Women on Boards – The Statistics Speak

Though women have become significant contributors to the economy, there are very few women leading companies as board members. Women definitely make a difference in the boardroom. They bring in a collaborative leadership style that benefits the dynamics of the boardroom. However, they do not shy away from taking up controversial issues too. The number of women on board counts to be a significant aspect. Having a critical mass of women directors is good for corporate governance. It has been found that having three or more women on a board can create a critical mass where women are no longer seen as outsiders and are able to influence the content and process of board discussions more substantially. The article examines the reasons for the small number of women on boards and enumerates why it is important to have women as an integral part of boards. Read on to know more.

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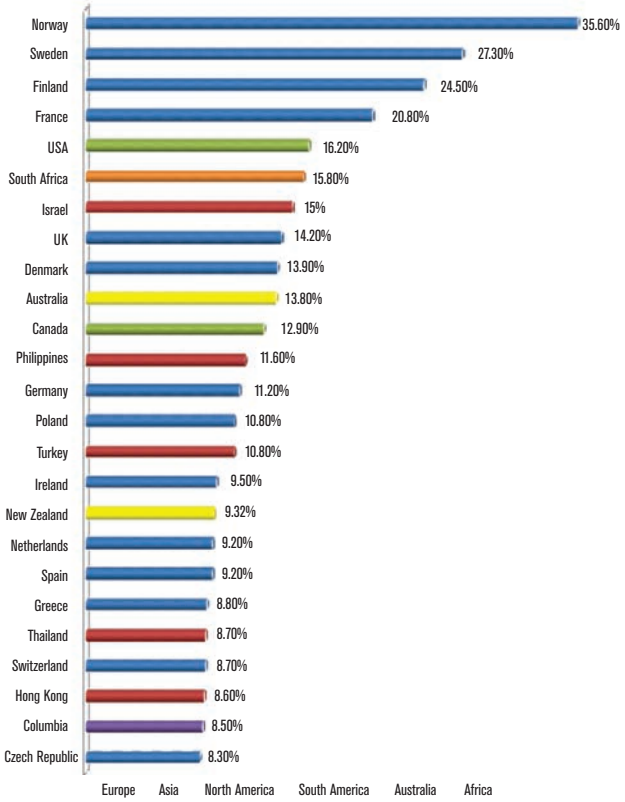
In the much talked about first issue of *Satyamev Jayate* Amir Khan has lay bare India's disinclination to have female children even though the ratio of women to men has fallen substantially creating imbalances in society and resulting in various social menaces. Corporate boards seem to be no different. Not just in India, but worldwide. In 2010 US women made up 46.7% of the labor force and 51.5% of management, professional and related positions yet only 15.7 % of board members are women. (Catalyst 2011) In the same year Australian women comprise 50.2% of the population, nearly 50% of the workforce, 56% of all higher education students, 55% of all university graduates and yet only 12.5% of directors of Australia's top 200 companies. (Anthea McIntyre) Globally 9.8% of directors in 2011 are women with only 58.3% of the companies having a female on board. (Governance Metric International) This means that more than 40% of boards are all male boards. Only 4.8% of board seats in India are occupied by women. (Institute of Public

Enterprise) Women have climbed Mt. Everest and gone to moon, but when it comes to boardrooms they are few and far between. Discrimination of women as corporate leaders not only in India but even in the most progressive of countries is evidenced by the graph.

Women on Boards – Top 25 countries



Source: Complied by author

Why the absence of women on boards?

The most obvious reason is what is known as the *glass ceiling effect* which is the unseen, yet unbreachable barrier that keeps women from rising to the upper rungs of the Corporate ladder, regardless of their qualifications or achievements. (Federal Glass Ceiling Commission) It indicates a gender inequality that is greater at higher levels (in comparison to lower levels) blocking the advancement of women to positions of power or prestige particularly in the corporate world. Though gender discrimination is unlawful in India, USA and most developed countries it still occurs in different dimensions of society. Women with similar or even higher qualifications, experience and capabilities is often not considered for the same job as a men. Exclusion from the 'boy's club' is one of the biggest issues faced by women. "Those individuals (men) who

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occupy the top positions have a stake in maintaining traditional rules and procedures related to hiring, promotion, seniority, and other personnel practices, that work to their advantage and exclude others. (*Glass Ceiling Commission*) This is as manifestation of 'conscious and unconscious stereotyping, prejudice, and bias related to gender' (Glass Ceiling Commission). Ann Morrison reports in The New Leaders: Guidelines on Leadership Diversity in America that of all the barriers to corporate advancement identified, it is prejudice that tops the list, or the prejudgment that someone "different," such as a female executive, is less able to do the job.

Another bias working against women is that they are generally paid less, giving an impression that they are not as competent as men. Organisations fearing that women executives may have lower commitment levels or may even quit in favour of domestic or family obligations are less willing to push women in senior or important positions.

