

GENDER EQUITY IN THE BOARDROOM

ENDORSEMENTS

Appointing more women with the right personal qualities to private and public sector boards could strengthen corporate governance across India. This timely monograph examines the evidence, explores the barriers and suggests where action is needed. It draws upon interviews with board members, senior officials and others, and presents recommendations for policy makers and current and aspiring directors.

Prof Colin Coulson-Thomas, *Director-General, UK & Europe operations, IOD India* (Advisor to directors in over 40 countries to improve director, board and corporate performance)

Commendation to Professors Kumar and Singh for taking on the challenge to unearth the nuances surrounding the under-representation of females in the Indian boardroom. This is a very useful piece of analysis, highly insightful with clear policy and practice implications. It also reveals the missed opportunities to enhance economic and social contributions due to poor gender balance in the boardroom. A must read for all interested in the topic.

Prof Pawan Budhwar, *Associate Pro Vice Chancellor International, Aston University, UK and Co-Editor-in-Chief, British Journal of Management*

Dr Payal and Dr Singh combine personal accounts from board members, senior officials, and aspiring corporate leaders with comparative data analyses of female board representation in India's largest corporations. Their book should be on the reading list of scholars, executives, and policy makers seeking to understand the patterns and central themes around women's accession to and experience on India's corporate boards.

Corinne Post, *Professor of Management and Management Department Chair, Lehigh University, College of Business, USA* (International scholar on women on boards)

Congratulations on this comprehensive, multi-methods study of gender equity on corporate boards of directors in India! Readers will be informed not only about the current representation of women on Indian corporate boards but will get a deeper look into the on-the-ground issues facilitating and constraining progress on board gender equity from interviews with board members as well as aspiring women leaders.

Prof Diana Bilimoria, *Key Bank Professor and Chair of Organizational Behavior, Case Western Reserve University, USA*

This monograph provides insightful analysis based on interviews of board members, senior executives and aspiring woman leaders, on what thwarts women from reaching top positions in organizations and having equitable representation in the board. My congratulations to the authors whose key recommendations will contribute to shaping mindsets and catalyzing action towards wider female representation in the boardroom.

Ms Rekha Sethi, *Director General, All Indian Management Association (AIMA), India*

This book rightly advocates the need to break barriers and initiate various positive steps, including creating a gene pool of woman leaders, and also encouraging HR policies that provide a fair and meritocratic system for the career advancement of women. An excellent book and a must read for Board members, CEOs and HR professionals.

Dr Anil K. Khandelwal is a former Chairman and Managing Director of Bank of Baroda and Dena Bank, and author of *CEO – Chess Master or Gardener*.

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GENDER EQUITY IN THE BOARDROOM

The Case of India

BY

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CONTENTS

<i>List of Tables and Figures</i>	ix
<i>About the Authors</i>	xi
<i>Foreword</i>	xiii
<i>Preface</i>	xv
<i>Acknowledgements</i>	xix
1. Literature Review and Study Method	1
2. Thematic Analysis: Interviews of Board Members and Senior Executives	35
3. Thematic Analysis: Aspiring Woman Leaders	63
4. Analysis of Female Representation on the Boards of Fortune India 500 Companies	85
5. Conclusion and Policy Recommendations	97
<i>Appendix: Gender Equality in India and South Asia Region</i>	111
<i>Index</i>	133

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LIST OF TABLES AND FIGURES

TABLES

Table 1.1	Gender Roles and Stereotypes.	9
Table 1.2	Double Bind.	11
Table 1.3	Outcomes of Sexism.	13
Table 1.4	Effect of Social and Family Support.	14
Table 1.5	Effects of Organisational Barriers.	15
Table 1.6	Asian Context.	18
Table 2.1	Demographic Details ($n = 18$).	36
Table A	Respondents' Interview Key.	60
Table 3.1	Demographic Details.	66
Table 4.1	Indian Studies on Gender Board Representation.	87
Table 4.2	Authors' Descriptive Statistics Collected from Bloomberg.	88
Table 4.3	Companies.	89
Table 4.4	Woman Directors in Public Limited Companies.	90
Table 4.5	Woman Directors in Private Limited Companies.	90
Table 4.6	Industry-wise Representation of Women in the Boardroom.	91
Table A1	Global Gender Gap Rank & Score (Overall and Sub-indexes Wise) of Countries in South Asia Region.	117
Table A2	Country Score Card (Sub-indexes Wise).	118

