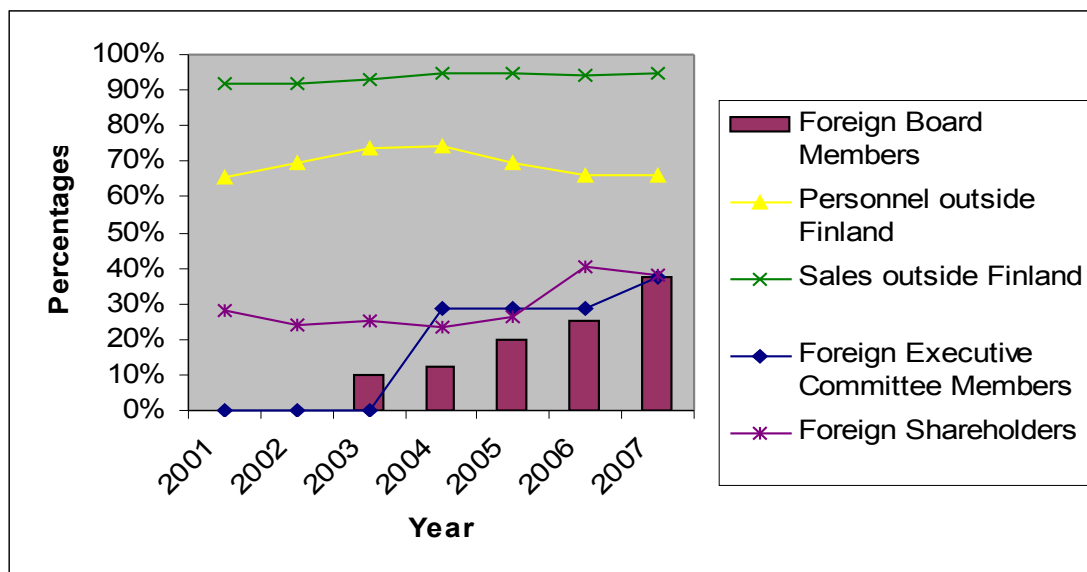


Figure 10 Share of Foreign Board Members, Personnel, Sales, ExCom Members, and Shareholders

Source: Outokumpu Annual Reports 2001 - 2007.

In the Figure 10, the column represents the proportion of foreign board members. The lines show the share of personnel and sales outside Finland, foreign executive committee members, and foreign shareholders. It becomes clear from this figure that foreign representation in the board as well as the executive committee have clearly lagged behind before 2004. In 2007 these proportions reached the share of foreign shareholding, illustrating a big change in the composition of the board and the committee. Also one can easily see that the proportion of personnel or sales outside Finland have been extremely high throughout the years under inspection.

It seems that in the case of Outokumpu board of directors the suggestions of Heijltjes et al. (2003) with regards to foreign representation get support by certain measures of internationality, i.e. share of foreign shareholders and executive committee members, while other measures (proportion of sales and personnel outside Finland) illustrate a much higher degree of internationality. However, one should keep in mind that the change in the foreign representation in the board had changed considerably during the years from 2001 to 2007.

5.2 In the Board

After the board members actually become board members the gender or nationality create some interesting issues inside the board. In the following we will look at the reasons why the board members accepted the board position, after which we will concentrate on the relevance of the number of female and foreign members in the board, and lastly we will look at the roles and contributions of the board members.

5.2.1 Reasons for Accepting a Board Position

According to Burke's research (1997), the three most important reasons for accepting a board position for women are interest in the company, expanding skills and areas of expertise, and interest to the industry of the company. From these the first and the third got support from the interviews. Other reasons mentioned by the women members were the fact that Outokumpu is an international company, and to one woman, a familiar company.

There is no existing literature available on the theme of underlying reasons for foreigners accepting board positions. For the foreign interviewees the reasons for accepting the board position were Outokumpu being a listed company, the changes Outokumpu was going through were as found interesting, and the familiarity of the industry.

5.2.2 Quantity of Female and Foreign Members in the Board

An interesting issue that came up in the interviews was the actual amount of female or foreign members in the board of directors. Table 7 illustrates the existing literature, as well as the findings from the interviews, on the issue.

