



Boardroom Diversity and Women Empowerment: The Challenges

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Abstract

Women are holistic thinkers, mindful of all aspects of a matter and equally conscious about the significance of balance. They are instinctive, sensible and considerate in their view of the world. They are at all times more concerned about the quality of the decisions they make and as a result perform better as decision makers in the complex business world. Women also have a greater inclination to carry out detailed research prior to making decisions. During the last couple of years, there has been a worldwide demand towards encouraging reservations for women on corporate boards. Section 149 of the Companies Act 2013, requires all listed and specified public companies to appoint at least one woman director. The idea behind the concept of “Boardroom Diversity” is to increase women’s representation in various leadership roles and to empower them. It is believed that greater the number of women on technical positions, the greater is their economic empowerment. But, in spite of the changes taking place around the world, the conventional role theory still continues to subsist wherein financial decision making is thought to be a male prerogative. Therefore the present study is an attempt to find out the challenges in the way of achieving boardroom diversity and women empowerment as discussed by various researchers. The findings of the study reveal that there are various economic, social, political, ideological, cultural and organizational challenges that act as a hindrance to boardroom diversity and women’s empowerment. The study also suggests certain measures by which these challenges can be surmounted.

Keywords: Boardroom Diversity, Challenges, Empowerment, Women.



Introduction

Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014, the following companies shall appoint atleast ONE WOMAN DIRECTOR

- (i) Every listed company
- (ii) Every other public companies having a paid up share capital of Rs.100 crores or more of turnover of Rs.300 crores or more (Gupta *et al.*, 2020).

The idea behind the concept of “Boardroom Diversity” is to increase women’s representation in various leadership roles and to empower them. It is believed that greater the number of women on technical positions, the greater is their economic empowerment.

Academic Researchers have identified various characteristics possessed by a woman that necessitates her presence on corporate boards. Women are holistic thinkers, intuitive, judicious and thoughtful in their view of the world. Women are quality conscious rather than quantity conscious and therefore can perform better as decision makers in complex decision making arenas (Avery, 2010). They also tend to adopt a futuristic approach as far as their decision making processes are concerned. Women’s quality of being self-controlled prevents them from undertaking aggressive business decisions on corporate boards. Women are also less likely to consider themselves as well-informed investors and have a greater tendency to perform in-depth research prior to decision making (Inglis, 2012). Majority of women perform an in depth research about the past performance of companies they are likely to deal with in future (Liobl *et al.*, 2007).

Review of literature

Shilton (1996) tried to study the changes that have influenced the number and status of women on corporate boards in New Zealand. Using data from company records and interviews, the authors examined gender equity on boards of directors in New Zealand and compared the progress of women on the boards of corporate companies in the private sector with those in the public sector. The results of the study brought out that while increasing number of women in New Zealand are entering the business arena, they continue to be underrepresented in the boardrooms and there exists a clear disparity between gender representation on the boards of both public sector as well



as private sector companies. The authors were of the view that the challenge of changing corporate and societal attitudes remains and affects the status of women on corporate boards in New Zealand. **Daily et al. (1999)** examined the extent to which women have circumvented the glass ceiling by empirically examining whether there has been an increase in women's representation on corporate boards and CEO positions over the 10-year period from 1987 to 1996. The results of the study indicated that the number of women on corporate boards is very small and there is no evidence that this number would increase over the next several years. **McGregor (2003)** attempted to examine whether there was a generational divide between younger women with higher educational qualifications and older women directors with substantial business experience and expertise. The authors aimed to find out if seniority and greater time devoted towards corporate boards payed off more than having higher educational qualifications. The data for the study was gathered using interview method. Six interviews with women belonging to different age groups were conducted. The results of the study brought out that being a young woman was of disadvantage to women who wanted to acquire important positions on corporate boards. **Huse and Solberg (2006)** aimed to examine and conceptualize gender-related boardroom dynamics that affect how women can make contributions on corporate boards. The data was compiled based on the stories collected from eight women directors about their experiences from more than 100 corporate boards. Narrative methods were used for analysis. The results of the study portrayed that the contribution of both men and women to corporate boardrooms depends on the ability and their willingness to make alliances with the most influential people, to spend time on preparations, being present on the most important decision-making arenas and to take up leadership roles. The study showed that boardroom dynamics are not neutral to gender. The authors suggested that studying the concepts and relationships related to gender are required further theory development in this area. **Van der Walt et al. (2006)** tried to explore the idea that whether diversifying the board in terms of gender, ethnicity or skill base necessitates a specific strategic environment in the organization or not. The financial performance and changes in board composition of publicly listed companies of New Zealand was analyzed over a period of five-years. The findings of the study brought out the importance of gender equity in the present-day organizations. The authors were of the view that gender diversity in organizations is required in order to achieve the outcomes in the manner as expected by legislators. **April et al. (2007)** tried to examine the reasons why, despite the changes