Table A3	GPS – India, South Asia Excluding India and Other Regions of the World.	126
Table A4	MGI's Scores and Values for India, South Asia Excluding India and Other Regions on 15 Outcome-based Indicators of Gender Equality at Work and Society.	127

FIGURES

Fig. 3.1	Thematic Tree Displaying First-order and Second-Order Concepts on Obstacles to Woman Leadership.	70
Fig. 5.1	Thematic Tree Comparing Respondent Themes.	98

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FOREWORD

COVID-19 has plunged the world into great turbulence and uncertainty, and this has severely impacted social and economic life. Yet while being closeted in our homes, this is also a time for introspection; there couldn't be a more opportune time to reflect on gender roles. In most societies, women and girls still perform the greatest share of unpaid housework and care-giving work, yet find themselves excluded from the labour workforce. From cooking and cleaning, to taking care of children and the elderly, women perform several times more unpaid domestic and care work as compared to men.

Unfortunately, the contribution of this unpaid care is never taken into account while calculating gross domestic product (GDP), and for this reason, women are shown to contribute only 37% of GDP, though they make up half the world's working-age population. As per an estimate by the Mckinsey Global Institute, unpaid work carried out by women currently amounts to \$10 trillion of output per year, which is approximately 13% of global GDP.

As we move ahead in the 2020s, leaders must make the task of building fairer and more gender sensitive societies integral to their goals of industry-building and nation-building, because men and women have an equally important role in ushering in social and economic transformation in their nations. Without the skills, competencies, ideas and perspectives of half the human population, outcomes will always be sub-optimal.

India faces immense challenges in this area. According to the Global Gender Gap 2020 Report released by World Economic Forum, India is ranked 112th out of 153 countries on the Global Gender Gap Index and the country is yet to close one-third of its overall gender gap. A report of the International Labour Organization suggests that India can add \$1 trillion to its economy by 2025 if this gender gap in the workplace is addressed.

Women continue to be under-represented in managerial and leadership positions. In terms of gender equity on corporate boards, despite several affirmative actions taken by companies for bringing gender diversity as provided by the Companies Act (2013) for women directors to be appointed to company boards in India, the presence of women on boards of publicly traded companies in India is below the international level of 14.7%. Given that India is one of the more progressive emerging economies of the world, it is important to assess why representation of women in the boardroom is so low.

It is heartening that BML Munjal University (BMU) and All India Management Association (AIMA) have collaborated to bring out research on this pertinent theme, and this is being published in the form of a book by Emerald Publishing Ltd. The authors, Dr Payal Kumar and Dr Ganesh Singh, deserve special appreciation for their efforts, along with the publisher.

The empirical analysis is of a high quality, and the book also features unique interviews with leaders of public and private companies as well as aspiring women leaders in India. The authors also offer meaningful insights and implications, and I am sure that the book would be of immense value to researchers, board directors, employers, policy makers and general readers alike.

Sunil Kant Munjal
Past President – AIMA
Chairman – Hero Enterprise

PREFACE

Today, the world is going through a largescale turbulence due to a number of socio-economic, cultural, political and health issues. The fourth industrial revolution has brought in several technological changes. As a result, a complete digital transformation is taking place in almost all sectors. Women will certainly play a significant role as nature has given them a creative brain. It is indeed increasingly being felt that without including half of the world's talent pool, we will not be able to meet the requirements of the fourth industrial revolution, and develop our economies appropriately.

We believe that the world of today and tomorrow must be led by women and men equally. Since time immemorial, the patriachal mindset of people has weighed against the development of women in many communities and societies across the world. They are still treated as inferior than men in many ways. No doubt, there are several countries which have achieved remarkable success towards gender parity across health, education, economic, social and political systems. However, there remains much to be done. This book, written by Dr Payal Kumar and Dr Ganesh Singh, comes at an opportune time and brings out key issues with regard to gender inequality.

Women continue to perform the greatest share of unpaid work, which is often neither appreciated nor considered to be an economic contribution. Discrimination, violence and harassment of women in families, communities, social

institutions and workplaces still persist in many parts of the world. The gender wage gap remains a grave problem. Furthermore, women are also under-represented in managerial and leadership roles in organisations and in the boardrooms. Many such examples can be narrated.

With the fast changing world, the current younger generations hold far more progressive views of gender equality than ever before in the history of mankind. Various studies suggest that companies with more women at the top tend to achieve higher organisational and financial performance.

