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Woman On Board-Promoting Gender Diversity in Corporate Governance: A Global Perspective

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Abstract*: The topic of gender diversity in corporate governance has gained a lot of attention lately as a result of a global drive towards more equitable and inclusive business practices. This study examines the several facets of increasing the representation of women on corporate boards and in leadership roles. It draws attention to how important it is to have gender parity in decision-making to achieve sustainable corporate growth and foster a more just and developed society. To explore the possibilities and challenges associated with integrating gender diversity into corporate governance systems across various sectors and countries, this study undertakes a comprehensive analysis of the literature. It highlights the benefits of gender-inclusive leadership, including as improved financial results, enhanced innovation, and a heightened understanding of diverse customer markets. Given the dearth of women in senior decision-making roles, there has been much discussion about the necessity of inclusive and equitable practices in corporate boardrooms. The effectiveness of existing legislative frameworks, best practices, and voluntary initiatives to advance gender parity in corporate boardrooms worldwide is evaluated in this study. It examines probable barriers and discrimination that prevent women from advancing to senior executive positions, shedding light on the institutional, societal, and cultural components that uphold gender inequality in the workplace. This study highlights the necessity of concerted efforts at the national and international levels to implement long-term regulations that facilitate women's participation in corporate governance decision-making. A paradigm shift in corporate culture is required to establish an inclusive workplace that prioritizes empowerment and equal opportunity for individuals of all genders. This will support the development of an international corporate environment that is more resilient, creative, and socially conscious.

***Keywords*: corporate governance, diversity of gender, women in leadership, inclusion, equality, empowerment, global perspective, business performance, regulatory frameworks.**

1. Introduction

The significance of gender diversity in corporate governance is becoming more and more apparent in this dynamic environment. The demand for more female representation on corporate boards has gathered considerable traction worldwide as leadership roles played by women are increasingly acknowledged for the priceless contributions they provide. The goal of 'Woman on Board' is to leverage varied perspectives and experiences to develop inclusive and sustainable business practices, in addition to advocating for gender equality.

Even though women make up half of the world's population, gender parity in the labor market is still difficult to achieve globally. In the highest levels of the business sector, this disparity is much bigger. As they move up the corporate ladder to the highest levels, women encounter a glass ceiling.

The presence of women on corporate boards was seen to offer a possible solution to the governance problems. In the context of diverse corporations, the key question is whether it makes sense to have a board of directors devoid of diversity in a culture where diversity is valued in both business and society, and whether or not corporations benefit from having a varied board.

In the past years, efforts to crack the glass barrier have focused a lot of attention on gender imbalance in the workplace. Despite having caught up to men in terms of educational achievement and despite legislation prohibiting discrimination in the workplace, women are still underrepresented in positions of management. Men continue to rule the corporate world, with a majority of men in boardrooms and almost ten women to one.

A. Corporate Governance in India

The division of ownership (shareholders) and control (managers) is one characteristic that makes a corporation contemporary.[1] Agency theory states that because the principals (shareholders) are unable to directly supervise the agents (managers) to make sure they are operating in the principals' best interests, this separation results in "agency problems." In order to make sure that the agents operate in the best interests of the principals, agency charges are incurred.[2]Resolving those agency issues is one of corporation law's primary goals, according to Kraakman, Davies, and Hansmann.

On the other hand, a few number of powerful families, networks, and/or the government control the majority of the enterprises in the Indian market. Consequently, the traditional agency issue between owners and managers does not exist in the Indian market, or does not exist to the same degree as it does

[1] Adolf A Berle and Gardiner Means, The Modern Corporation and Private Property (1st edn, Transaction Publishers 1932).

[2] Michael C Jensen and William H Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure' (1976) 3 The Journal of Financial Economics 305, 308

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in markets with distributed shareholding, like the US and the UK.[3]This section examines India's efforts to address agency issues unique to markets with concentrated ownership and considers whether gender diversity is compatible with that corporate governance model. Although the Anglo-American model has been widely adopted by Indian corporate governance legislation and reforms, they do not always work well together. Following India's independence in 1947, the government made an effort to keep the proportion of public and private sector participants in the economy equal. Nonetheless, a few affluent families now control a disproportionate amount of corporations due to various state policies, such as the nationalization of banks and onerous licensing regulations[4]. India, then, adheres to the so-called "insider model," in which affluent insider groups—also referred to as promoter groups have close, long-term ties with the organization.