Table 7 Quantity of Women and Foreigners in the Board

Quantity	Women in Boards		Foreigners in Boards	
	Literature	Interviews	Literature	Interviews
One woman/ foreigner	a token	"an oddity"	N/A	"orphan", language and some cultural change takes place
Two women/ foreigners	threatening for men	at least 2 needed	N/A	changes the culture and dynamics, foreigners can express ideas more freely
Three women/ foreigners	critical mass	"past the threshold"	N/A	no change anymore

Modified from Rosener (1995).

Only one author, Rosener (1995), mentions the relevance of the number of women in corporate boards. She claims that if there is only one woman in a board, that woman acts as a token and can not actually contribute that much. If there are two women in the board, the men in the board perceive them as a threat, and again, the women cannot make a difference. Only after adding the third woman on the board the women can realise the benefits, thus this number of three women reaches the critical mass. The findings from the interviews are relatively similar. One woman on a board was seen as “an oddity”, who can not express her feelings that freely. According to the interviews the crucial change happens with the second woman, since two women do not feel like outsiders anymore, and more free communication can take place.

With regards to the number of foreign members in the board, there is no literature available on the subject to compare the interview findings with. However, in the interviews this issue was mentioned many times. One foreign member in the board was expressed as being “an orphan”, or “a monkey” who is left outside in some ways, for example during meeting breaks where members tend to speak in Finnish some times. One interviewee noted that taking the first foreign member in the board requires some cultural and language change, and thus can be more difficult than just having another Finnish member. When adding the second foreigner to the board, the culture of the board changes and the foreigners are a natural part of the team and they can express their points of view more freely.

5.2.3 Roles and Contributions

Table 8 lists the contributions and roles of the interviewed Outokumpu board members that came about in the interviews. These roles and contributions have been mentioned by the person him/herself or by other interviewees. For each interviewed board member the position in the board is mentioned first, after which the qualifications from the career are listed, and lastly other roles and contributions are shown. From the table it becomes clear that gender or nationality have little to do with members' qualifications; most areas of expertise are connected to the member's career rather than to gender or nationality. However, a few qualifications can only be found in the areas of expertise of some of the women. These are leadership experience and customer relations. Thus, these qualifications are quite representative of the women of the Outokumpu board.

Table 8 Roles and Contributions of Board Members

	Ole Johansson	Jukka Härmälä	Leo Oksanen	Evert Henkes	Victoire de Margerie	Anna Nilsson-Ehle	Leena Saarinen	Soili Suonoja
Position in the board	Vice Chairman, Chairman of AC	Chairman, Chairman of NCC	Employee representative	Member NCC	Member	Member NCC	Member AC	Member
Qualifications from career	experience from the industry	board work experience	employee issues	industry knowledge	M& A	change mgmt	marketing experience	profit making
	experience from international arenas	chairman experience	practical knowledge of manufacturing	setting up global processes	marketing & sales knowledge	remuneration issues	international experience	customer relations
		industrial background		change mgmt on global scale	strategic knowledge	R&D	customer relations	employee issues
				geographical knowledge	marketing & sales knowledge	brand and project mgmt	leadership	
					industry knowledge	leadership and mgmt	retail and process control	
						industrial production		
						production methods		
Other roles and contributions	active and strong	initiated changes in board work			combination of practical & academic worlds			
					stakeholder perspective			

(In the table: AC= audit committee, NCC= nomination and compensation committee.)

6 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 SUMMARY OF MAIN FINDINGS

This thesis looked at gender and national diversity in the board of directors of Outokumpu. The main research question asked why companies diversify their boards and the sub questions concentrated on how female and foreign members are recruited and what their roles and contributions in the board are. Figure 11 answers these questions by combining the findings from the interviews and literature. One should note, however, that issues not mentioned in the interviews were not included in this figure. The themes in the figure are divided into two main categories: path to the board and being in the board. One should start reading the picture by following the arrow, thus starting with barriers to recruiting and finishing with roles and contributions. The upper part of the figure shows the female perspectives on each theme, while the lower part concentrates on the foreign members' view. The issues that are circled with a dotted line have been found in both interviews and literature.