Keeping in view this broader perspective, this book examines Gender Equity in the Boardroom, with a special focus on situations prevailing in India, which is regarded as one of the fastest growing economies of the world by International Monetary Fund. The authors have conducted research to find out the plausible reasons as to why, despite an affirmative legislation in the form of the Companies Act (2013) which provides for compulsory representation of women in company boards in India, the boardroom representation of women consistently remains low compared to other countries.

This book becomes even more relevant as there has been no recent study to understand this phenomenon. Subsequent to a study on women on boards in India conducted by Standard Chartered Bank about a decade ago, this book based on the research findings makes an earnest attempt to find reasons as to why, since then, the situation has not improved much when it comes to representation of women on boards in India. In other words, what are the antecedents for so few women on boards in India?

The book comprises six chapters. Chapter 1 'Literature Review and Study Method' provides a literature review on studies related to gender equity in the boardrooms in Western and the South Asian countries. Chapter 2 'Thematic Analysis: Interviews of Board Members and Senior Executives' gives

insights based on personal narratives around the theme of women and corporate board membership. Chapter 3 ‘Thematic Analysis: Aspiring Woman Leaders’ provides insights based on personal narratives of mid-managers from Hero MotoCorp, one of the largest corporate organisations in India. Chapter 4 ‘Analysis of Female Representation on the Boards of Fortune India 500 Companies’ collates and analyses the data obtained through Bloomberg, to elicit the representation of women in Fortune 500 companies, the definitive ranking of India’s top companies. In the end, Chapter 5 ‘Conclusion and Policy Recommendations’ suggests future areas of research. It also spells out recommendations for policy makers, employers, board directors, etc. There is also an Appendix ‘Gender Equality in India and South Asia Region’ which brings out a comparison of selected gender gap indexes and scores.

We are very happy that All India Management Association, an apex body of management profession in India joined hands with BML Munjal University, an institution with a difference and known for its innovative pedagogy, research and enterprise environment to conduct a study on gender equity in the Indian boardrooms, which has led to the publication of this book. We are amazed by the wonderful creation of this book and compliment both the authors for their commendable efforts for an insightful analysis including recommendations and future actions on a very topical subject matter. The book will act as a key resource and reference for researchers, policy makers, board members, companies and general readers in India and the countries around the world.

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LITERATURE REVIEW AND STUDY METHOD

1. INTRODUCTION: GENDER EQUITY IN THE BOARDROOM

The importance of diversity in upper echelons has been a topic of scholarly attention since [Hambrick and Mason's seminal work \(1984\)](#), in which the strategic choices of a firm are said to be partially dependent on the leaders' backgrounds. Since then many reasons have been cited for the need for greater gender diversity at the upper echelons of power – apart from the social equity stance, there are also arguments for the business case, with studies suggesting that companies with more women on its boards produce better financial results ([Deloitte Global Center for Corporate Governance, 2017](#)).

According to an analysis of around 7,000 companies in 60 countries carried out by the Deloitte Global Centre for Corporate Governance in 2017, women held only 15% of all board seats in 2017 – up from 12% in 2016. There are several observed reasons for this low representation, including incongruity between the leadership and traditional gender roles, stereotyping, organisational barriers, power dynamics, and

unconscious bias of those in power. Commenting on this 3% improvement, Dan Konigsburg, Senior Managing Director, Deloitte Global Centre for Corporate Governance, Deloitte Global said,

For many who are advocating faster change in the composition of our boardrooms, including regulators, governments, investors and others – including Deloitte – they will no doubt find this to be unacceptably slow improvement. (Deloitte Global Center for Corporate Governance, 2017, p. 3)

Several countries have now introduced quotas to improve women's representation in boardrooms (i.e., Norway enacted a law as early as 2003), including India, through the Companies Act, 2013. As per this Act, one or more women need to be appointed to the boards of listed companies and other large public limited companies. Furthermore, any vacant board seat previously held by a female director needs to be filled by another woman. As per the Securities and Exchange Board of India, boards of the largest 500 listed companies had to appoint at least one female independent director by April 2019, while other companies had to appoint one female independent director by April 2020.

While there has been an improvement in the number of women on boards from 7.7% in 2015 to 12.4%, India still lags behind the global average of 15% as per the 2017 Deloitte report. As per the 2019 Deloitte report (6th edition), India seems to be catching up, with women serving on National Stock Exchange (NSE)-listed company boards at 16.7%, compared to a 16.9% global average. But this is still not enough to be jubilant about. After all, a sizeable number of those taken on as board members are often a family member rather than independent director candidates, selected by a founding or controlling owner, more as a token selection.

