

Role of Women in Corporate Boards



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By definition, the term 'Corporate' implies "a large body (of people) engaged in a particular activity of providing goods and services, with the intention of building profit." To me and to any other corporate professional, I would imagine- this would come across as a pretty gender-neutral definition.

Of course, nothing in our society can be ever completely de-

contextualised. So, at the time of its inception, the definition of the corporate is prominently understood as "a large body (of men) engaged in a particular activity of providing goods & services, with the intention of building profit."

The issue of Gender Parity or the lack thereof, is a quotidian, international issue.

As a corporate professional, I have witnessed a gradual and very welcome change in workforce diversity. More women are actively contributing to India's workforce, fueled by the several favorable policy changes that offer free education, tax rebates, focused employment opportunities, reservations etc. all of which has augmented the cultural liberation of women. However, as women climb up the corporate ladder, new positions and opportunities constantly surface that require academically and experientially skilled personnel. Even though women are successful at university and in their early careers, but attrition rates increases as they progress through an organization. When women are so under-represented on corporate boards, companies are missing out, as they are unable to draw from the widest possible range of talent.

The government of India has shown commitment to build women's participation in Corporate decision making. The new Companies Act provided for Reservation of one woman director on corporate boards and we now need compelling employers and boards to step beyond the confines and give meritorious women the opportunity to be elevated to the board level. Board diversity always leads to more broad based and effective Board performance, avoids similarity of attitudes and brings in a wider perspective in decision making.

With at least one seat on the board guaranteed, women are feeling encouraged to join Boards and are training themselves to be efficient directors whether Executive, Non-Executive or Independent. All of us must realise, that these positions have traditionally been male bastions

and the opening of these positions to women opens a level playing field which will also have a domino effect on the Governance and HR policies for present and future employees. Women by nature are more collaborative, resilient and empathetic and at the decision making level can help improve the work environment for female executives. They are in a position to effectively utilize the often overlooked female talent in an organisation—by easing work conditions that bring out the best in employees and concurrently attract more female talent, owing to conducive policies.

The aim of the mandatory reservation is to train and discipline people's attitudes wherein they treat women as equal partners. We can hope for a future wherein India is at par with the Scandinavian nations and other countries like Russia, where female participation on boards is almost 40%.

In 2011/2 the International Finance Corporation and the Global Corporate Governance Forum had come out with a report on Gender Diversity. This was a collection of interviews of select corporate male directors on women's participation in work. Unsurprisingly, most interviewee's ascribed a similar set of characteristics to all women corporate leaders. True to our in-born ability of 'attention to detail', the presence of women on corporate boards led to, "Significantly in-depth discussions", "more comprehensive decisions", "less risks/speculation" and rather annoyingly it lead to "men behaving more maturely in the presence of a woman."

A 2012 report by the Credit Suisse Research Institute, *Gender Diversity and Corporate Performance*, showed that businesses are more successful with women in the boardroom. Following a 2012 study of 2,400 companies globally, the Institute found that individual net income growth averaged 14 percent in companies with women directors, eclipsing their counterparts without female board members, which posted only 10 percent growth over a period of 6 years. Catalyst, a research group focused on women's advancement to senior leadership, found that Fortune 500 companies with more women directors outperformed those with fewer women board members on a broad range of financial indicators.

Though essentially, there may not be a marked difference between women and male corporate directors. On account of their differed experience of climbing up the corporate ladder, women may significantly contribute to boards. It is clear that boards make better decisions where a range of voices, drawing on different life experiences, can be heard and discussed.

The business case for gender diversity on boards has four key dimensions:

- Improving performance
- Accessing the widest talent pool
- Being more responsive to the market
- Achieving better corporate governance

1. Improving performance

There is a body of research which demonstrates how the appointment of female directors can improve a company's performance. Female directors enhance board's independence. Boards are often criticized for having similar board members, with similar backgrounds, education and networks. Such homogeneity among directors is more likely to produce 'group-think'.

Women take their non-executive director roles more seriously, preparing more conscientiously for meetings. Women ask the unconventional questions leading to more comprehensive decision making. Of course, this directly correlates to positive financial performance for the industry.

A recent non-academic study conducted by an asset management firm in the UK looked at those companies with a threshold of at least 20% female representation across FTSE-listed boards. They found that operational and share price performance was significantly higher at one and three year averages for those companies with women making up over 20% of board members than those with lower female representation (Companies with a better track record of promoting women deliver superior investment performance', Bhogaita M, New Model Advisor, 2011).

The correlation between strong business performance and women's participation in management is striking. It is observed that a gender-balanced board is more likely to pay attention to managing and controlling risk.

2. Accessing the widest talent pool – using the skills of all

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. Tapping into the under-utilized pool of female talent at board level is vital if companies are to remain competitive and respond to rapidly changing expectations and market demands.

In India too, at the CBSE, Graduate and undergraduate level women are repeatedly outshining men and have shown great focus to excel in every sector.

3. Being more responsive to the market

Women are estimated to be responsible for about 80% of household purchasing. Women Directors also qualify as active consumers, with first-hand experience of the consumption process. An in-depth understanding of the consumer's needs directly correlates to more informed decision making.

Crucially, this can also have an impact on the shareholder experience. Women's drastically different corporate experience may tantamount to more democratic decisions, leading to better value for shareholders-enabling a stronger and more long term relationship with the company.

