

WOMEN AND CORPORATE GOVERNANCE: GENDER DIVERSITY IN CORPORATE BOARDS

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Abstract.

This paper shows the impact of women in the corporate tables which shows a steep increase in the growth curve of a company. This review clearly states the gender diversity can show a contrast while decision making and probably women leadership has intelligible improvement in performance of firms. Greater efficiency has been noticed by feminizing the boards. Promoting women to higher position is a vector of change and potentially an added value to the organization. An empirical research has been made on women and their relation towards power and find a modern method which could integrate both the polarities of gender with in enterprises and organizations contributing for enhancement. This paper is an outcome of various influences which is enriched by the analysis of other publications on the subject.

Keywords: women empowerment, leadership, governance, gender dimension, women and boards

1.INTRODUCTION

The corporate world is a place of societal and social power...^{*} And Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. Corporate governance has become a topic of broad public interest as the power of institutional investors has increased and the impact of corporations on society has grown. Yet ideas about how corporations should be governed vary widely. People disagree, for example, on such basic matters as the purpose of the corporation, the role of corporate boards of directors, the rights of shareholders, and the proper way to measure corporate performance. The issue of whose interests should be considered in corporate decision making is particularly contentious, with some authorities giving primacy to shareholders' interest in maximizing their financial returns and others arguing that shareholders' other interests — in corporate strategy, executive compensation, and environmental policies, for example — and the interests of other parties must be respected as well.[†]

1.1 Theoretical Perspectives

In recent years, the number of women in the labor market has steadily increased. This influx of women marks a change in mentality, giving rise to legal provisions and policies intended to guarantee them equal opportunities with men. Most of these procedures aim to facilitate the balance between family life and working life (flexible schedules, parental leave, and

^{*} de Beaufort Viviane and Summers Lucy, "Women and Corporate Governance: Towards a New Model!," *SSRN Electronic Journal*, 2013, <https://doi.org/10.2139/ssrn.2333536>.

[†] {Citation}

daycare, etc. However, despite these initiatives and the increasing number of qualified and trained women, it is clear that they are still largely underrepresented in the decision-making process in all sectors. Indeed, despite the current enthusiasm for diversity in companies and legislation for equal opportunities for women and men.

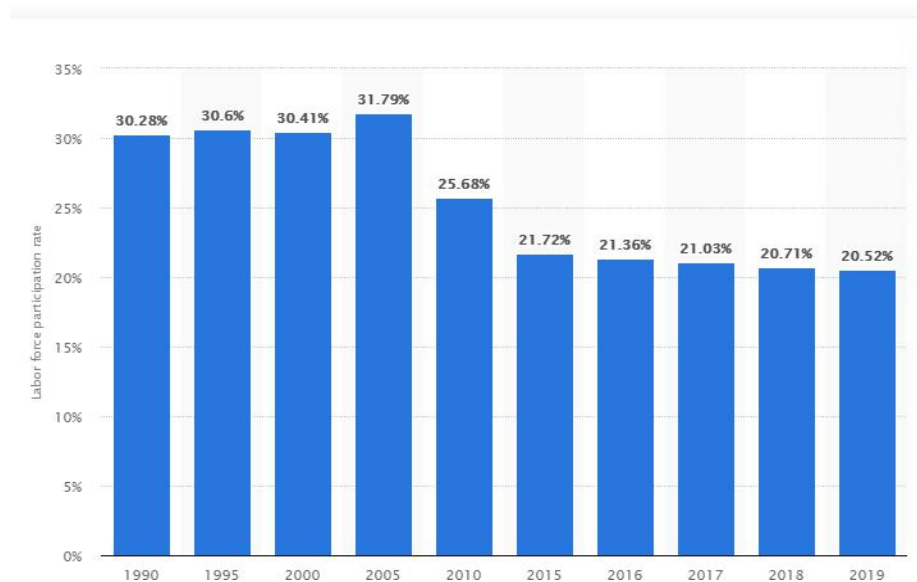


Fig: Female labor force participation rate across India from 1990 to 2019

Above Figure shows the feminine participation and predominant power of doing work from past 2 decades. In 2019, about 20.7 percent of women were in the labor force across India, down from approximately 30 percent in 1990. The labor force participation rate is an important indicator that reflects the economy's active workforce. Female labour-force participation in India has declined from 34 per cent in 2006 to 24.8 per cent in 2020, according to a new study.

