A Move towards “Gender-balanced Boards”: Exploring Women Participation on the Boards

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Abstract

The corporate community around the world is talking about creating a gender-balanced board. Gender equity is an important social justice goal. It refers to the process of being fair to women and men by recognizing diversity and directing resources and services towards those most in need to ensure equal outcomes for all. This paper analyzes the importance of having a gender-balanced board. Various researches and surveys related to study of women participation on boards have been studied and analyzed. We find that there is a steady and significant increase in the numbers and percentages of women graduating with college degrees and entering the labour pool, still the representation on boards is not impressive. It is unfortunate to find India among the lowest in women representation on the Board. The introduction of new legislation in Companies Act 2013 may change India’s situation. In this global world, it is a fact that company’s success depends on its ability to understand, serve and conduct business with an increasingly diverse population. The paper concludes with recommendations for ensuring greater representation of women on boards and creating a gender-balanced board.

Keywords: Companies Act 2013, Glass ceiling, Gender-balance boards, Gender equity.

1. Introduction

The concept of ‘diversity’ is generally used to refer to the inclusion of different demographic groups in the workplace. Dimensions of diversity include age, gender,
ethnicity, disability, religion or sexual orientation. They constitute groups that have been systematically disadvantaged and under-represented particularly in the most senior levels of the workplace. Women representation on the Board of directors is a much talked about issue around the globe. The corporate world is now moving to show that they care for women by making their boards more gender balanced. While some companies are recruiting women on their Boards because of their talent, others are just following the legal requirements. In this paper the focus is on exploring the participation of women on Boards with special reference to India.

2. Need for Gender-Balance Board
Women make up a sizable and growing portion of the labor pool, and they account for a large segment of buyers for many companies’ products. A Boston Consulting Group study reveals that women control $12 trillion (65%) out of the $18.4 trillion in global consumer spending, and it is estimated that women will control 75% of discretionary spending by 2028. In the largest economy of the world- U.S we have more women than men graduating from colleges. With the changing demographics of the global workforce, the companies cannot underestimate the importance of improving the gender balance on their boards as a company’s success depends on its ability to understand, serve and conduct business with an increasingly diverse population. Moreover the corporate scandals and financial failing of several major institutions across the world have raised questions about the validity of traditionally homogenous boards of directors. There is a growing body of academic evidence linking diverse boards to better corporate governance and various other aspects of performance. Having a gender balance board helps the companies improve the board quality as women brings diverse skill set, experience and view points. This leads to better decision making and better understanding of consumer needs. Female attributes represent “added value.” Researches show that The financial performance of the company improves with a diverse board. Many studies have found a positive correlation between presence of women on senior management and board positions and improved financial performance. Studies have discovered that the average Return on Equity of companies with at least one woman on the board is higher than the companies with no women representation. Also diverse board indicates better corporate governance. A Harvard Business School researchers suggests that women appear to be more assertive on certain important governance issues such as evaluating the board’s own performance and supporting greater supervision on boards. The researchers suggest that this changing dynamic may bring in a new era of strengthened governance. Better corporate governance will lead to less risk of corporate failures.
3. Women Participation on Boards: Exploring Researches and Surveys

In this section we review various reports, surveys and researches conducted to study women representation on the Boards.

- 2010, 2011 and 2012 “Catalyst Census: Fortune 500 Women Board Directors” have almost the same results No significant improvements are noticed in women representation on the boards. The number of women directorship is summarized in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>15.7%</td>
<td>16.1%</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

- As per GMI 2011 ratings covered 4200 companies across the globe. The global aggregate percentage of board seats held by women was found out to be 9.8%. The percentage of companies with no female directors at all has fallen below 40% for the first time, to 39.8%. For industrialized economies as a group, 11.1% directors are women, while the emerging nations have only 7.2% women directors.

The women directors across different countries of the globe are summarized in the following figure.

![Women Directors](image)

*Source: Based on GMI 2012 ratings.*

**Figure 1:** Women directorship around the globe.

- “WOMENOMICS 101 Survey -The New Core Metric of Competitiveness: Gender Balance on Executive Committee report” studies the top Fortune 101
companies in each region (United States, Europe, and Asia) on their websites. So this survey do not focus on directors but on women executives. As per their 2010 and 2009 reports, the findings are summarised in table below.

Table 2: Percentage of companies with atleast 1 women on executive committee.