The majority or controlling shareholder groupings in companies are made up of these people. Although they are primarily made up of family groupings, the state owns a majority stake in a number of businesses referred to as Public Sector Undertakings (PSUs). Nevertheless, in the last few decades, this model has undergone a small alteration due to the entry of foreign and domestic institutional investors who are not affiliated with promoter groups into Indian enterprises. However, this evolution is too new and presently comprises too few investors to make a meaningful difference.

B. Gender Diversity Quotas in Corporate Boards

Global regulators are advocating for increased female presence on company boards. To increase the pace at which women are appointed to boards, several nations have taken regulatory action and implemented targets, quotas, and reporting requirements. These measures, which often target major businesses with publicly listed shares, might vary from advice to law supported by sanctions. Although this action lowers the gender gap in representation (RGP), less is known about how it can impact the gender gap in pay (CGP). The World Economic Forum Global Gender Gap Report (WEF GGGR) 2020[5] highlights that the wage and financial disparities between males and females are persistent across the world.

C. Corporate Board Gender Quota in India

In keeping with the worldwide trend, the Indian government amended the Companies Act, of 2013, making it essential for the listed businesses or those that meet the requirements to have a minimum of one female director on their boards. According to Section 149 of the Companies Act of 2013, companies that meet certain requirements must have one female director on their board. The specifics of a female filmmaker's Companies (Appointment and Qualifications of Directors) Rules, 2014, Rule 3, provides information on appointments to the corporate board. The rule provides specifics on the kinds of businesses to which Section 149 applies. Additionally, all listed firms must adhere to Section 149's standards within a year of its inception. It further stipulates that every other public business having a paid-up capital of 100 crores or more, or a turnover of 300 crores or more, must appoint a female director within three years of the start of this provision. Moreover, it merely requires the appointment of a female director, who may or may not be independent.

There is no specific clause in the Act regarding the consequences of not appointing a female director. On the other hand, failure to comply with Section 172's penalty for the nomination of a female director is relevant. According to the Section, a punishment of at least INR 50,000 but up to INR 5,00,000 would be imposed on the defaulting company and each of its officers. Any director, manager, key managerial figure (such as the CFO or CS), or any other individual who provides guidance or instructions to the Board of Directors or any number of the directors, might be considered an officer in this context.

In addition, India has ratified the United Nations Convention on the Elimination of All Forms of Discrimination Against Women, which requires nations to do away with discrimination against women in the workplace under Article 11.[6] Furthermore, India implemented the necessary board gender quota under section 149 in order to keep its commitment to the UN's fifth Sustainable Development Goal, which is gender equality.[7]

When considered collectively, the Indian effort to close the gender gap based on representation is motivated primarily by moral considerations. However, such a regulation contains embedded economic considerations.

D. Corporate Board Gender Quota in the UK

In the last three decades, women's engagement in the workforce has increased significantly in the United Kingdom. More recently, societal and political pressure to raise the presence of women at the top of organizations has gradually increased in tandem with this development.

The government has exerted significant effort to enhance the representation of women on the boards of public companies through sponsored initiatives and reports like the Hampton-Alexander Review[8]. Women held 12% of seats on public company boards worldwide in 2017[9]. Women now occupy 29% of board seats in the FTSE 100, the most prestigious corporation in the United Kingdom. This represents an increase from 23.5% in 2015. Though this looks promising, the success is limited to an increase in the number of independent non-executive

[3] Umakanth Varottil, 'Evolution and Effectiveness of Independent Directors in Indian Corporate Governance' (2010) 6 Hastings Business Law Journal 281, 284

[4] Akshaya Kamalnath, 'Corporate Governance Reforms in India – Accommodating Local Culture Along with the Drive for Global Convergence' (2013) 30 KLRI Journal of Law and Legislation 137

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directors who work a few days a year on the boards of public companies. The number of executive directors has increased by less than two percentage points during the same period. Executive directors are full-time employees who oversee the day-to-day operations of the company and are arguably more influential and essential to enterprises as a whole. Progress is even slower and less satisfying for the FTSE 250, the next tier of corporations.