According to the UNGC (United Nations Global Compact) India study, India is the only country among the 153 surveyed countries where the economic gender gap is larger than the political gap. The study found that raising women's participation in the labour force to the same level as men can boost India's GDP by 27 per cent.

Gender stereotypes and lack of infrastructure has traditionally sidelined women from core manufacturing functions. As a result, not many are able to reach leadership roles.

1.2 Women Leadership in Business roles

Globally, businesses with at least one woman in senior management role rose to 90%, with the measure for India at 98%. In fact, 47% of mid-market businesses in India now have women chief

executives compared with 26% globally. The percentage of women leaders across key positions in C-Suite in India is also higher than the global average, as per the report.

Nearly 88% respondents in India believe new working practices will benefit women's career trajectories in the long term compared with 69% globally.

'Innovative', 'adaptive to change' and 'courageous to take risks' will emerge as top leadership traits in 2021.

"Under the challenging circumstances of 2020, the boundaries between work and home have blurred. In this scenario, it is good to see action being taken by businesses to ensure employee engagement and inclusion.

1.3 Changing roles and leadership traits.

The status of women in India has been subject to many great changes over the past few millennia. Women in India now participate fully in areas such as education, sports, politics, media, art and culture, service sectors, science and technology, etc.

By the impact of Covid 19 pandemic, Proportion of women in more traditional senior HR role is down to 38%. Globally on 26% of businesses now have a female CEO, followed by 36% of CFO and 22% of Coos. Where as in India there are 47% of women CEOs.

India rates women leadership has 51% scope for innovation, 36% adaptive to changes and 29% courageous to take risk.

In a developing country like India, as in the West, there really are few examples of women in the upper echelons of business; as a result, we do not get a lot of examples to study large corporations of organizations built around feminine values, attitudes, and leadership characteristics. However, the global phenomenon of women entrepreneurship allows us an opportunity to study women leadership at the upper levels of small and emerging organizations. India is an excellent example of how women entrepreneurs are gaining ground economically and in terms of their own leadership.

2.LITERATURE REVIEW.

2.1 Effect of Glass Ceiling

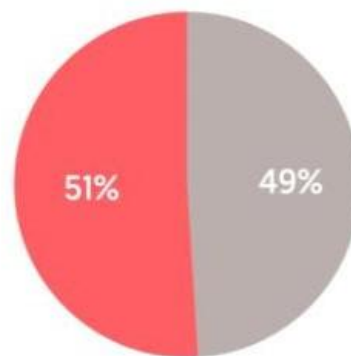
Glass ceiling refers to the fact that a qualified person wishing to advance within the hierarchy of his/her organization is stopped at a lower level due to a discrimination most often based on sexism or racism. The glass ceiling refers thus to vertical discrimination most frequently against women in companies. The difficulty inherent in this theme is the diversity of definitions and approaches describing the glass ceiling. There are also no objective and easily observable criteria that would make it possible to establish with certainty the real existence of a glass ceiling in a company. Nevertheless, based on several studies, the glass ceiling can be defined as subtle but persistent

barriers/obstacles, underpinned by discriminatory, conscious and unconscious practices, and attitudes that hinder access to top/senior management positions for qualified women.[‡]

A recent study by the Wall Street Journal found that, although women make up a larger share of the chief executive officer role than ever before, they remain significantly underrepresented in CEO positions. Specifically, the number of women CEOs in the United States' top 3,000 companies has more than doubled in the last ten years to 167; yet that number is still less than 6% of all CEOs.

Proportion of Private Company Boards with Women

● One or more women on the board ● 0 Women on the board



2020 Study of Gender Diversity in Private Company Boardrooms

Fig Proportion of Women onboard in Private Companies in India

The above figure shows the statistics of Women onboarding in Private sector. There are around 49% companies who doesn't have women onboarded and around 51% of women were able to hold on their ambitions by grabbing opportunities while ascending the corporate Ladder.

Unlike Global, India saw 8.6% rise in the percentage of women on boards, with them holding 17% of board positions in 2020; also, 20% of female directors hold more than one board seat compared to 8% of men. Which is a great sign of advancement but the same WSJ study found that where women are promoted to C-level positions, they often end up as the head of human resources, legal, or another administrative department. These positions, while undeniably important, do not directly generate profit for companies. And it is the C-level positions that manage profits and losses which usually feed into CEO positions. The glass-ceiling index measures the environment for working women combining data on higher education, labor-force participation, pay, child-care costs, maternity and paternity rights, business-school applications, and representation in senior jobs.