4. Achieving better corporate governance

A report on Canadian Boards in 2002 examined a pool of

public, private and not for profit boards in the nation. Significantly the authors found that boards with three or more women on them showed very different governance behaviors to those with all-male boards. The more gender-balanced boards were more likely to identify criteria for measuring strategy, monitor its implementation, follow conflict of interest guidelines and adhere to a code of conduct.

Of course, the more crucial aspect of corporate governance is ensuring that attrition rates for women employees continue to remain constant through all management levels. According to a World Economic Forum report on India, women's participation fell down to a staggering 27% of the workforce compared to 33.7% in the 90s. Socio-cultural pressures and lack of fair employee practices are causing more women to voluntarily step down and retire to the family domain.

The initiative here needs to be taken by corporates to ensure that women employees are provided the right opportunities for growth especially for working mothers. Companies like Flipkart, Vodafone etc. are leading the way with their women friendly HR policies like Flexi-working hours, extended maternity leaves, options for day-care etc. to instil confidence in their female workforce which translates into enhanced productivity. On account of shared experience, women corporate directors are more likely to understand the socio-cultural pressure on women employees better.

As mentioned earlier, the Ministry of Corporate Affairs in India has taken its first step towards inclusion of women on the corporate boards. However, though reservations do come with their own pitfalls. To achieve true Gender Diversity, the social fabric of the nation needs to be overhauled. In the same report of the International Finance Corporation documenting the views of male corporate directors, several interviewee's warned against the danger of reservations degeneration into 'tokenism' especially in developing nations. Compliance with gender diversity laws doesn't necessarily imply a delegation of power to women. A live example is the fact that Indian companies have only 5.2% of women directors, compared to the Global average of 20%.

Crucially, even that 5.2% has belonged to boards of companies that are either in the consumer durables industry or in the financial services sectors- both of which stand out as singular examples of women's success. A study of 'the Corporate Sector's role in the enablement of women's careers in India' (conducted by the SIJ), gives an in-depth account of the pressures women face as professionals. However, in sectors that face lesser regulation, or rather whose activities lay outside the scope of current regulation, women are losing out because of the lack of optimum working conditions and zero visibility. There is also a flipside to this argument- a lot of corporates argue that women directors from within their employee base are often not 'up to task' or adequately qualified, as a result of which corporates are forced to look outside. Seeking either independent directors or women from the Business owner's family.

Though one might feel that this argument may be a weak defence for their non-compliance, it may hold some water in the Indian setup.

As Corporate professionals aspiring to be future corporate directors, we all have a responsibility to keep. Measures of government and policy change need to be implemented and employees themselves must see to it. The true worth of a women director can only be measured once more women are inspired to take up the role and their contribution to the company increases manifold. This change can only be affected when women themselves take on a more assertive attitude in the work place. Driven by favourable policy changes, they now need to start aspiring to directorial positions and build their visibility through networking opportunities. This is the perfect moment for women to break out from traditional behavioural patterns and utilise these networking and marketing opportunities to advance their careers. Besides post work networking events , women professionals must put their details and CVs in institute databases so corporates can access them easily.

There is a need for pressing changes in the socio-cultural fabric of the nation to retain the best talent pool if Indian Corporates want to expand globally. The relationship between an employee and a corporate is a business transaction, wherein the optimum career growth conditions are traded for profit augmentation. In business terms, gender difference is a non-issue.

Talent-irrespective of its 'gender', needs to be nurtured. But the onus here is on everyone, decision makers and the corporate professionals reading this article. A passive approach and the domestic mindset, will always put female employees in the backseat because of employers continue to be unsure of their commitment. So, as corporates gradually seek to push retention of their female workforce, ambitious women professionals need to start training and educating themselves on the duties and responsibilities of a Director. So they are well prepared and can strategically contribute to the boards.

Stepping outside the domain and building self-help:

As the services and industrial sector strives to innovate on incentives to increase female participation, a major portion of their erstwhile workforce is exploring options outside the traditional board set up. Even though women professionals are leaving in large numbers, it is resulting in an increase of more women as independent professionals and entrepreneurial positions. In the US alone, there are more than 10 million majority-owned, privately held, women-owned firms, employing more than 13 million people and generating more than \$1.9 trillion in sales. Though, India lacks far behind this number- we too are gradually witnessing a move towards women as small scale business owners.

Of course, the flipside to that is that even as entrepreneurs, women are delimiting themselves to the traditional domains. So, even as they learn the skills of setting up their businesses –the sectors are limited to cooking, make-up, women's accessories and clothing. Leading to a unidirectional growth that may cause a further compartmentalization of gender roles. The speculation that this may have a negative impact on the growth of women in the traditional corporate setup, shall unfold as the future generations of professionals hit the market.

We have been warned of the dangers of such a compartmentalization and women must take up the responsibility to steer clear from such trends. However, this is not to state that female entrepreneurship must be discouraged. In fact, female entrepreneurs and asset owners must seek to invest in such companies that display a commitment to gender equality –by increasing women on their boards or public conduct that exemplifies it.

Trends and culture can only be changed when those affected by it seek to take a stand either 'for' or 'against' them. Women in India must now take a stand for equality, which is consistent across all spheres if we want 50% of India's population to be active contributors to the growth of the country.
