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## Inclusivity in Corporate Board Rooms

(The Hindu, 23-07-24)

As of 2021, women held 19.7% of board seats globally, up from 16.9% in 2018 (Deloitte Global Boardroom Diversity Survey, 2021).

- Europe leads with 30.7% women on boards
- North America follows with 24.5%
- Asia-Pacific lags behind at 11.7% (India @ 18.23% in 2022 which is largely Tokenism in nature)

### What are the advantages of having more women on Corporate Boards?

Enhanced Decision-Making:

- Diverse boards bring a wider range of perspectives and experiences. This leads to more robust discussions and better problem-solving.
- A study by Deloitte found that inclusive decision-making can improve business performance by up to 30%.

Better Risk Management:

- Women tend to be more risk-aware, leading to more balanced risk assessments.
- Research shows that banks with higher female board representation had a lower likelihood of financial distress.

Increased Innovation:

- Gender diversity on boards is associated with higher levels of innovation

Improved Corporate Governance:

- Diverse boards tend to have stronger oversight and adherence to ethical standards.
- Companies with women on boards are more likely to have stronger internal controls and audit oversight.

Better Understanding of Customer Base:

- Women influence 70-80% of consumer purchasing decisions.
- Having women on boards can provide insights into this crucial market segment.

Enhanced Corporate Social Responsibility (CSR):

- Studies show that companies with more women on their boards tend to engage more in CSR activities.
- This can improve the company's reputation and social impact.

Reflecting Societal Values:

- Having women on boards reflects the broader societal push for gender equality.
- This alignment with societal values can enhance a company's reputation and legitimacy.

### What was the Reasons for Underrepresentation of Women in Corporate Boards?

1. Corporate Culture:

- Board member selection often relies on personal networks, which can be male-dominated.
- Tokenism theory — such as appointing only one woman to a board
- The concept of the “glass cliff” frequently places women in high-stakes positions designed to set them up for failure, reinforcing gender stereotypes

2. Pipeline Problem:

- Fewer women in senior executive positions, limiting the pool for board selection.

- Only 5% of Fortune 500 CEOs are women (2020 data).
- 3. Unconscious Bias:
  - Stereotypes often label women as risk-averse and thus unsuitable for leadership in the competitive corporate sector
- 4. Work-Life Balance Challenges:
  - Women often bear a disproportionate share of family responsibilities.
  - Board positions often require significant time commitments.
- 5. Lack of Mentorship and Sponsorship:
  - Women have fewer high-level mentors and sponsors to advocate for their board placement.

### **What is the way forward?**

- Government regulations and recommendations
  - Norway introduced a 40% mandatory quota for women on boards in 2003, reaching the target by 2008.
  - Swedish Corporate Governance Code (2024) recommends striving for gender balance.
  - India's Companies Act, 2013 mandating that every listed company and certain large unlisted public companies must have at least one woman director
- Implement Mentorship and Sponsorship Programs:
  - Develop formal programs to prepare women for board roles.( Countries like Sweden invest in programs to develop female leadership talent)
  - Partner with business schools to develop diverse leadership pipelines.
- Address Unconscious Bias:
  - Provide unconscious bias training for board members and executives.
  - Use blind resume screening in initial candidate selection.
- Improve Work-Life Balance Policies:
  - Implement flexible work arrangements and parental leave policies.
  - Normalize the use of these policies by both men and women.

*Can you answer the following question?*

*Despite progress in recent years, women remain underrepresented in corporate boardrooms globally. Discuss the significance of gender diversity in corporate governance and evaluate the measures that can be taken to enhance women's participation at the highest levels of corporate decision-making*