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GENDER DIVERSITY IN THE BOARDROOM: A GLOBAL OVERVIEW

Authored By-Siddharth Kanojia

“Without women’s full inclusion at decision making table, We cannot have healthy decision making that is good for men & women alike”

-Zainab Salbi

Founder & former Chief Executive Officer of Washington based Women for Women International

The area of corporate governance has realized massive applied significance from last two decades. There are several reasons contributing to this ever increasing importance. Namely, the competence of prevailing governance mechanisms in the market of developed nations. Secondly, the relative efficacy of the corporate governance systems in the United States of America, Germany, United Kingdom and Japan (exemplified by added concentrated shareholdings and a protuberant role for banking institutions).¹ Lastly, the gradual importance been given to the diversity in the boardroom in order to increase the efficiency and the outlook of the company. The effectiveness of monitoring function of the board is often determined by its size, independence, and composition. The enormous amount of the information on boardroom gender diversity is pragmatic in nature and foundations its theoretical reinforcements from management literature. Management theories cited in preceding studies on boardroom gender diversity are at 3 echelons; individual, board and consequently, the firm. The often-cited theories include human capital theory, social identity theory, social network and social cohesion theory, resource dependency theory, and agency theory. Human capital theory (Becker, 1985) scrutinizes the influence of an individual’s cumulative repository of skills, tutelage, and knowledge in developing productive and cognitive capabilities, which successively benefit the individual and his/her organization. among the context of company governance, numerous and distinctive human capital of a company board is viewed as a key resource for the firm. Turner and Tajfel (1986) social identity theory inspects the role of cluster membership in teams, like masculinity, race, class and profession on an individual’s identity. These identities produce cluster boundaries and will provide higher evaluations of in- cluster members, more reinforcing higher entry barriers for out-group members. for instance, a male-dominated board might strengthen cluster boundaries and exclude ladies from board situation. Pfeffer and Salancik (2003) use the resource dependence theory perspective to contend that board linkages give counsel, legitimacy and communication channels. AN extension of resource dependence theory suggests that numerous administrators give numerous helpful resources to the firm. Agency theory studies the role of data irregularity and divergent objectives on the relation between principals and agents. Given the placement of objectives between managers (agents) and shareholders (principals), managers might not pursue the outcomes that are within the interest of shareholders (Eisenhardt, 1989; Johannes Vilhelm Jensen & Meckling, 1976). Given the organization structure is geared

¹ Kose John and Lemma W. Senbet , 'Corporate governance and board effectiveness' [1998] 22(1) Journal of Banking & Finance 372

toward obtaining and utilizing resources via contracts (Berle & Means, 1932), the resource dependency theory and agency theory are the foremost common quoted management theories within the literature on room gender diversity.

Considering the theoretical aspect of composition, it has often been said that a corporate board of directors is generally anticipated to have four(4) areas of responsibilities: (i) monitoring and controlling managers; (ii) providing information and council to managers; (iii) monitoring compliance with applicable laws and regulations; as well as (iv) connecting the corporation to the external environment (Carter et al., 2010). The emphasis has been given to the composition of the board affects how these functions are performed, and thus, partly determines financial performance. With the purpose to explain the complexity of diversity in the board room the Terjesen et al. (2008), Carter et al. (2010) and Mateos de Cabo et al. (2011) have all used the four sub-theories: (i) Resource Dependence Theory; (ii) Human Capital Theory; (iii) Agency Theory; and (iv) Social Psychological Theory.

Agency Theory advocates that a definite board unremarkably upsurges board independence, that successively intensifies the board's ability to observe the management. However, even supposing additional effectual observation of management may need associate degree affirmative impact on firm monetary performance, on the contrary to resource dependence theory and human capital theory, agency theory provides no clear association between board diversity and firm monetary performance. Taking it additional, The Human Capital Theory enhances a number of the notions derived from resource dependence theory because it discourses however the education, expertise and skills of the human capital will profit the organizations. Further, the resource dependence theory plays an important role once exploring the affiliation between the variety of the company boards and also the monetary performance. In turn, as ethnic and gender diversity delivers a broader info set out there for management within the higher cognitive process; thence, board diversity will play a vital part within the company's monetary performance. On the other hand, Social psychological theory ponders the group crescendos inside boardrooms, and forecasts that people who have a majority position have the potential to wield a inconsistent amount of influence on the group. Therefore, according to the social psychological theory, the minorities of a diverse set of board members may not influence the decisions board. Considering the various hypothesis and outcomes, it is pertinent to analyse the practical situations in various nations who recently inculcated the provisions for mandatory participation of women in the boardroom.

In 1983, based on the ten(10)-year growth rate of the grades of women directors, Elgart (1983) forecast that it could take about 200 years for women to accomplish equivalent representation in top corporate board-rooms. He probed the reason for the under-representation of women in Fortune 500 corporations and finds that 43% of the companies that did not have even a single women director on their boards claimed "already filled with qualified candidates" as a reason. Such an argument is not convincing enough considering the regular director term and the number of director resignations.