E. Corporate Board Gender Quota in Norway

The significant progress made in Norway towards gender equality contrasts sharply with the ongoing overrepresentation of men in important positions in the business sector. In an effort to bring about gender parity in this last stronghold of male supremacy, the Norwegian parliament passed a law governing the gender distribution of corporate boards in 2003. More specifically, the rule stipulated that at least 40% of each gender should be represented on the corporate boards of public limited firms, as well as state and inter municipal businesses. Between 2002 and 2008, the percentage of women serving on the boards of public limited businesses increased significantly due to the implementation of this rule, rising from 5% to 40%. It was an important move to make. The idea that corporate board composition may be guided by legislation to reflect public and political preferences, in this case, female equality was novel to both Norway and the rest of the globe at the time. Even while quota policies were already widely used in Norwegian party politics, they had not been thought to impose them on businesses, which are frequently privately owned.

Other nations have enacted comparable regulations after being inspired by Norway's lead (e.g. Spain, France, Belgium, Italy, and Germany). Numerous indicators suggest that the regulation brought about a shift in the mindset of Norwegian company executives, who had previously expressed limited support for quotas as a tool for promoting gender equality. However, when the law was introduced and put into effect, support for quotas surged significantly.

F. Women Directors and Good Corporate Governance

International campaigns to increase the number of women on corporate boards range from those driven by legislation to ones that are entirely voluntary. The effectiveness of programs, however, is contingent upon the organizational, cultural, and societal values of each nation, as gender discrimination manifests itself in a variety of ways, chiefly through gender stereotypes. In India, women's effective representation on corporate boards is still a myth. In India, the status of women on corporate boards in the twenty-first century is depressing.

Despite globalisation, barriers for women still exist in organisations and in society at large. These barriers are particularly strong in the appointment process, which affects all sectors and businesses at the board level. This study emphasises the effects of the Companies Act of 2013 even after mandatory provisions were introduced. The primary survey's responses correctly admitted that there were barriers preventing women from rising to the top levels of the organisation. They also recognise that women have a favourable influence on company governance.

Even though the Companies Act, 2013's mandatory provision has some unfavourable effects, such as the fact that most businesses appointed the spouses, daughters, or sisters of top executives to maintain the status quo in this area, it is anticipated that, with additional voluntary efforts from the government and business leaders, this initiative will significantly alter corporate governance in India over time. Without it, women will not be able to advance to the last rungs of the career ladder, where discrimination and competition are at their highest levels. Gender stereotypes have lessened but are still present, so the only way to eradicate de facto disparities will be through affirmative action at all levels.

Although the presence of women on corporate boards has a favourable impact on corporate governance and benefits all stakeholders, achieving great outcomes for women cannot be achieved through a one-size-fits-all strategy. Compliance or explaining approaches and other voluntary initiatives on the part of the company may lead to good governance where the companies are accountable to all stakeholders and not the regulator as in case of mandatory provision under certain circumstances. This is especially true in the case of mandatory quotas that tend towards a "one size fits all" solution.

Reasons behind under-representation of women in company boards and Challenges in Achieving Gender Diversity on Indian Corporate Boards Compared to UK and Norway

Preconceptions and Prejudices related to gender: Cultural prejudices and preconceptions can give rise to the idea that men are more suited for positions of leadership, which might impede women's advancement to executive positions.

Lack of networking and mentoring: In professions where men predominate, women may not have as easy access to the networks and mentoring opportunities that are essential for advancing their careers.

Challenges with work-life balance: Women have historically been expected to take on greater caregiving and domestic obligations, which can make it challenging to adhere to the rigorous schedules frequently needed for board seats.

Biases in the recruitment process, both explicit and implicit: Biases in the recruitment process might cause qualified female applicants to be overlooked for board seats, which can negatively affect the variety of perspectives within the organisation.

Absence of supportive policies: Women who attempt to manage their personal and professional life may encounter obstacles due to inadequate family leave, flexible work schedules, and childcare help, which may cause a decline in their career paths.