		Path to the Board				In the Board	
		Barriers to Recruiting	Criteria for Selection	Reasons for Recruiting	Key Factor for Selection	Reasons for Accepting Position	No. of Women / Roles & contribution
Female Perspective		<ul style="list-style-type: none"> • lack of competent women • old boy network 	<ul style="list-style-type: none"> • track record • networks (foreign women) • gender (Finnish women) • personality 	<ul style="list-style-type: none"> • areas of expertise • leadership function • signaling effect • new points of view & questions 	<ul style="list-style-type: none"> • gender (Finnish women) • networks (foreign women) 	<ul style="list-style-type: none"> • interest to company • interest to industry 	<ul style="list-style-type: none"> • 1 an oddity • 3 and more ideal • leadership
	Foreigner's Perspective	<ul style="list-style-type: none"> • short recruiting process • one year tenure • low fees • Finnish networks • few candidates • remoteness of Finland • language change 	<ul style="list-style-type: none"> • track record • business contacts / networks • industry experience 	<ul style="list-style-type: none"> • more complete discussion • changed dynamics • new points of view • networks & connections • global experience • match with owners, markets, strategy • cultural & market area knowledge • signaling effect 	<ul style="list-style-type: none"> • networks & connections 	<ul style="list-style-type: none"> • international company • familiar company • listed company • interesting changes • familiar industry 	<ul style="list-style-type: none"> • at least 2 needed • 1 is an orphan • 2 changes culture • 3rd, no change

-- = findings from both interviews and literature

Figure 11 Outokumpu Board Diversity, Path to the Board and Issues inside the Board

The main findings of this thesis were made with regards to gender and national diversity. From gender diversity, a novel finding was that the women appointed to the board in the beginning of the 21st century were recruited on the basis of their gender. However, this policy changed and the newest female members were chosen mainly because of their connections and networks on the international arenas.

Another significant topic raised in this research is connected to national diversity, namely the barriers to entering the board of directors. Almost no previous literature exists on the topic, and thus the findings are of great importance. Firstly, it was noted that the recruiting process of a few months time period is too short for finding enough candidates from the global arena. Related to this is the dependency of the recruiting process on Finnish networks. It was highlighted in several interviews that the Finnish networks offer contacts to Finnish candidates, but foreign candidates do not have

similar access to these networks. Also, it is not possible for the company to get equally in-depth information on foreign candidates as they can for the Finnish candidates. In addition, low meeting fees compared to companies from other countries were defined as an important barrier to entering Finnish companies' boards for foreign members. It was stated that when considering the time investments needed for the board meetings the monetary compensation is not competitive.

In addition, the quantity of female and foreign members in a board of directors was highlighted as very important. It was found that there should be at least two female members in a board at the same time in order for the female members to be able to perform in a best possible manner. The same applies for foreign members as well. These issues have not received a lot of attention in the existing literature.

6.2 CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The main conclusions that can be made on the basis of this research are that gender and nationality have many implications in the corporate board context. All the board members, i.e. Finnish and foreign, men and women, fulfil certain criteria for board membership. These are a sufficient track record, obtaining specific areas of expertise and a suitable position, among other things. Thus, the point when gender or nationality start to make a difference is with the specific key factors why those people were chosen to the board. For female members the main reason has been their gender in the beginning of the 21st century, but during the last years gender has not been solely looked at anymore, but rather the most recent female member's connections and networks have been more essential than their gender. For foreigners the key factor for their recruitment has been their networks abroad, as well as their global experience and experience in other companies.

After joining the board, nationality and gender make a difference in only a few issues: female members have valued leadership knowledge and foreigners have the essential networks. In addition, the number of women should be at least two and the number of

foreigners should be at least three. Only after reaching the critical mass can the minority representatives act normally in the board and thus the advantages from the diversity can be used.