Putting the painfully slow, incremental growth into perspective, Deloitte Global Board Chair Sharon Thorne says,

If the global trend continues at its current rate of an approximately 1 percent increase of women on boards per year, we will be waiting more than 30 years to achieve global gender parity at the board level. (Deloitte Global Center for Corporate Governance, 2019, p. 7)

Apart from the Deloitte reports, it is alarming to see that India – one of the fastest growing emerging economies – has fallen 21 places in its overall Global Gender Gap Index ranking of 2017 to 108, much behind neighbouring countries like Bangladesh (ranked at 47). India has slipped further to 112 in the World Economic Forum's Global Gender Gap Index 2020. An International Labour Organization (ILO) report suggests that India can add \$1 trillion to its economy by 2025 if it closes the gender gap at the workplace with greater female workforce participation.

While India has added agender diversity dimension to corporate governance to realign with global best practices through the Companies Act, 2013, we ask, in spite of legislation, why is the boardroom representation of women still so low? The last major study to understand this phenomenon was undertaken in 2010 by Standard Chartered Bank, which looked at the representation of women on the boards of India's leading companies on the Bombay Stock Exchange (Banerji, Mahtani, Sealy, & Vinnicombe, 2010). This study concluded that out of a total of 1,112 directorships on the BSE-100, 59 directorships were held by women, representing just 5.3% of all directorships.

Following on from this study, it would be interesting to see why, since then, the situation has not improved much compared to the global representation of women on boards. In other words, what are the antecedents for so few women on

boards in India? Is it due to the workplace bias as a structural impediment, or a pipeline issue, or are there other compelling reasons? While women in a few sectors such as banking, and also aviation, have cracked the glass ceiling, why has this not been replicated in the other industries?

2. METAPHORS GALORE

The corporate boardroom has been a male preserve for a considerable time now. Women still have to face challenges in taking on critical management roles. While globally women occupy 34% of management roles ([World Economic Forum, 2018](#)) in the boardroom, their representation is much less, out of which women make up just 5.6% of the leadership positions ([Zehnder, 2018](#)).

Several metaphors have become part of the lexicon used to describe the phenomenon of under-representation of women in board and leadership positions. The most enduring one seems to be that of the ‘glass ceiling’. One of the first references to this was in an article published in *The Wall Street Journal* in 1986, which mentions that even those few women who rose steadily through the ranks eventually crashed into an invisible barrier. Even though the executive suite seemed within their grasp, they could not break through the glass ceiling ([Hymowitz & Schellhardt, 1986](#)).

Then there is the ‘glass escalator’ at work in what are considered to be ‘female-dominated’ professions like nursing, teaching in primary school, librarianship, and social work, where ‘subtle mechanisms seem to enhance men’s position in these professions’ ([Williams, 1992](#), p. 263). More recently, the ‘glass cliff’ refers to a situation where there is a greater likelihood of women being placed in leadership roles in times of adverse financial situations, rendering their appointments

precarious (i.e., they are placed atop a ‘glass cliff’, waiting for the fall) (Ryan & Haslam, 2005).

Another metaphor in vogue is to describe barriers that women encounter while moving up the professional ladder to a labyrinth, signifying a complex journey (Eagly & Carli, 2007). This means that while the ultimate goal – attaining leadership positions – is attainable, it is replete with numerous twists and turns, some expected and some unexpected.

While metaphors may serve as powerful visual reminders, these are not helpful in dismantling the glass ceiling as such (Smith, Caputi, & Crittenden, 2012). Nevertheless, metaphors are descriptors to remind us that gender inequity exists in the workplace, especially in the journey to the boardroom. On the whole, metaphors are used to simplify complex phenomenon with some kind of visual imagery. But can the complex realities of the corporate boardroom actually be simplified? In the next section, we look at the outcomes of high gender diversity in the boardroom and thereafter the antecedents of low gender diversity in the boardroom in order to understand this phenomenon more deeply. This chapter ends with narrowing down on two research questions and explaining the study methods used.

