

WOMEN ON BOARDS: WHERE HR MEETS CORPORATE SUSTAINABILITY

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In March 2010, the World Economic Forum released the first comprehensive global study benchmarking gender equality practices and comparative statistics on the employment of women in the corporate sector. Based on a survey of 600 heads of Human Resources at the world’s largest employers in 20 countries, The Corporate Gender Gap Report 2010

looks at the magnitude and scope of gender based disparities, as well as barriers to the advancement of women in corporate leadership, and the degree to which various gender inclusion practices are employed in different countries. On the overall percentage of women corporate employees, India at 23% comes out not only behind the U.S. at 52%, but also behind

Brazil at 35%. At the senior management level, India at 9% women is behind Brazil at 16% and the U.S.A. at 28%. It is quite evident that significant economic growth in the last decade in India, has not translated adequately in terms of higher participation of women at the middle and senior management levels in organizations. There is a growing recognition that this anomaly requires to be fixed for the overall socio economic development of the country. It also heralds a new era of thinking corporate sustainability through building the human capital of women in leadership positions.

It is widely being accepted that people are the source of competitive advantage for organizations. In the “war for talent”, firms increasingly have to invest in building a talent pipeline and thereby minimize the risk arising out of people related capabilities. Organizations seek to build talent by looking at diverse employee groups which hitherto have not been represented in the workforce. It is argued that demographic diversity will be a key agenda for global corporations in the future (Ulrich, et. al, 2013). From a human capital perspective, the HR function which includes the HR department and functional managers with responsibility for managing people, can contribute significantly to the sustainability discourse by identifying, grooming, developing and building the talent pipeline of women professionals. Such talented women professionals would over a 5-10 year period bring in the required diversity by being board ready and impacting board processes. This in turn is expected to lead to better discharge of fiduciary responsibilities and help build sustainable corporations of the future. The objective of the paper is to provide an understanding of how HR can play a critical role in increasing

the participation of women on boards and thereby contribute to corporate sustainability. The paper is divided in to four sections – in the first section, we provide an arguments for enhanced diversity on boards with specific emphasis on gender diversity; in the second section, we present the research undertaken by the authors; in the third section, we present the findings of the study and in the final section, we examine the implications of the imperative for increasing women’s participation on the board for the HR function within a firm.

Board Diversity and Gender

The academic research on gender diversity on boards has tended to adopt three broad perspectives – (a) the Corporate Governance perspective where fiduciary responsibility of the boards requires them to play the monitoring and oversight role and diversity enhances the effectiveness of board decisions (b) the institutional perspective where it has been argued that firms seek external legitimacy and gender diversity on the boards contributes to this legitimacy; and (c) finally, the resource dependence perspective where it is argued that since women represent a significant stakeholder in the society for organizations, they bring in their advice and counsel and thus provide a source of competitive advantage for the organization. However, we would argue that the human capital perspective (Johnson, Schnatterly & Hill, 2013) of gender diversity which is under-researched, is a key argument for increased participation of women on boards. The human capital characteristics are the skills and experiences that individual directors bring to the decision-making process. These can range from knowledge of an industry, prior experience as a CEO,

experience in finance or venture capital, familiarity with a specific event such as firing a CEO, and overall familiarity with the firm. It is often argued that gender as a characteristic brings in diversity at the board level which increases the likelihood that the board will be more amenable to differing perspectives during the course of its monitoring duties, as the board is asked to review issues, rather than create them (Abbott, 2012). Adams and Ferreira (2009), provide empirical evidence for this argument that (1) the likelihood that a female director has attendance problems is 29% lower than for a male director, (2) male directors have fewer attendance problems when the fraction of female directors on the board is greater, (3) firms with more diverse boards provide their directors with more pay-for-performance incentives, and (4) firms with more diverse boards have more board meetings. Nielsen and Huse (2010) find that gender-diverse boards have less conflict and are associated with more strategic control and board development activities. Since the Board is often characterized as questioners of management and status quo, (Johnson, et al, 1996) a diverse board drawing on the literature from social sciences, aids in avoidance of “groupthink,” and the presence of women aids proliferation of the array of perspectives and viewpoints on corporate boards, leading to better assessments of risk and less rubberstamping of CEOs’ decisions, thereby improving the monitoring and oversight capacity of the board (Branson, 2012). Some authors note that female presence on boards and in top management positions may promote a better understanding of the marketplace, by matching the diversity of a firm’s directors to the diversity of its potential customers and employees,