Kesner (1988) in her broader study on directors' characteristics examines 250 Fortune 500 boards covering 27 different industries and concludes that extensive experience is required to serve on a board's influential committees. The author specifically attributes lack of experience as the reason for the under-representation of women directors in corporate boards. However, Bilimoria and Piderit (1994) challenge Kesner's (1988) work in several ways; detailed examination of differences in men's and women's experience expanded the range of director characteristics and a

larger set of influential board committees. The authors study 300 Fortune 500 companies to find evidence for systematic sex-based bias against women director membership

The participation of women in the workforce has ever been conventionally inadequate to spheres like imparting education, handling administration, pursuing hospitality & nursing which requisites less vigorous activities and sanctioned women the twofold alternative of being both an auxiliary source of generating an income and an imperative role of care-giver while preserving the key domestic errands. Societal pressures and gender stereotyping over the eras ensured that ladies were restricted to jobs that legitimate them additional flexibility however less medium of exchange edges, with associate degree conjecture that ladies either failed to have the capabilities to accomplish different occupations in male dominated spheres or just failed to possess interest in them (Hodson and Sullivan 2008).

A study by the ILO Bureau of statistics for 'Economically active population from 1950- 2010', highlights that frugally active women in the workforce during 1950 were merely 32.4 percent in the age group 15-64 years, forecasting an increase to about 41.2 percent by 2010 with major intensification happening in the developed nations and mainly across the agronomic and services segment than manufacturing segment. The ILO report on Global employment trends for Women 2009, details that there has been an increase in women involvement in the labour force from 52.40% in 1998 to around 52.60% in 2008, aggregating slightly to 52.70% by the end of year 2009. ILO study portrays share of women in workforce going up to 40.50% in the year 2008 from 39.90 % in the year 1998. It further portrays an average increase of female engagement ratio by 1.2% for Adult employment-to-population ratio across nations, with noteworthy increase happening in Latin America (almost 8.40%); the only exception being South-East Asia and the Pacific decreasing by 1.10%. The ILO Global Employment Trends report 2011 details an overall increase in Female employment-to-population ratio across the world from 48.20% in the year 2000, to 49.20% in the year 2006 with a slight increase in 2010 to 49.40%.²

There is inordinateness of analysis that has been shepherded within the last decade particularization women participation as administrators on company's Boardrooms. However, most of the academicians have used totally different issues for pursuit this information, some considering solely regular administrator positions across Fortune five hundred corporations whereas others have enclosed non-executive director positions alongside a thought for smaller corporations with feminine relations acting as representatives on company's boardrooms. It thus becomes challenging to precisely state the percentage of meticulous representation by women on corporate boards in a global context, nonetheless, for the purpose of this paper the researcher has contemplated statistical data availed by Governance Metrics International (GMI) which has conducting surveys annually and unfailingly tracking progression of women director on boards globally³. The data pertaining to global survey conducted in the year 2009 and in the year 2010 clearly depicts the Scandinavian countries leading in terms of average women percentage representation on company boards. For the year 2010, Norway (34.25%), Sweden (23.89%), and Finland (23.41%) lead across European nations with countries like Austria (7.73%), Belgium(6.75%), France (9.47%), Germany (10.46%), Greece (8.53%) showing disparities in terms of progression of women at boardroom levels. Italy astonishingly notches quite a lower percentage (3.42%) amongst the European nations, known for its developed economies and well-structured policies and practices in Corporate Governance. The condition doesn't improve across other developed nations like USA (12.21%), United Kingdom (8.46%), and Australia (8.28%) with Japan having the lowest statistics at just 0.89%.

Developing countries, purposely the BRIC nations too do not underline a positive picture towards women presence in the boardrooms. Whereas, China leads the table with 7.19% representation followed narrowly by Russia (5.21%), India (4.79%) and Brazil (4.61%) respectively.

Gender Diversity in United States & neighboring countries

Considering the diversity in the United States, only 14 percent of board seats are held by women. The percent of female board chairs has not progressed, remaining at just under four percent. On the other hand, the boardroom gender diversity in Canada grew to 18 percent, a 5 percentage point increase since 2015. Whereas, only 7 percent of board seats are held by women and 2 percent of board chairs are women.²

EMEA Region

- In United Kingdom there are no quotas in place for women on boards, but 20 percent of board seats and 3 percent of board chair positions are held by women. Contrary to this, Norway became the first country to introduce a gender quota, has the highest percentage of board seats held by women (42 percent). Similarly, the percentage of board seats held by women has increased to 28 percent in Italy.³

Australian Continent

Unlike Norway, Australia does not have the quotas for women on boards; however the numbers continue to improve. The percentage of board seats held by women is currently 20 percent. Similar to Italy, New Zealand achieved the strongest growth since 2015, with the number of board seats held by women increasing to 28 percent.⁴

Asia- Pacific

If compare to other parts of the world the gender diversity in some of Asia's leading economies is the lowest.⁵ According to the study conducted by Credit Suisse Research Institute in year 2012, the presence of women in board has sharply increased in countries like Hong-Kong and Singapore.⁶