[‡] Audrey Babic and Isabelle Hansez, "The Glass Ceiling for Women Managers: Antecedents and Consequences for Work-Family Interface and Well-Being at Work," *Frontiers in Psychology* 12 (March 9, 2021): 618250, <https://doi.org/10.3389/fpsyg.2021.618250>.

Private Company Directors by Gender 2019 versus 2020

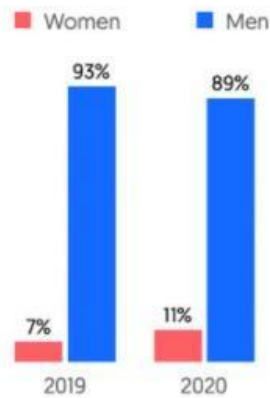


Fig : Gender parity in Private Companies

2.2 Gender Diversity leading to performance upscale.

Gender diversity is accepted by many as a ‘performance driver’ (Women Matter, 2010), and provides a lot of other benefits (Forbes & Milliken, 1999). Diverse structure of Board has a probable influence on substantial performance. Its been proven that women in boards has a higher generosity in paving the way for immense P& L responsibilities, CSR activities and eminent work towards organization’s wellbeing. This a greater example of how women access to economic system has a significant ascendancy in society as a whole. This manifest the evidence of undeniable linkage between Board Diversity and Performance of Firm.

In few aspects existence of gender dimension is tendentious. However, few HR literatures states that female gender posses a leadership style and intuitive and moral qualities that are indeed. But in the debrief there are some people, inclusive of women refuse to attribute a part of and amount of certain qualities or behaviors as specific. The question arises to which extent women bring another perspective to team and also prompts to what extent they could really bring diversity to integrity.

3.OBJECTIVE OF THE STUDY

To find the stance of Board diversity in the present and subsequent scenario in India. This Study is a self-effacing look through in the aspect of Women in Boards and their substantial impact on the performance of the organization.

4.METHODOLOGY

4.1 Rules Implementation

“When women are more involved in decision-making, they make different decisions—not necessarily better or worse—but decisions that reflect the needs of more members of society”

KLAUS SCHWAB

Compliance with rules is not the reason our businesses should have women in boardrooms. Firms with a better-balanced gender ratio are better governed and deliver superior results. To promote gender diversity at the top of India Incorporations, the Companies Act of 2013 and SEBI had made it mandatory for publicly listed companies as well as those with a turnover of over ₹300 crore to appoint at least one-woman director. It did set off an uptrend in the modern era.

The importance of improving the gender balance on corporate boards is being increasingly recognized around the world. Some countries have taken legislative action and imposed quotas, while others have used other measures like moral persuasion and introduced voluntary measures (e.g. enhanced their corporate governance codes to require companies to disclose their gender diversity policy, and/or set targets for companies).

A number of propositions exist for the business case for diversity on boards:

- Diverse boards tend to be more independent and, with fewer ties to management, can have a greater ability to monitor managers objectively.
- Diversity improves board decision making as a result of unique perspectives, increased creativity, and non-traditional innovative approaches. “More the diversity, more the creativity” even International research shows that a diverse set of perspectives is likely to result in improved board practices, stronger ability to foresee and manage risks, and better strategic decision making.
- Diversity improves information provided by the board to managers due to special skill sets, experience and complementary knowledge held by diverse directors.
- Diverse directors provide access to important constituencies and resources in the external environment.
- Board diversity sends important positive signals to the labor, product and financial markets.

4.2 Which point is driving women to cessation from setting foot into Boards

A study by Women Matter denotes that women is facing two psychological barriers such as Double Burden Syndrome and Normative Acceptance with Regulatory Support. A recent report by Pink Ladder, an organization focusing on career growth for female professionals, said four out of 10 working women in India were facing anxiety and stress issues linked to the work-from-home

(WFH) situation. The study also came up with disturbing data on how women were becoming victims of the “double burden syndrome”, as they juggled between their personal and professional commitments, even as about half of them lacked motivation.

Wherein Double Burden Syndrome pertains to a decrease in performance and a drop-in motivation due to double up on the home chores with the increased workload from the office to impacting their mental wellbeing to a great extent. And Normative acceptance pertains to acceptance of geographical mobility with the workflow. Sometimes it constitutes to the higher education background but inadequate skills to tackle the position.