This thesis has created a basis for many managerial implications. These implications do not lay on the question whether there should be gender or national diversity on corporate boards, but rather on the assumption that diversity should be enhanced. One main implication has to do with the recruitment of female or foreign members to the board. As was found in the research there are many specific barriers that female and foreign members face on their way to corporate boards. Identifying these barriers is useful since it allows for them to be diminished. For example, the effects of the remote location of Finland could be decreased by having the board meetings in some more central location. Also, the use of other than the traditional recruiting channels could be consciously promoted to gain a greater variety of candidates. In addition, the recruiting process could be started earlier to have a greater possibility to find suitable candidates also from abroad and the meeting fees could be raised to a more competitive level. However, the Finnish corporate law creates some hindrances for these types of changes.

Another important managerial implication derived from the findings of this research has to do with the number of female or foreign board members in the board. The findings from the interviews clearly indicate that there should be at least two female or two foreign members in a board of directors for the team to be able to reap the benefits of the diversity. This is a manner that could be easily put into practise with some thoughtful planning. Outokumpu has been able to nail this issue by promoting foreign women to the board.

6.3 SUGGESTIONS FOR FURTHER RESEARCH

Even though this research answered questions that were set beforehand, and thus contributed to the understanding of board diversity in the Finnish MNC context, some issues remain unclear. Also, as usual, when getting some questions answered other

questions emerge. If continuing with the topics that came up in the findings, some additional research themes can be defined for the “path to the board” and the “in the board” themes. It would be interesting to elaborate on the reasons why female or foreign members have been appointed to the boards. A comparative research could find if there have been similarities between countries why the number of, for example women, has been increased, and if gender has had such a powerful effect in companies other than Outokumpu. In addition, it would also be worthwhile to examine the recruiting process of board members more thoroughly. Especially in with regards to foreign members it would be enlightening to see how the recruiting process differs between companies and what are the most effective means of finding foreign members. After getting a holistic picture on foreign board member recruitment it would be possible to develop the process further and diminish the barriers to foreign members’ recruitment.

With regards to issues inside the board, some aspects would need further research. This study indicates that the actual number of foreign or female board members plays an important role in the contributions these members can make in the board. It would be worthwhile to have a closer look into this topic by comparing the experiences of foreign or female members in other companies and countries and creating guidelines for companies on the basis of those findings, since the positive effects of the minority representatives are bound to their number. Another interesting point of research would be in the field of additional dimensions of diversity, for example age or cognitive diversity. If board diversity and the underlying reasons why the particular minority representatives have reached the top of the companies would be further defined the information could be used for diminishing the barriers that exist for minority representatives, and thus entering a board of directors would be more equal.

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APPENDICES

1. Interview Guide, Chairman of the Board

A) Experiences of corporate boards in Finland and abroad

1. You have experiences of X boards as a Chairman and board member. In your opinion as a Chairman what makes a good board of directors?
2. How is a good board selected?
3. Based on your experiences of Finnish versus foreign corporate boards, does the work in the boards differ? How?

B) Internationalisation of the board, internationalisation of business and ownership

4. Your experience of the board in company X dates back to X (year). Which factors triggered the internationalisation of the corporate board in this company at the end X (year or decade)?
5. Has the global business expansion affected the composition of the board?
6. Has the internationalisation of ownership affected the composition of the board?

C) Internationalisation of the board in company X

7. How have new foreign board members been identified and recruited? What is their contribution?
8. Are you committed to the internationalisation of the corporate board? Is it an explicit objective? Why?
9. When did you experience that the corporate board was truly international?
10. What do you understand by the term 'diversified board'?
11. How has diversity changed during your membership in the corporate board? (since year X)
12. What kind of possible challenges do foreign board members pose to the work within the board?
13. The working language of the board is X (e.g. English chosen in year X). Did you use English already before the first foreign member was appointed in year X? To what extent do you use English in board meetings today? Does the home country language (e.g. Finnish) have a role to play in board meetings?
14. Can all board members express themselves sufficiently well in English? What advantages or disadvantages can you mention related to the use of English?

D) Other issues

15. Could you describe a 'perfect board' for your company?
16. Is there anything else that you would like to add or emphasise? Possibly something we didn't ask?