Beside the above demand barriers the most significant supply barrier to female directors is deficiency of qualified women. In several countries including India the proportion of women with higher qualifications and professional skills is limited. Inflexible and long work schedules and excessive travelling often restrict women from pursuing career advancements. As women have only recently made an advent to senior management positions there are hardly any women with the necessary experience to join boards. The pool of women who can be appointed as board members is itself limited.

A major determent is the lack of mentors or role models. There are few women at top positions who can show the ropes to other women or that others could emulate in their climb of the corporate ladder. Men often avoid mentoring women as they fear their relationship will be considered personal.

Why we need Women on Boards

Men and women behave differently. Women are believed to be more intuitive in decision making, have the ability to multitask and are better at relation building. Men tend to be more task-focused and

decisions are arrived analytical based on information and procedures. Women it is believed are less likely to avoid controversial issues and ask the tough questions improving the quality of decision making. They use their relationship skills to reduce board conflict. By being good listeners and encouraging win-win approach to problems they are able to improve board room dynamics. Men being more short term and goal oriented ensure that company's objectives and targets are met.

They are influencing even in traditionally male dominated areas such as purchase of cars. Women are likely to better understand consumer behaviour, needs of different segments and identifying opportunities for companies in satisfying these needs. Having women as board member can result in new products, larger customer base and higher customer satisfaction, translating into bigger market share and more earnings.

Male directors with an autocratic leadership style are able to exercise better control on management. Democratic leadership style of women encourages multiple views from different stakeholders. Their cooperative and long term approach strengthens ties with management and protects interest of all stakeholders – customers, employers, society in general. Gender diversity (equal proportion of females to males) has a positive effect on boards. McKinsey report, *Women Matter 2,* found that women are more likely to apply leadership behaviours of people development, expectations and rewards and role model that have a positive effect on organisational performance. Men on the other hand adopt individualistic decision making and control and corrective action leadership behaviours.

Women are increasingly become a major driver of economy both as contributor and customer, it is appropriate that they be a part of the team leading companies. In the United States, women are the economic powerhouse influence 95% of all products and services sold. (Think Tank) Women currently drive 70% of purchasing decisions in the Europe, even though they account for only 51% of population. (McKinsey Report women matter).

Women board members have better attendance records, forcing improved attendance of men. Not being part of the 'old boys' allows that to be more independent. Female directors are better at monitoring and are useful in committees involved in it. Their long term approach and concern for all stakeholders helps organisation to be socially more responsible. Boards with women, by better addressing the issues and concerns of their customers, employees, shareholders and neighbourhood are able to mitigate risk.

Boards with more women members act as a motivator to other women employees in the organisation. Female directors are able to create a more women friendlier work environment in the company, reducing gender discrimination and incidence of sexual harassment.

Evidence shows that increased participation of women on the boards enhances corporate performance. In 2004 and 2007 the US-based Catalyst reported that boards with highest female representatives outperformed those with least women representation in terms of return on equity, return on sales and return on capital employed. McKinsey & Co in "Women Matter" in 2007 demonstrated a link between a company's performance and the proportion of women

serving on its board. Reibey Institute of Australia in 11th October found that over three and five year periods, ASX500 companies with women directors delivered significantly higher return on equity (ROE) than those companies without any women on their boards.

Reputation and investor confidence may improve with the addition of women to a company's board. Investment fund companies such as CalPERS (USA) and Amazone (Europe) are including gender diversity indicators among their selection criteria. Rating agencies such as Innovest and Vigeo, are also adding gender diversity as a criteria to evaluate organisational excellence and corporate governance.

Companies are facing a huge talent crunch that goes right up till the board level. Broadening the talent pool by including women directors will help boards get skilled and competent members with diversity of perspectives and leadership styles who can significantly contribute to board performance.

More the Merrier

It is important not to do lip service to the notion of women on board. While a single female director can make significant contributions it is important that she be heard and not ignored or sidelined by the majority male members. When there are two women on board it provides a moral support for them and together they can raise issues which alone they may not have succeeded in. With three or more women representatives on boards, popularly known as the 'critical mass, they cease to be seen as outsiders or 'women's view' but as a 'regular' board member, there by positively influencing board processes and decisions.

Table: Quota for women on boards

Country	Recommended Female Quota on Boards	Target Year
European Union	30% 40%	2015 2020
Belgium	1/3	2017
Finland	At least one female director	2010
France	20% 40%	2014 2017
Germany	30%	2015
Iceland	40%	2013
Italy	30%	2015
Netherlands	30%	2016
Norway	40%	2005
Spain	40%	2015
UK	25% 30%	2015 2020
Australia	25%	2014
Malaysia	30%	2016

Complied from different sources

A balanced board with the right mix of male and female directors would benefit from the strengths of both sexes. The governments of several countries, particularly in Europe have recommended and even legislated for quota of women on board (See Table). It is not enough to appoint the 'fairer sex' on board. It is important to build an open and supportive environment where women members can comfortably participate and positively contribute to board activities. Having women directors that are qualified and able, not just symbolic representation of their gender will improve quality of boards significantly. ■

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