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>EUROPE</th>
<th>ASIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>87%</td>
<td>44%</td>
<td>23%</td>
</tr>
<tr>
<td>2009</td>
<td>89%</td>
<td>32%</td>
<td>18%</td>
</tr>
</tbody>
</table>

However in both the years, the vast majority of these Executive Committee members in US companies are in staff or support positions such as HR, Communications or Legal, rather than operational P&L roles.

- “Standard Chartered Bank Report: Women on Corporate Body in India 2010” reveals interesting facts through survey of 100 BSE companies of India. The report identifies the number of women holding positions on the boards of leading companies listed on the Bombay Stock Exchange. This study shows that 46% of the companies have female representation on their boards, but in all, women account for only 5.3% of the total number of directorships. Looking at the overall findings, the first year of this research reveals that out of a total of 1,112 directorships on the BSE-100, 59 directorships are held by women. This represents just 5.3% of all directorships.

- A study on women directors in the NSE-200 companies from 2000–2011 is currently being undertaken by Srinivasan and Bolar (2013). The findings depict that 121 (60.5%) companies have appointed women directors from 2001–2011; 181 women held a total of 227 directorships among these companies. Of the 227 directors, 52% were from the private sector and 48% from the public/government sectors; 28% were from the banking industry and 72% were from other industries. The services industry had the highest percentage of directors (45%) of all women directors.

- A study conducted by Vasanthi Srinivasan and Rejie George from the Indian Institute of Management, Bangalore titled ‘Building the Women Directorship Pipeline in India: An Exploratory Study’ was conducted with on sample of the study included 11 female directors, four male directors, nine independent directors (including one former CEO, a politician, a former bureaucrat with domain expertise in FMCG, banking, finance, etc) and six executive directors (including one family director). They found that the attendance of male members increased during board meetings and there was a drop in aggression of a male member when there was a woman director on board. There was a consensus that it didn’t matter to women whether there was another woman on board. The study also finds that the identification of women directors is largely ‘a non-structured idiosyncratic process.’
4. Women on Indian Boards
India has got its new Companies Act 2013. The Act aim to make the corporate more transparent and improve corporate governance standards. Various changes have been made in the composition of Board. Our focus lies on studying women and so my attention goes to Clause 149 (1) of Companies Act 2013. The clause states that:

“Every company shall have a Board of Directors consisting of individuals as directors and shall have—

a) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and

b) a maximum of fifteen directors: Provided that a company may appoint more than fifteen directors after passing a special resolution: Provided further that such class or classes of companies as may be prescribed, shall have at least one woman director.”

So now India also has a legislation to include women on Board. Atleast one women and that too only in specified classes of companies. Well, time will tell how beneficial will it prove to make the boards gender-balanced. From the previous section it is clear that on global landscape, India lags behind in women representation on board. As per GMI ratings, India’s average is lower than emerging countries average of 7.2%. In this section I have studied Board composition of 7 companies. Two of them were awarded the ICSI National Award for Excellence in Corporate Governance 2012 and rest five were presented with Certificate of Recognition for Excellence in Corporate Governance. In pursuit of Excellence and to identify, foster and reward the culture of evolving globally acceptable standards of Corporate Governance among Indian Companies, the “ICSI National Award for Excellence in Corporate Governance” was instituted in the Year 2001.

The award for Best Governed Companies was given to INDIAN OIL CORPORATION LIMITED and HCL TECHNOLOGIES LTD. And other five companies received certificate of recognition are: CMC Limited, Engineers India LTD, ONGC Limited, Persistent systems Ltd, Powergrid Corporation of India Limited. As they are listed as best governed companies, I was eager to explore whether there was any women on the Board and whether any company had women chair? Information was collected from their respective websites and the results are as follows:-

<table>
<thead>
<tr>
<th>Company</th>
<th>Total Board members</th>
<th>Women on Board</th>
<th>% of Women director</th>
<th>Chairperson</th>
</tr>
</thead>
<tbody>
<tr>
<td>IOC Ltd</td>
<td>13</td>
<td>1</td>
<td>7.69%</td>
<td>Male</td>
</tr>
<tr>
<td>HCL Technologies ltd.</td>
<td>12</td>
<td>2</td>
<td>16.67%</td>
<td>Male</td>
</tr>
<tr>
<td>CMC Ltd.</td>
<td>7</td>
<td>1</td>
<td>14.28%</td>
<td>Male</td>
</tr>
</tbody>
</table>
1) So it is clear from the above table that even the companies titled as best governed companies do not have sufficient representation of women on their boards. None of the boards of above companies was chaired by a woman. It was interesting to note that Ms. Kalpana Morparia, serving as Director of CMC Ltd., also serves as an independent director on the Boards of Dr. Reddy’s Lab. Ltd., Bennett, Coleman & Co. Ltd, Philip Morris International Inc.