2. Interview Guide, First Foreign Member

A) Background and board positions

1. Looking back at your career, which would you identify as the key turning points for you as a board professional?
2. You started in X (year) as a board member in company X. By who were you approached at the time? How were you approached? Did you have any connections to company X's home country at that time?
3. Why do you think you were recruited to the board in X (year) (not earlier, not before)?
4. You have several board memberships. What is your specific role and areas of responsibility in company X?
5. You were the first foreign member in the company X board. What was the board like in X (year)? How were you treated as the first foreign member?

B) Board composition

6. What is your view of the current board composition in company X?
7. You have been in the board of directors of company X since year X. How do you see that the board composition has changed during the years?
8. Does the board composition in your view reflect company X's strategy?
9. You have experienced X different chairmen of the board of company X. How have these chairmen differed?
10. In your opinion, how important is the role of the chairman in the board of directors?
11. There has been X different CEOs during your time in company X board. How do you see that the collaboration between the CEO and the board of directors has differed between the CEOs?

C) Language

12. The working language of company X's board is English. How do you think it affects the boardroom work? What advantages or disadvantages related to the use of English can you mention?
13. Being a foreigner, do you think that the home country language has a role to play in board meetings?

D) Other Issues

14. Could you describe a 'perfect board' for your company?
15. Is there anything else that you would like to add or emphasise? Possibly something we did not ask?

3. Interview Guide, Female Member

A) Background and board positions

1. Looking back at your career, which would you identify as the key turning points for you as a board professional?
2. You started in X (year) as a board member in company X. By who were you approached at the time? How were you approached? Did you have any connections to company X's home country at that time?
3. Why do you think you were recruited to the board in X (year) (not earlier, not before)?
4. You have several board memberships. What is your specific role and areas of responsibility in company X? What do you bring to the board?

B) Board composition

5. What is your view of the current board composition in company X?
6. You have been in the board of directors of company X since year X. How do you see that the board composition has changed during the years?
7. Since you have been in the board there has been X women/foreigners appointed to the board. Has this change affected the work within the board?
8. What is your view on the gender issue in corporate boards? Do women have different kinds of roles in company X's board compared to men? Do you think that the contribution of members differs between sexes?
9. Has your gender had an influence on your career? What kind of an influence?
10. Does the board composition in your view reflect company X's strategy? Do you think that the increased diversity of the board has been an explicit objective?
11. Do you think that the internationalisation and increase of diversity in the board of directors has brought challenges to the boardroom work? What kind of challenges?
12. You have experienced X different chairmen of the board of company X. How have these chairmen differed?
13. In your opinion, how important is the role of the chairman in the board of directors in company X?
14. Also, there have been X different CEOs during your time in company X board. How do you see that the collaboration between the CEO and the board of directors has differed between the CEOs?

C) Internationalisation of the company

15. The company X started to internationalise in year X. However the first foreign member was chosen in X. What do you think are the possible reasons for this relatively late internationalisation of the board?
16. Does the strong internationalisation strategy of company X influence the recruitment of the board members? How?

D) Language

17. The working language of company X's board is English. How do you think it affects the boardroom work? What advantages or disadvantages related to the use of English can you mention?

E) Other Issues

18. Could you describe a 'perfect board' for your company?
19. Is there anything else that you would like to add or emphasise? Possibly something we did not ask?

4. Interview Guide, Male Member

A) Background and board positions

1. Looking back at your career, which would you identify as the key turning points for you as a board professional?
2. You started in X (year) as a board member in company X. By who were you approached at the time? How were you approached? Did you have any connections to company X's home country at that time?
3. Why do you think you were recruited to the board in X (year) (not earlier, not before)?
4. You have several board memberships. What is your specific role and areas of responsibility in company X? What do you bring to the board?