thereby increasing its ability to penetrate markets (Carter et al, 2003; Campbell and Miñguez-Vera 2008). Yet, little is known from a human capital perspective on how boards (a) try to appoint directors, (b) the reasons directors were selected to be on the board, (c) the directors’ decision to accept the invitation to join the board (Withers et al, 2012) and (d) studies in other contexts and countries (Johnson, Schnatterly & Hill, 2013). It is evident from the above discussion that identification of directors and the manner in which they are socialized into the boards is a key determinant of the board process.

There have been few studies which have attempted to analyze the participation of women on boards in the Indian context. The analysis of data on women directors on the NSE 200 firms from the year 2001–2011 shows that there has been a steady increase in the number of women directors. There has been increase of 167% in number of women directors from the year 2001 to 2011. Other studies (Kurup, et al, 2011), in a study of 166 companies during the period 1995–2007 found that there was an overall improvement in the participation of women in directorships and it increased from 29% in 1995 to 67% in 2007. The percentage of women directors to total directors increased from 1.66% to 3.63% and the number of women directorships per woman director increased from 1.04 in 1995 to 1.34 in 2007. Women directors were largely present in the financial services sector, public sector and family businesses (Kurup et al, 2011; Banerji & Mahtani, 2010). A study conducted by Catalyst on Women on Boards in Bombay Stock Exchange listed top 100 companies noted that women represent 5.3% of all directorships, and that women directors were on average at least five years younger

than their male counterparts (55.6 years compared to 60.3 years) and that women in executive director positions were in the organization twice as long as their male counterparts (Banerji & Mahtani, 2010).

A longitudinal analysis of data clearly shows an increase in the number of independent directors. However, the percentage of women directors to the total number of directors remains poor and more needs to be done in this area. Similarly, while the number of women holding independent directorships is high and is likely to support the differentiated skill hypothesis resulting in better oversight on board responsibility, what is also a matter of concern is the fewer number of executive directors who will eventually also be the potential pipeline of candidates for independent director roles in the long run.

Research study

An exploratory study was undertaken to understand the pathways for increased women's participation on boards. In particular, the study focused on understanding the manner in which women were identified for board membership, what were their experiences as members on different boards, how do they decide to accept or refuse board membership, what was their perceived contribution to the board and finally what did they think were the competencies that they and other women members on the board possessed that made them effective in their role as board members. The present study addresses two gaps in the literature – firstly, there are very few studies which have focused on the individual level and little is known about advancement of women on boards and the competencies needed to be effective; secondly, there is

a dearth of literature in the global context on the participation of women on boards in the emerging country context.

Methodology

A qualitative research methodology with in-depth interview was adopted to arrive inductively at the insights and nuances emerging from an exploratory analysis of the phenomena. The authors developed a structured interview schedule and the same was validated by an international researcher who had prior experience of similar research in the Canadian context and is also on several global research committees on women on boards. While the focus of the study was to interview women directors, based on the interim feedback during the research project, it was decided to include a select few male directors who had experience of being on the board with other women directors. Two of them were Chairmen and during their tenure they inducted women directors to the board. The sample consisted of a total of 11 female directors. The sample has the following characteristics: (a) 4 of the 11 women directors are serving Chairpersons/CEOs/Managing Directors and therefore hold executive positions; (b) One of the 4 women directors belongs to the founding family associated with the firm; and (c) Out of 9 independent directors, one of the directors was a former Chairperson and CEO, one previously belonged to the IAS, one formerly held a position just below the head of the institution, two were HR executives and one was an active politician. In addition, on an average each of the 15 directors was associated with 3 directorships. The interviews were content analyzed and key themes that emerged from the different interviews were coded and categorized.

Key Themes and findings

The key findings of the study are presented below:

(a) Identification

In most instances, the identification of the women on the boards was not a structured process. Except for one instance, no head hunter was involved. The sample of women directors we approached, indicated that (a) either the Chairperson or the Managing Director of the company which was on the lookout for a woman director as a fresh appointee or as replacement for a woman director approached the potential director by virtue of the directors' present position. This was particularly evident for the women directors who were CEO/MDs of companies. (b) In two instances, the women directors were on the boards of subsidiary organizations again by virtue of their current position. (c) In one instance, wherein there was provision for a political appointee on the board, the individual was approached by the government by virtue of her involvement in women's activities in the political party; and (d) in case of the women director belonging to the founder's family, a common director and a common contact from another prominent business family played an instrumental role in identifying the women director. In the case of one director, her organization had a formal search process to identify women directors and she was identified and groomed as a part of the "talent management process".