5. Moving Towards Gender-equal Boards
From previous sections, it is clear that women enhance quality of Board and improve performance of the company and still women representation on Board across the world is low. In this section we analyze the reasons for low representation of women on Boards. Glass ceiling is "the unseen, yet unbreachable barrier that keeps minorities and women from rising to the upper rungs of the corporate ladder, regardless of their qualifications or achievements. This is due to the dual role women assumes at home and office, career drop-outs due to look after their families, poor networking and lack of confidence on their abilities in comparison to their male counterparts. Though the corporate world is talking about gender diversity, still reports show that 80% of the firms identify diversity as a strategic priority, but there is inconsistent commitment to diversity at all levels of a firm. Gender diversity is seen as a soft issue but still not a key part of a company’s business strategy.

After the problems we now discuss some of the possible solutions which can help break the glass-ceiling and create a gender-balance Board. Efforts are required on part of companies, government and women themselves.

The companies can ensure gender-diversity by providing flexible hours to women employees, provide childcare services, organizing mentoring programs and developing tailor-made training and development programs to address the different traits of male and female managers. Corporates like TCS, Aditya Birla Group, Vodafone and Capgemini also put fast-track women through the day-long mentoring programme by DHC and WILL Forum with the aim of building aspiration levels for board positions.

The Government should also understand the importance and strength of women and promote equality. If companies do not promote gender diversity, the government should take help of legislative actions to ensure women participation on Board increases. Gender diversity can be included in corporate governance codes or in the listing agreements. Quotas can be imposed as done by Norway. Or if the countries do not want to impose quotas, comply or explain mechanism may be adopted as done by countries like Austria, Poland, and Sweden. Most important is that women stand for
themselves! They should take a director training course to make themselves “board-ready”. The Institute of Directors in South Africa provides such opportunities to women. This would be helpful even for women who are chartered accountants or attorneys, because it gives them the theoretical background they need. They should volunteer, promote themselves, and have the self-confidence to take initiatives. Women need to be proactive members of the company and participate in the board meetings, develop networks.

6. Conclusions
The gender gap emanating from centuries of exclusion and gender inequalities is not only disadvantaging women, but compromising competitiveness of their countries. Closing the gender gap may provide a basis for a prosperous and competitive society. While the gaps are closing between women and men’s health and education, economic participation gaps are lagging behind and the terrible truth is that the gap will remain until corporate leaders acknowledge that having more women on their boards is a business issue, not merely one of social justice!

Around the world, women have become the new majority in the highly qualified talent pool. In Europe and the USA, women account for approximately six out of every ten university graduates and in the UK women represent almost half of the labour force. But still studies have confirmed existence of gender gap. Mc Kinsey 2007 study and 2010 study confirm that women are under-represented in Boards of companies, though some countries have shown improvement. Like it is found that over the past six years, the fastest rates of change in female representation have come from European companies. Studies have found that larger companies are much more likely to have women on the board than smaller companies. Although several EU countries – including France, Italy, Spain and the Netherlands – have already adopted their own national quotas, such hard limits have run into fierce resistance by Britain and Sweden, which currently have no limits. Comparing the percentage of board seats filled by women at S&P 1500 companies in 2012 with those from 2006 shows only a three percentage point increase – from 11% to 14% – over six years. While there are fewer companies with no female directors on their boards today than just a few years ago, this change has occurred at a sluggish pace.

2012 GMI Ratings shows that 39.8% of World’s largest companies have not appointed any women to serve on their Boards. At the current rate of change it will take over 70 years to achieve gender-balanced boardrooms in the UK.

After exploring all the facts and figures, I would like to say that it is not only about measuring and comparing percentages of women on Boards. This is not just a gender numbers game. We should aim to empower women and give them an equal opportunity in appointments and promotions on Boards. It will enhance the quality of the board as a whole as the combined contribution of a group of people with different skills and perspectives to offer, different experiences, backgrounds and life styles. A gender-balanced Board is able to consider issues in a rounded, holistic way and offer
an attention to detail not seen on all male boards which often think the same way, and sometimes make poor decisions. The companies should be proactive and create of a Gender-balanced Board rather than waiting for mandatory legislations and then reacting. Giving a fair chance to eligible women will not just ensure equality but also be beneficial for the company in the long run.

References