in laws and women's access to equal opportunities, the women holding executive positions in corporate South Africa are a very few. The results of qualitative analysis indicated that the glass ceiling is an effect rather than a cause restricting women from occupying positions on corporate boards in South Africa. The authors recommended that a wholesale societal shift is required with respect to the concept of empowerment in order to achieve greater equality in the workplace. **April and Dreyer (2007)** attempted to understand that despite the fact that the laws have changed and access to equal opportunities are available, but still more women are not holding executive positions in corporate boardrooms in South Africa. The authors used qualitative research and brought out the various challenges being faced by women in executive positions. **Hafsi and Turgut (2013)** attempted to study if there is a significant relationship between boardroom diversity and corporate social performance. A sample of S&P500 firms was taken. The results of the study brought out a significant relationship between diversity in boards and social performance. The study also brought out that gender and age had a significant effect on corporate social performance and therefore, the greater the number of women on corporate boards, the better is the corporate social performance. **Capezio and Mavisakalyan (2016)** attempted to examine the relationship between women's representation on corporate boards and the possibility of fraud. The data was collected from 128 public listed companies in Australia. The results of statistical analysis brought out the fact that the increased representation of women on corporate boards decreased the possibility of corporate frauds. **Samara et al. (2020)** attempted to examine as to the reasons why successful and longest-enduring family firms encourage the active presence of women on their corporate boards and how policy makers and controlling owners encourage the active presence of women on family business corporate boards. The study used theoretical and empirical evidence and concluded that the presence of women on corporate boards can be instrumental for the controlling owners of a family business to achieve prosperity and success, to preserve family cohesion and to improve the reputation of the family and business simultaneously. Furthermore, the authors were of the view that there are various socio emotional and economic consequences of excluding women from the family business board of directors.

Database and Research Methodology

Although studies have been conducted in order to examine the concept of boardroom diversity but none of them has given a comprehensive overview of the challenges due to which women are not



able to climb up the corporate ladder as easily as men. Therefore, the present study is an attempt to find out the challenges in the way of the objective of achieving boardroom diversity and thereby ensuring women empowerment as discussed by various researchers. The focus of present study is to provide a comprehensive review of studies on boardroom diversity and its relationship with women empowerment and to explore the challenges that are faced by women on corporate boards. Knowledge about these challenges will help the company law makers to design policies in a way so as to match the needs of women. It would also help women to overcome these challenges

Objective of the study

Corporate officers and directors are usually responsive towards the concept of boardroom diversity, but they stop at lip service. Although, a number of corporations have developed plans and policies for attracting and retaining women on their corporate boards, but these initiatives come with various challenges. The present study draws evidences from existing literature in order to explore the challenges that act as a hindrance for women and prevent them from getting eminent positions on corporate boards and also achieving women empowerment as discussed by various researchers. The study also aims to suggest certain measures by which these challenges can be surmounted leading to women empowerment.

Analysis and Discussion

Although the laws are being reframed in different countries and have refocused their attention on diversity goals and practices, including those that apply to corporate boardrooms and are aimed at solving the problem of continued dearth of women on corporate boards, still women face various challenges when it comes to their position on corporate boards.

- **Economic Challenges:** The benefits of having a diverse board comes with a cost. Looking for suitably skilled women who also match other desired essential elements of diversity can be a complicated, time consuming and a costly affair. This is especially true for boards working in industries where highly specialized skills are required. Moreover, the company cannot run the risk of appointing women who do not possess the requisite skill and expertise, just for the sake of diversity. Further, whenever a company does appoint appropriately skilled women to a diverse board, it may result (at least to begin with) in more delayed decision making, trust issues and additional conflicts which may further lead



to dissatisfaction in the boardroom. On the other hand, board members who are more familiar with each other, think in a similar manner. On the contrary, another school of thought is of the view that a wide spectrum of diverse perspectives in the boardroom, specifically with regard to skills and expertise aids to work against 'silo thinking' helps to consider an issue from many angles rather than adopting a one-dimensional approach which should be welcomed even if it comes with a cost (www2.deloitte.com).

- **Social Challenges**

- The greatest barrier to the advancement of women on corporate boards is lack of access to a quality high school and tertiary education. Due to the fact that the access to executive opportunities is highly dependent on an individual's level of education, therefore, low access of women to both tertiary and high school education has the potential to reduce women's active participation in corporate boardrooms and to worsen existing social disparities (April and Dreyer, 2007; Hung *et al.*, 2012).
- Women generally have to take a longer break from their working life, work for less hours, contribute large amounts of time in caring for children and responding to family needs. All these things prevent them from being seen as ideal workers and candidates for executive positions (Ranjani and Chopra, 2011).
- Striking a work-life balance is considered as one of the biggest challenges faced by women and sacrifice is the price a woman has to pay for it. Women have the primary responsibility of taking care of the elderly and bringing up children. The conventional role theory suggests that women who want to have executive careers have to sacrifice having a family or having less family time.