(b) Board Experience

Three aspects of the experience on the boards emerged during the interviews. The first aspect pertained to the manner in which the women were treated on

the board; the second was the perceived contribution/perspective they made to the board; and finally the manner in which their professional experience helped them to contribute meaningfully to the board and whether they thought women brought distinctly different competencies to the board.

All the respondents indicated a largely positive experience associated with being on the boards. Almost all of them felt that their views were considered seriously. Several of the respondents indicated that they held memberships on committees and few of them also chaired the committees. However, one of the respondents indicated that she felt intimidated initially when she assumed the position. The fact that she was a politician with no contacts with industry and being invited to be on the board, she found the jargons too difficult to comprehend and it took her a while to understand the manner in which a commercial business is managed. This respondent also felt that having more women on the board (she was the sole woman) would have made her more comfortable. Several of the other respondents however felt that being the only woman on the board made no difference with regard to their actions. In fact, all the other respondents mentioned that being the only woman on the board was not a disadvantage and did not impact their participation on the board in any manner.

The responses of the women directors when posed the question on why they think they were identified to serve on the board largely hinged on their expertise in their respective fields which ranged from financial services to capital goods. One director mentioned her functional expertise in the field of HRM while one

director mentioned her prior experience in the Government as the reason for being identified to serve on the board. One Independent director thinks she was invited to be on the board because of her experience in the North Eastern states of India and also in a large-scale turnaround context. All the executive directors were CEOs and their presence on the board was attributed to their functional responsibility.

(c) On making a difference on the board

When specifically questioned on examples where they were able to make a difference, one respondent who had a board position in the financial services indicated an ability to sensitize the other members of the board on the difficulties associated with dealing with the loan terms and conditions as far as rural women are concerned. She also indicated having played an active role towards probing the organization's efforts towards this segment of the population.

There were also examples of how the woman directors questioned decisions which seemed inappropriate and one respondent indicated that after questioning a decision by the company management which appeared to be inappropriate to her, she was wholeheartedly supported by the other independent directors. As members of committees, several of them used their skills and competence, gained especially from the public sector and banks, which have a much stronger risk management process and translated these experiences into the private sector.

(d) Do women bring distinct competencies to the board?

Only two women respondents referred to the unique competencies that women brought to the board. One respondent

who was on the board of a fast moving consumer product company, when probed about how being a woman would have influenced the company's decisions; indicated an ability to bring to the board a better awareness of what women would typically look for in these products. There was even an instance of tweaking with the company's logo to possibly appeal better to women.

Another woman respondent who has also been with other women on boards observed that because women have multiple pressures, both at workplace and home, most of the senior women leaders have had to navigate an engendered context in organizations and the society to reach the current positions that they hold and so *"they tend to do their homework thoroughly, have read through the agenda items and prepared well before coming for the meeting. They tend to have prepared questions for the executive team. They have also thought through the problem when they come in to the meeting."* In contrast, another respondent mentioned that in her experience women did not bring any distinctly different competencies. Most senior women leaders with their executive experience over long years in the industry usually brought in *"professional competencies"*. In her opinion, most women directors who were valued by the board members in the long run brought *"generic board competencies rather than gender related competencies"*.

(e) Board process

The role of the Chairperson of the board in enhancing participation of women emerged as a significant theme in the interviews. Five of the respondents mentioned that the Chairperson of the board played a critical role in ensuring increased participation of the women on the board. The Chairperson usually played three kinds of roles – creating processes that allowed the directors to

table their opinions; providing enough opportunities for women to express their points of view and finally, managing the processes outside of the meeting through feedback. A respondent indicated that the chairperson of the board had an important role to play in facilitating the effectiveness of the women directors and ensuring that their opinions were adequately voiced and acted upon.

