

Women in Leadership: Building legacy in Boardrooms

Women's appointment in board rooms of the corporate sector was marked with the onset of the legislation laid down under the Companies Act, 2013 under section 149(1) of the Companies Act, 2013 read with Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014. It stated that the following class of companies shall appoint at least one-woman director:

1. every listed company;
2. every other public company having
 - (a) paid-up share capital of one hundred crore rupees or more; or
 - (b) turnover of three hundred crore rupees or more.

Provided that a company, which has been incorporated under the Act and is covered under provisions of second proviso to sub-section (1) of section 149 shall comply with such provisions within a period of six months from the of its incorporation.

Provided further that any intermittent vacancy of a woman director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

Further the Securities and Exchange Board of India extended its deadline by six months to April 2015 for companies to appoint a woman director on board.

Due to a regulatory push in 2013, women's representation on the boards of listed firms rose above 16% in 2019. Prior to 2013, the principal mechanism through which women entered corporate boardrooms in India was through family ties, bound within specific castes and communities. Women directors comprised less than 1% of all directors in the 200 leading firms of India until the 1990s, after which the share rose to 2% by 2000 and 5% in 2010.

Research and analysis on the issue suggest that currently the approach is more of ticking the check box rather than implementing the spirit behind the legal requirement or the thought of the legislators. It would take time for the patriarchy driven corporate sector to accept woman and their contribution equal in Boards as that of men.

Very often, women are told and taught that to be successful in work, they need to emulate men and take on masculine qualities. In fact, there are many amazing qualities that women bring to the workplace — qualities that add value and improve a working environment. In the words of Ms. Meher Pudumjee, Chairperson, Thermax Limited "If we all think the same and come from similar backgrounds, the company would be unipolar, devoid of innovative and creative ideas."

This makes it all the more necessary to ponder upon the reason for the laws on women directorships in boards of companies. Though the intention of the legislators is to bring about gender equality, the corporate sector could try to derive more benefit by availing of the feminine instincts and perspective.

Women directorships in boardrooms definitely bring about a diverse perspective towards different issues in the agenda. Dr. Swati Piramal, Vice- Chairperson of the Piramal Group was the first woman in 90 years to be the president of Assocham, the apex chamber of commerce.

She is also an independent and non-executive director on the board of FMCG company Nestle India. She has been of the view that being the first and the only woman on the boards makes it a difficult task to bring about a different perspective. Another thought was since consumers of Nestle were majority females, could it be more relatable to have more women as directors on Board.

Further in her opinion, a greater workforce participation from women at the scientific R&D centre at the Piramal Group, which was “overwhelmingly male” earlier, now employing more than 50 percent women truly brought about a diverse perspective she had been warranting for long. The difference women have brought to the table, is having a direct, solution-oriented approach to complex situations, asking important questions about protecting and nurturing the consumer, and being careful about not repeating mistakes of the past.

Pallavi Kathuria, Managing Partner, Egon Zehnder, a global management consulting firm has been of a similar view as of Dr. Swati Piramal. The companies should make presence of women in boardrooms count and reap maximum benefits of the diversity rather than merely aim to fit in the legal framework. Apart from the economic benefits companies will receive by approaching their consumer base armed with gender-diverse perspectives, there will be improvements in a host of non-financial indicators too such as creating safer and more inclusive workplaces, providing more flexibility and leadership opportunities for employees.

One of the studies conducted by the Harvard Law School Forum on Corporate Governance shows that companies with diverse boards score higher on Environmental, Social and Governance (ESG) performance metrics more often than those with non-diverse boards. This points to the fact that companies with diverse boards adopt better sustainable practices. Furthermore, the study shows that the longer a company has a diverse board, the more likely they are to improve their sustainability practices over time because presence of women on boards enhances transparency, accountability and contributes to mitigating fraud.

The study also draws a strong link between performance on non-financial metrics and gender-diverse boards on three grounds:

1. Gender-diverse boards manage risk better

Decision-making is made easier in the corporate setting when leadership has gender diversity. It not only helps with effective leadership, but companies also know how to respond to risk better. Women and men have different attitudes towards risk and economic principles. It is because of these differences that a gender-diverse board can be more risk proof and have a balanced decision-making process. This is also perhaps why gender-diverse boards perform better on ESG metrics since board oversight over these parameters make for another form of risk management.