B) Board composition

5. What is your view of the current board composition in company X?
6. You have been in the board of directors of company X since year X. How do you see that the board composition has changed during the years?
7. Since you have been in the board there has been X women/foreigners appointed to the board. Has this change affected the work within the board?
8. What is your view on the gender issue in corporate boards? Do women have different kinds of roles in company X's board compared to men? Do you think that the contribution of members differs between sexes?
9. Does the board composition in your view reflect company X's strategy? Do you think that the increased diversity of the board has been an explicit objective?
10. Do you think that the internationalisation and increase of diversity in the board of directors has brought challenges to the boardroom work? What kind of challenges?
11. You have experienced X different chairmen of the board of company X. How have these chairmen differed?
12. In your opinion, how important is the role of the chairman in the board of directors in company X?
13. Also, there have been X different CEOs during your time in company X board. How do you see that the collaboration between the CEO and the board of

directors has differed between the CEOs? How is the collaboration with the current board and management team?

C) Internationalisation of the company

14. The company X started to internationalise in year X. However the first foreign member was chosen in X. What do you think are the possible reasons for this relatively late internationalisation of the board?
15. Does the strong internationalisation strategy of company X influence the recruitment of the board members? How?

D) Language

16. The working language of company X's board is English. How do you think it affects the boardroom work? What advantages or disadvantages related to the use of English can you mention?
17. You were in the board in year X when the language of the board meetings was changed. How did this change influence the working of the board?

E) Other Issues

18. Could you describe a 'perfect board' for your company?
19. Is there anything else that you would like to add or emphasise? Possibly something we did not ask?

5. Interview Guide, CEO

A) Background

1. You have been working in company X since X (year). In what positions were you before becoming the CEO? Which ones from these experiences were most important regarding your current CEO-position?
2. At the moment, are you active in some other companies in addition to company X? What positions do you have in those companies?

B) Internationalisation of the company

3. You have been the CEO of company X since X (year). What have been the most important changes inside the company from the perspective of the current company?
4. What has been your role in creating the current company X?

C) Management team

5. How has the organisation of the company changed during your years as the CEO of company X?
6. How has the management team changed? What factors triggered these changes? What would you consider to be the optimal size of the management team?
7. When did the first foreigner join the management team? Why then?

8. Are there more foreigners on the lower levels of management? Has the amount of foreigners increased on managerial levels? Why or why not?
9. How would you describe the collaboration between the board of directors and the management team?

D) Board composition and the internationalisation of the company

10. Do you see a connection between the internationalisation of the company and the internationalisation of the board of directors?
11. Is board diversity important for the internationalisation of the company? What about the amount of foreigners on the board?
12. In your opinion, can the board of directors be diverse in other ways than in regards of nationalities? How is it in company X?
13. Does diversity bring challenges to the work within the board?
14. Does the strong internationalisation strategy of the company influence the recruitment process of board members? How?

E) Language

15. What is the official language of the company? What language is used in the management team meetings? Since when was this language used? Was this change connected with the first foreigner joining the management team?
16. What language is used in the board meetings? How does it affect the meetings?
17. Are there some specific challenges or benefits connected to using that language?

F) Other Issues

18. Could you describe a 'perfect board' for your company?
19. Is there anything else that you would like to add or emphasise? Possibly something we did not ask?

6. Interview Guide, Former Member

A) Background and board positions

1. Looking back at your career, which would you identify as the key turning points for you as a board professional?
2. You were a board member in company X from X (year) to X (year). By who were you approached for this board position? How were you approached? Did you have any connections to company X's home country at that time?
3. Why do you think you were recruited to the board in X (year) (not earlier, not before)?
4. You have experiences from many companies. What was your specific role and areas of responsibility in company X?
5. Why did you leave the board in year X?

B) Board composition

6. What was your view of the board composition in company X when you were a member? How did it change during the years you were in the board? Did these changes create challenges for the board?
7. Did the changes in the board composition reflect the company's strategy?
8. Have you been having an eye on the changes in the board after you left the board? How has the composition of the board changed?
9. You experienced X different chairmen of the board in company X. How did these chairmen differ?
10. In your opinion, how important is the role of the chairman in the board of directors in company X?
11. There have been X different CEOs during your time in company X's board. Did the collaboration between the CEO and the board of directors change with the CEO?

C) Language

12. The working language of company X's board was English. How do you think it affected the work within the board? What advantages or disadvantages related to the use of English can you mention?

D) Other Issues

13. How would you describe the 'perfect board' for the company?
14. Is there anything else that you would like to add or emphasise? Possibly something we did not ask?