Historical conventions and traditions: It may be difficult for women to overcome long-standing, male-dominated cultures that have been formed in companies. Restricted pipeline of female leaders: The number of competent female candidates for board seats may be restricted if there aren't enough women in senior roles within the company.

Implicit biases in decision-making: Implicit prejudices may influence the board's decision-making procedures, favoring male candidates over equally or more qualified female candidates.

It will need coordinated efforts to address these issues, including putting diversity and inclusion plans into action, developing work-life balance-friendly rules, supporting female-only mentorship and sponsorship programs, and cultivating an inclusive workplace atmosphere. Achieving gender parity in corporate board representation also requires fair and transparent recruitment procedures as well as proactive actions to detect and remove prejudices.

Over the course of six years, the percentage of women participating on Indian boards has increased by 5.9 percentage points, from 11.4% in 2015 to 17.3% in 2021. However, the number is significantly below the global average of 24%.

Norway and the UK have imposed legal requirements and quotas requiring businesses to have a specific proportion of women on their boards. One of the first nations to implement a quota system was Norway, which requires that women make up at least 40% of board members in publicly traded corporations. In a similar vein, the UK has mandated corporations to make deliberate efforts towards attaining more gender balance through voluntary targets for gender diversity on boards. To guarantee adherence to the mandated gender diversity standards, these nations have put in place strong enforcement measures. Businesses that do not comply risk fines or other regulatory repercussions, which is a powerful motivator for them to actively seek to increase the proportion of women on their boards.

Because of their extensive anti-discrimination laws and gender equality policies that support equal chances for women in business leadership positions, the legal environments in the UK and Norway encourage a culture of tolerance and diversity. A strong foundation for encouraging gender diversity in the corporate sector is provided by these regulations.

Norway's and the UK's cultural and societal standards may be more supportive of women's career advancement, fostering an atmosphere where women are encouraged to pursue leadership positions. The successful execution of gender diversity programs in corporate boardrooms is facilitated by this cultural acceptance.

In contrast, although there have been various suggestions and measures in India to support gender diversity in corporate leadership, the country's legal system might not be as strict or extensive as that of the UK and Norway. The lack of strict regulatory enforcement measures, targeted quotas, or objectives for the participation of women on boards in India may be a factor in the country's slower progress towards gender parity in corporate leadership positions. Furthermore, the cultural and sociological standards prevalent in India may continue to create notable obstacles to women's access to equal opportunities in the business sector, thereby affecting their representation on company boards.

The implementation of stricter regulatory measures, the setting of specific quotas or targets, and the development of a supportive legal and cultural environment that promotes and facilitates the inclusion of women in leadership positions should all be part of the effort to increase gender diversity in India's corporate boards.

2. Findings and Conclusion

It has been found that by enacting mandated quotas and targets, nations like the UK and Norway have made tremendous progress in promoting female diversity on corporate boards. The number of women serving on boards in these nations has significantly increased as a result of these initiatives. On the other hand, it was discovered that India was falling behind other countries in attaining gender diversity on corporate boards because of weak legal frameworks and societal obstacles that prevent women from rising to positions of leadership. The report also emphasised how crucial it is to create an atmosphere that encourages gender diversity in corporate governance through thorough legal frameworks, encouraging institutional structures, and cultural changes. It also underlined the necessity of taking aggressive steps to eradicate gender prejudices and advance equal chances for women in the business world.

The study's conclusions support the notion that increasing gender diversity in corporate governance is essential for improving organisational performance, stimulating creativity, and guaranteeing that a range of viewpoints are considered during the decision-making process. The success examples of nations such as Norway and the UK show that strict legislative measures, when combined with institutional support and favourable cultural norms, can result in notable advances in the representation of women on corporate boards. The hurdles found in India, however, highlight the necessity of taking prompt action to rectify the regulatory framework's shortcomings, bolster enforcement measures, and promote an inclusive culture and equal opportunity for women in leadership roles. Stakeholders must work together to develop focused efforts that support the progress of women in corporate governance, including firms, government agencies, and advocacy groups.

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