2. Boards that have more women are able to develop a comprehensive understanding of the stakeholders

Women can provide a deeper insight into consumer trends and priorities for the companies of the boards they serve. This is especially important today as women possess a large amount of purchasing power globally as well as in India. The decisions of gender-diverse boards are more likely to be responsive to customer tastes. They get greater insight into issues like corporate social responsibility and environmental stewardship. which in turn affects consumer behaviour. Thus, diverse boards may be quicker to spot and respond to new consumer trends. They develop higher adaptability to changes in environment and the marketplace.

3. **Gender diverse boards display less absenteeism and more effective functioning**

Directors in gender-diverse boards had higher attendance, and diverse boards were more effective in dealing with crises. Women directors had fewer attendance issues compared to their male counterparts. This in turn helps boost the overall performance of the firm. Improvements in attendance are likely to help the board better evaluate all risks since all members are available in the same place at the same time.

Gender diverse boards certainly earn a good corporate reputation. Researchers have time and again vouched that good corporate reputation is one of the most important intangible assets that drives a company's performance. It has been proven that positive corporate reputation enhances consumers' purchase intention, attitude towards the company and its products, and even brand loyalty.

Certain inherent qualities that women possess which in turn benefit the companies:

1. Multi-tasking is a unique skill in women leaders. This itself adds enormous value to the Board. Indian women from the point they step outside for work are required to manage their homes and work. Even at home their role as woman of the house is itself multi-faceted. So the quality of multitasking comes rather naturally to them. The new perspectives they get into the boardrooms helps breakdown male centred views embedded for long period of time and carves a path for a fresh approach.
2. Women tend to add a humane perspective to the issues brought to the table of discussion. Their ability to identify and highlight this very important aspect on various complex business or personnel issues that a Board faces adds an altogether new stream of thought opening to a wider arena of ideas and opportunities.
3. They have excellent networking and team-building qualities, they do not view everyone as a competition. They are able operate well as a team member and lead their teams to the goals set.

Traditionally, women representation on Indian Boards was limited to Grievance and Corporate Social Responsibility Committees. However, Nomination, Remuneration and Audit Committee which used to be dominated by male members have begun to include female representation and leadership.

Further majority positions in women directorships are non - executive directorships. It certainly does not represent the active role of women as directors and leaders in organisations as is in executive directorships. Women representations on Boards across different industries differs with the industries. Life sciences, consumer products and retail, media and entertainment, IT technology industries have shown higher representation of women in their Boards. On the other hand, energy and utilities sector (oil, gas and power) have low women representation. Women directorships in executive capacity is higher in the life sciences, media and entertainment sectors as compared to professional services and technology.

Even today, fewer women are recruited at the base, fewer further get promoted, hence the pool available at the higher echelons is small. Efficient and capable men's and women's workforce at all levels in companies is necessary so that the companies will not be forced to employ and promote incompetent employees to abide by the legal requirements. Evaluation of capabilities and efficiencies for the required jobs and positions should be unbiased for both males and females and should purely be decided on merit. Fair opportunities should be given to both males as well as females. Only then can there be a right choice of the candidate whether male or female, and neither will suffer. It will also help break down psychological barriers of working with each other, will create better acceptance of the candidate and a cordial work environment in the organisation. It is important to note that the performance and growth of companies should not be hampered in pursuit of meeting the legal requirements.

In the patriarchal society, the male reluctance to be guided by women and even greater reluctance to admit that, probably acts as a deterrent to admitting women at the leading positions in the corporate hierarchy. Removing the structural barriers which keep women leaders from progressing, provision of mentoring, and networking opportunities to help them grow, and create personalised development journeys for their progress is the need of the hour. This will encourage measures to be taken to appoint more women and promote them to higher executive levels. In spite of this mindset of the corporate sector in India, there still are some Indian organisations which think otherwise and are proactively having an inclusive approach thereby appointing more numbers of women directors on their boards. To name a few: Godrej Consumer Products Limited, Syngene International Limited, AstraZeneca Pharma India Limited, etc.

Ultimately, for an organisation to truly benefit from diversity in the Boardroom it must also commit to actively seek out and open itself to alternative views and recommendations. It needs to be more open to innovations that contain the ability to challenge conventional wisdom and stereotypes.

The provisions of section 149(1) read with Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 could be the first step towards this. The primary aim of the law is to achieve gender equality to the extent possible in the existing environment. The benefits of greater diversity are always assumed but never assured. Moreover, the real success of gender diversity in boardrooms lies when corporates without any legal intervention voluntarily take steps to balance the lopsided ratio in their boardrooms. At the end of the day, it's in everyone's best interest to have access to equal opportunities.

Thank you!

