

WOMEN on BOARDS: Vision 2025



Arun Duggal

Role of Women in business world continues to evolve. A generation ago, in most countries women could generally enter the Board Room only to serve tea. Today, globally it is well accepted for women to serve on Boards as Directors and in some cases, Chair the Board. But this matter is not entirely settled.

In the US, the issues have become recently very prominent because of the treatment of women in Uber, Fox News and other organizations particularly in the Venture Capital community.

Gender Diversity at senior management and Board level has been a major positive change in corporate governance but it has progressed at varied pace in different countries. Europe has been most progressive in increasing the number of women in corporate Boards. In 2003, Norway passed a law mandating at least 40% women Directors and gradually other European countries introduced regulations in this area with spectacular results. For example, in Italy the proportion women Directors increased from 2% in 2004 to 26% in 2014. While, in most countries this progress has been due to regulatory intervention, in the U.K. The business leadership voluntarily formed 30% Club and has already achieved 27% women Board Members.

In India also, the progress has been remarkable largely due to the new Companies Act 2013 which mandated at least one-woman Director. Most companies complied by getting Independent Women Directors, but some promoters inducted their women family members to comply. In May, 2017, Institutional Investor Advisory Service and Prime Database undertook a study which shows that women in corporate Boards increased from 5% in 2012 to 13% in 2017.

The advantages of gender balance at Board level are being recognized by some corporate leaders but many are yet to be convinced. It is a major attitudinal and social change which will get gradually accepted over time. In the meanwhile, additional Regulatory mandate will be required to make further progress in India as it has happened in Europe.

At the same time, the benefits of having more women Board Members are becoming increasingly apparent. Generally, women Board Members take their responsibilities more seriously, are keen to learn companies' business and strategy and are well prepared for the Board meetings. They are respectful of management and other Board Members and relate well to them. They bring more orderliness to Board discussions and are good at gently building consensus in the Board room. Their insights as a woman customer, mother, and professional woman are extremely valuable. On issues like gender Diversity, equal opportunity and safe, comfortable work environment for women employees, Corporate Social Responsibility, fairness to customer, women Directors' perspective enriches the Board discussion. In general, women Directors are more thoughtful and less risk taking. Thus, they provide an important balance in the Board's decision-making process. Another significant benefit of having women on Corporate Boards is that women executives and employees are highly motivated. The glass ceiling has been cracked. Even many of the promoter family women Directors are making their excellent contributions as Board Members. In many cases better than their male family members. Recent academic studies are showing that high women representation on the Board results in better financial performance of the company.

Increased gender Diversity on Corporate Boards will take time to expand. Women in corporate world are at significant disadvantage. They are not inclined to spend time on socializing and networking after work. They are outsiders to the "old boys" club. As the only woman on Board they sometime are treated as a token.

The IIAS and Prime Database study recommends a regulatory intervention to mandate at least one Woman Independent Director in the next 18 months and 20 percent women Directors by 2020.

Building on this, I recommend that by 2025 the regulatory requirement should be raised to 30% in line with most progressive European countries. I expect that by 2025 the percentage of woman on a Corporate Board will cease to be an issue and companies will realize that gender balance is in their own best interest. By then, I hope, we will not be focused on whether a Director is a man or woman but evaluate them on the basis of the contributions in corporate governance made by them.