3. OUTCOMES OF HIGH GENDER REPRESENTATION ON BOARDS

Studies suggest that greater representation of women on boards can have several favourable outcomes, such as positively affecting corporate social responsibility (Boulouta, 2013), and also the firm’s reputation (Bear, Rahman, & Post, 2010). Companies with more women directors also outperform on various financial metrics like Return on Equity (+53%), Return on Sales (+42%), and Return on Invested Capital (+66%) (Campbell &

Mínguez-Vera, 2008; Catalyst, 2007). Boards with more women directors also surpass male-only boards with respect to auditing and risk management (Stephenson, 2004). Hillman, Shropshire, and Cannella (2007) state that organisations benefit from having more women directors in general, because they can have wider access to advice and counsel, legitimacy, and more varied channels of communication and resources.

In their 2014 meta-analysis, Post and Byron (2015) propose that the presence of women on boards impacts the content as well as the process of decision-making, and further, the activities that affect firm performance, because of the knowledge, experience, and values that women bring to the table. They suggest that firms with more women directors tend to have higher profitability, but not necessarily better market performance. Secondly, they suggest that boards with more women directors are more inclined towards activities such as monitoring and strategy involvement, which are crucial responsibilities of the boards. They also suggest that a positive relationship between women's representation and the monitoring activities and between women's representation and profitability is more likely when there is stronger stakeholder protection.

More gender diversity in boardroom composition is also likely to mitigate groupthink. Groupthink, which could lead to poor decisions, is often caused by tight group cohesiveness, which can be avoided by

[...] striving for diversity in board composition, assigning a board member to the role of Devil's advocate, creating subgroups to work on the same problem, or soliciting opinion broadly from within and outside the boardroom. (Whyte, 2019, p. 4)

According to Zehnder's (2018) study, large cap companies in 19 out of 44 countries studied had at least one

women director on the board. In nine of these countries, however, there are legally mandated quotas for female directors. Therefore, the possibility arises that these appointments are an example of tokenism or the practice of doing something in order to prevent criticism and appear to be fair in your treatment of others. Companies need to be *seen* to be doing the right thing. ‘Tokens are considered to represent an entire demographic group (women) and are seen by the dominant group (men) as a stereotype’ (Lückerath-Rovers, 2013, p. 497).

Multiple studies have established that tokenism may not work. Three seems to be the ‘magic number’ for women’s representation on boards (Elstad & Ladegard, 2011; Joecks, Pull, & Vetter, 2013; Konrad, Kramer, & Erkut, 2008; Torchia, Calabrò, & Huse, 2011). A lone female director may face all the risks associated with tokenism – being stereotyped, not considered as an individual but rather as a representative of their gender, and finally, she would need to work more to be heard and included, and ultimately, to make a substantial impact. The situation may be slightly better with two women on a board, but they too might also be subject to the effects of tokenism. In fact, they may be distant to each other, because of concerns about being seen as co-conspirators. The presence of three or more female directors creates a situation where gender is not an obstacle in the path to acceptance and communication, and as such women are able to impact the conversations and dynamics in the boardroom.

To conclude, a significant number of women in the boardroom can have a significant impact on the firm in more ways than one, including financial performance. On the other hand, studies suggest that a token number of women on the board does not produce significant results and is more of an eye-wash.

4. ANTECEDENTS OF LOW GENDER REPRESENTATION ON BOARDS

4.1 Gender Roles and Stereotypes

The term ‘gender role’ denotes ‘the collection of both descriptive and injunctive expectations associated with women and men’ (Eagly & Karau, 2002, p. 574). These roles imply that men and women have typical traits and behaviours. An important aspect is that of agentic versus communal attributes, which are associated with men and women, respectively. Agentic attributes signify a tendency for assertiveness, control, and confidence. Communal characteristics, on the other hand, imply concern with the welfare of other people like kindness, gentleness, sympathy, and nurturing (Eagly & Karau, 2002). Another set of character traits that slightly overlap with agentic attributes is competence, capability, skilfulness and intelligence (Cuddy, Fiske, & Glick, 2008).

Cardwell (2014) defines a stereotype as a fixed, over-generalised belief about a particular group or class of people. Gender stereotypes are generalisations derived from the attributed qualities of men and women. They may be classified as descriptive – what men or women are like, or prescriptive – how men and women ought to be (Heilman, 2012).

In two of the earliest studies of the effects of stereotypes (Schein, 1973, 1975), respondents – both men and women – were asked to identify a few general attributes of men and women and the specific attributes of successful managers. Both studies established that the description of successful managers was more consistent with the description of men than that of women. In other words, ‘think manager, think male’. The study was replicated by the same author in a