Situation in India

India has customarily been a matrilineal society from ancient (Vedic) times, Women in 'Hinduism' have always been considered as creators of life and caretakers of the family. There is a certain distinction between how 'women' are viewed by the Western and Indian society. While the Western culture believes, women to be lacking power and ability for assuming higher roles

² Deloitte, 'Deloitte Global finds gender diversity on boards doubled in organizations with female leadership' (<https://www2.deloitte.com>, 02 January 2017) <<https://www2.deloitte.com/global/en/pages/about-deloitte/articles/women-in-the-boardroom.html>> accessed 22 November 2017

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Wall street journal, 'In China and Hong Kong, Women Getting On Boards' (*The Wall Street Journal*, 02 August 2012) <<https://blogs.wsj.com/chinarealtime/2012/08/02/in-china-and-hong-kong-women-getting-on-boards/>> accessed 2 December 2017

and undertaking vigorous work; the Indian philosophy centered on Hinduism believes that women represent 'Shakti' or energy that needs to be tamed and routed for creation of life (Srinivas et al 1999). Klostermaier (1994) through his work actually upholds the revered status of Indian women from ancient times. He reiterates that ancient scriptures from Vedic era have always portrayed 'feminine power' as the ultimate source of life and giver of energy to the masculine entity (a concept truly depicted as ardhhanarishvara, the representation of God as being half man and half woman). Indian history speaks of many heroic women with strong will power, viz Sita from Ramayana, Draupadi and Kunti from Mahabharata. Rig Veda (V. 28) also depicts women having held high status as "Brahmana" during those ages with equal command over scriptures and knowledge as their male counterparts.

However the country gradually transformed in to a patriarchal society with the advent of Aryans around 1500 B.C. and diminishing of female power (Liddle and Joshi 1986). This pattern of society was only reinforced with advent of Muslim rulers, wherein the women started practicing 'Purdah' (veil covering head and face) both as part of tradition by Muslim women; and to escape the wrath (or bad intentions) of scrupulous Muslim commanders by Hindu women.

India over the evolving centuries, belittling its glorious ancient history became essentially a male dominated society. This gradual progression and patriarchal dominance is today aptly visible with the country offering diminutive importance to women in terms of acquiring supremacy, prestige, enviable position or fiscal growth. The very concept of imparting equivalent education to the female sex alongside their male counterparts has thereby been criticized and marginalized, with the Indian government. struggling to restore equivalent rights of education and progression across other genders.

The recently amended Companies Act 2013 exasperated to indoctrinate the involvement of women in the leadership positions. Consequently, the provision appended in Section 149 (1) read with the Companies (Appointment and Qualification of Directors) Rules, 2014 obligated the specific class of companies to appoint at least one women director.⁷ According to report presented by Prime Database, 76% of the companies listed on National Stock Exchange have complied with a said provision and appointed the women director on the board. However, the question arises that whether the appointment of "at least one" women director will have an impact in fulfilling the purpose of the amendment & overall functioning of the company?

With intent to understand an impact of presence of women director in the boardroom, we should go back in times and figure out the role played by the women in influencing the culture and values of an organization. Until late 1970s and early 1980s, the role played by women in corporation perhaps in business was marginal. However, post 1980 there has been an evident increase in the number of women tycoons globally, besides, instantaneously, an upsurge in connected research.⁸ Consequently, the presence of women in corporate setup set a pathway for budding researchers to collect, analyze, study, interpret and conclude the impact of presence of women in organizations. These researches have revealed that the female workforce tends to exhibit greater attention to ecological behaviors and to climate variations and has further

⁷ Section 149 (1), Companies Act 2013

⁸ Silvia Solimene, Daniela Coluccia and Stefano Fontana, 'Gender Diversity On Corporate Boards: An Empirical Investigation Of Italian Listed Companies' (<https://www.nature.com>, 2017) <<https://www.nature.com/articles/palcomms2016109>> accessed 15 November 2017

optimistic work-related insouciances concerning the clients.⁹

The situation in India does not portray a picture different to its counterparts in the BRIC nations or its Asia-Pacific cousins. Women though revered in Indian culture as 'Devi' or 'Shakti', and the identical standing being accorded in the work domain which tends to be more male dominated, specifically in regions with patriarchal society composition. Regions with tradition based matriarchal leanings too exhibit women empowerment through advancement in education or snowballing contribution at entry and middle management level positions, nevertheless, the decisional roles at the top slots still persistently subjugated by the dominant gender. The interrogation whether cultural factors linked to gender bias plays a impending role in dejecting the competencies of women administrators has been explored time and again by many researchers through attitudinal and perceptual studies (Kundu, 2003, Budhwar et al, 2005), the concept of glass-ceiling effect and organizational assessments, still put an prominence on factors that may contribute to bringing about change in the position through organizational and societal ascendancies has been occasionally explored.



⁹ Ibid