The Major Reasons for women stoppage into boards are as following

- 1) *Dilution of Thoughts*: Though the stereotypes of Socio-Cultural norms are prevalent in India there is an advancement of women professionals. In Spite of Everything, women enter the workforce with a greater expectations and ambitions. As they move up the corporate ladder, their ambitions get diluted as a result of changing preferences and priorities respected to their families and other commitments.
- 2) *Limited bandwidth*: Though women may qualify for Board positions, owing to family commitments they may be reluctant for taking it up. In addition to this certain unhelpful attitudes and stereotyping makes it difficult for women to find the required time to pursue Board positions.
- 3) *Limited appreciation*: Women usually do not appreciate the benefits derived from being on the Board; like learning from talented experts, acquiring skills of constructive enquiry, influencing ability, etc.
- 4) *Risks and Recognitions*: Since being a Board member involves a lot of legal risks, most women are concerned about taking up the position thinking about the worthwhile.
- 5) *Women of color*: Lack of racial and ethnic diversity and leading to color discrimination which is an hinderance in identifying talent which bloom.

5. ANALAYSIS AND DISCUSSIONS

The new implications or performance model that can be followed in to strive the success of workforce diversity and women succession in the corporate boards are as follows

- ◆ Recruitment, promotion and selection When hiring and promoting candidates for specific roles, management will consider issues of diversity in relation to expectations of the relevant role, and selection and appointment processes, to ensure there is no intended or unintended discrimination throughout the process.
- ◆ Remuneration Management will endeavor to ensure that there is no intended or unintended discrimination towards or against employees of particular diversity dimensions in relation to the remuneration that they receive for their work. The Board through the Board Nomination and Remuneration Committee will approve annually the organization’s remuneration ranges. From time to time it will review the entire Remuneration and Incentive Framework to ensure it is consistent with market expectations and contains no systemic bias.

- ◆ Performance management/Mentoring: Management will endeavor to ensure that performance review methodologies and processes are consistently applied to relevant groups of individuals in relation to reviews of their performance.
- ◆ Flexible work arrangements: Management should recognize the importance of providing flexible work arrangements for employees to enable them to balance personal and work responsibilities and for the continued success of the organization. In recognition of flexible work practices and to assist employees to meet their personal responsibilities outside of work, and try to established framework which enables and encourages transparent and cooperative discussion on contemplated flexible work arrangements.

RIO TINTO Model for gender parity

Rio Tinto Group is an Anglo-Australian multinational and the world's second largest metals and mining corporation, behind BHP, producing iron ore, copper, diamonds, gold and uranium. Rio Tinto is a pioneer in metals and mining and has projects and operations spanning across 36 countries. It is recognized as an innovator that embraces technology and was named one of 2019's most innovative companies by Boston Consulting Group. They have implemented a better model of following norms

- Embracing workforce diversity – age, gender, race, national or ethnic origin, religion, language, political beliefs, sexual orientation, physical ability.
- Valuing diversity of perspective – leveraging the diverse thinking, skills, experience and working styles of our employees and other stakeholders.
- Building a flexible organization – providing opportunities for work arrangements that accommodate the diverse needs of individuals at different career and life stages.
- Respecting stakeholder diversity – developing strong and sustainable relationships with diverse shareholders, communities, employees, governments, customers and suppliers.

6.FINDINGS

- Gender-diverse boards manage risk better
- The study, that collected information from NSE listed companies in India (Through their Annual reports of past 5 years), found that 55 percent of them have women directors. While this is 14% higher than past 3 decades, India still severely lacks as compared to other countries.
- In 2020, 49 percent of companies did not have a woman on the board, an improvement from 60 percent a year earlier;
- Women held 11 percent of board seats, up from 7 percent;
- Executives and investors compose 75 percent of director seats (down from 80 percent), of which 8 percent are held by women up from less than 5 percent.

- Woman directors remain most likely to hold an independent seat on the board: Their share of those seats remains relatively unchanged at 20 percent from 19 percent.
- Only 3 percent of board seats were held by women of color, compared with an estimated 18 percent held by men of color leading to lack of ethnic diversity.
- 81 percent of companies don't have a woman of color on the board at all.

7. CONCLUSION

The overall study of this paper denotes Indian Corporates are finding a better concurrence between more gender diverse boards and financial performance. Despite of that, it is quite important for companies to recognize the potential benefits of having more women in the boardroom to effectively recognize and employ their leadership talents. Ultimately, Enterprises and firms should enrich themselves to address captive and capabilities in having access to equal opportunities.

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