On the contrary, various researchers are of the view that it is possible to have both. The only thing required is to create a balance between family-time and the time required for corporate career (April and Dreyer, 2007).

- **Ideological Challenges:** Advocates of the status quo defend the relative lack of diversity on corporate boards as a function of too few women having the requisite qualities and experiences. But in reality, the male board members often fail to meet the same experience related criteria that is expected from a woman. Therefore, placing unduly restrictive criteria



on the search for women board members simply acts as a strategy for promoting the male members on corporate boards.

Moreover, by excluding, intentionally or otherwise, half of the workforce from consideration for board positions, how can an organization be able to leverage all available resources to compete effectively? Moreover, majority of women directors have corporate backgrounds, which enables them to contribute their business expertise with a more participative and process-oriented communication style. This in turn, may improve directors' decision-making processes and encourage the board to consider a wider range of strategic options. Women's different experiences and perspectives may also help the board to consider a wider variety of customer needs and interests (Daily and Dalton, 2003).

- **Political Challenges:** The conventions like status quo, patriarchy, the boys club and the queen bee syndrome bring out the politics that is played in boardrooms when it comes to women acquiring top executive positions. Although organizations and the legislature are making it possible for women to move up the ranks, the top level business in some organizations is still considered to be the domain of men. Further, the unsympathetic attitude or rather malicious envy towards working mothers by executive women who have chosen a career over a family acts as a barrier for women who want to obtain top positions of corporate boards. The women already on top executive positions do not want to give up the special feeling that they get because they are the only woman on the Board of Directors (April and Dreyer, 2007).
- **Cultural Challenges:** Although, gender equality in everything has a positive multiplier impact for a number of development goals such economic empowerment of women and the well being of societies, but despite the changes taking place around the world, the ideas deep rooted in our gendered culture still continues to exist wherein financial decision making is considered a male prerogative and women are assigned the responsibility of managing the day-today financial affairs (Kabeer, 2009).
- **Organizational Challenges**
 - Glass ceiling is a term that describes the invisible barrier that prevents women from attaining leadership and executive positions in organizations. Working mothers often



have to make a choice between their career and family in order to ensure their advancement to senior positions.

- Getting a position on corporate boards is a long haul i.e. a complex and difficult task that needs a lot of effort, time etc to be completed. Women on corporate boards have to sacrifice personal time and put in a lot of hard work and efforts in order to develop social networks and to exhibit their competence (April and Dreyer, 2007)

Recommendations of the Study: On the basis of above discussion, following recommendations can be made

- ✓ The economic and social inequalities rooted in traditions and cultural norms need to be changed as legislative measures alone cannot bring empowerment.
- ✓ Training in legal literacy, rights and gender awareness are important complements to boardroom diversity and the empowerment of women.
- ✓ Although, diversity in boardroom comes with various economic challenges, but at the same time provides a wide spectrum of diverse perspectives in the boardroom, specifically with regard to skills and expertise which needs to be encouraged.
- ✓ The society needs to work towards the economic empowerment of women. Women will not be able to contribute their share towards the economic development of the country until and unless they get an adequate support from the society. Such support from the society is needed by women in order to participate in all economic spheres including boardrooms.
- ✓ Women who have made it up to the top ranks in their organizations rely heavily on a home support structure. Greater support from family is required when working women want to climb up the corporate ladder. The sharing of domestic responsibilities and extending the same support to women as is extended to working men can go a long way in ensuring gender diversity on corporate boards. A home support structure would ensure that women can focus on their careers in 'serious ways'.
- ✓ In order to break the glass ceiling, the organizations need to commit towards creating empowered environments for women such as flexible work hours, work from home, etc.
- ✓ Striking a work-life balance is of utmost importance. Women with the support of the members of their family especially their husband can create such balance so that both their family and career do not suffer.



Conclusion

The inclusion of women in strategic decision-making positions (the board of directors) signals that an organization is dedicated towards the progress of women at all levels. The add-on advantage of having women on important positions is their capability to act as role models for other women. The addition of women on the board of directors also helps an organization earn a positive image among the investors as an increasing number of investors, now days, include board diversity as a basis for investing in a company. On the other hand, absence of women from corporate boards may result in a negative image of the organization among the investors.

Therefore having women in boardroom makes absolute good business sense.

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