(f) Increasing the pipeline

The need to increase the women director pipeline was mentioned by all the respondents. However, there were significant differences in the approach towards enhancing the numbers. One respondent emphasized the need for legislation to improve the representation on the boards. On the other hand, there were several who opposed the idea of quotas associated with the participation of women and one of them emphasized that quotas if properly directed were inherently not a bad idea. The problem is one associated with where the quotas are implemented (i.e., it should not be directed at the very top, but at the entry levels: educational institutions for instance), without creating adequate readiness in the context to make the quota effective.

One respondent indicated that the leakage associated with the pipeline occurring at the middle levels of the organization owing to the dropouts associated with women in their child-bearing/rearing ages was a critical issue. Given measly numbers to begin with, this further erosion in the talent pool was worrisome. In addition, the same respondent also indicated the lack of visibility of the potential pool of women directors to the individuals tasked with the responsibility of enhancing the pool of women directors. The lack of visibility was mentioned by another respondent who observed that visibility to the key stakeholders of the organization needs to

be provided from the senior level onwards. This would mean that when key decisions are made in organizations, the top of the mind recall of women executives would be high. Several respondents mentioned how little training they received when they were invited to join the board of a company.

To summarize, the study revealed four key findings namely (a) the identification of women directors to the board was done through several formal and informal channels (b) Most women acknowledged that the reason that they were invited to the board was because of their functional expertise as in HRM, finance; their domain expertise as in understanding restructuring, risk management, capital goods industry, or the political environment of financial access in India; and finally their executive and professional experience in change management and, handling complex stakeholder relationships (c) the Chairperson of the board has a key role to play in ensuring active participation of the women on the board. The Chairperson usually played three kinds of roles – creating processes that allowed the directors to table their opinions; providing enough opportunities for women to express their points of view and finally, managing the processes outside of the meeting through feedback and (d) a recognition that there was an urgent need to improve the number of women directors while ensuring that there is no dilution in the quality, through processes such as identification of women early in the careers and providing visibility; grooming and development of competencies to take on director-level roles and creating a career planning process for women in public sectors and banks who are retiring to serve as directors on boards.

Implications for the HR function

It is evident from the above section that HR has a critical role to play in enhancing

women's participation on boards. Firstly, HR professionals in their roles as strategic partners need to ensure that women on boards become a long term sustainability goal for the organization. Secondly, HR needs to play an active role internally in identifying and grooming women in to senior leadership positions. The talent identification strategy of the firm needs to focus on developing women executive talent from middle management onwards. It is well known from prior research on women's careers that dropout rates of women in middle management are the highest. The role of HR in developing an organizational culture that is inclusive and fosters diversity is important if women have to continue to engage with their careers. In the long term, inclusive practices are known to strengthen the pipeline of women in leadership positions. Thirdly, the key role played by the Chairperson of the board in ensuring participation of the women members has implications for how male leaders in organization are trained, groomed and developed. It is clear that behaviours which foster inclusion and promote a mutual understanding are as vital for middle and senior managers as they are at the level of the Chair of the board. These behavioural competencies are often acquired through life experiences of managers. In countries like India, where women are recent entrants to the workforce, organizations need to invest in sensitizing male managers who carry responsibility for potential assessment and development of women. The ability to groom and mentor directs reportees and in particular, women and other minority groups should be included as explicit criteria in the potential assessment of leaders in organization. These behaviours need to be tied to the learning goals of personal development at an individual level; group behaviours at the level of teams, and finally demonstrated in action by senior leadership teams. The culture

of inclusion begins with the tone at the top and systems and processes from HR that support diversity within the organizations. It is in this context that the HR function – the HR department and line managers – contribute directly to the human capital development leading to Corporate Sustainability.

Way forward

There is increasing pressure for countries to demonstrate their commitment to gender diversity. Among emerging economies, India's performance on the gender diversity has been poor and a cause for concern. The levels of participation of women in directorships are so low, that there is a reasonable case for quotas. The recent Companies Bill 2012 explicitly provides for at least one woman to be present on the boards of a class of companies that is to be announced. We argue that such soft quotas would indeed put pressure on the existing board members to exhibit higher consciousness in their choice of new board members. However, such quotas also need to be structured in a manner such that organizations do not demonstrate tokenism and thereby promote women who may end up not being a significant influence in the board. Given the legal context in India, where there are several sound laws but weak implementation, a quota may not serve the purpose of increasing true participation of women. A ten-year time frame to implement gender diversity in organization with disclosures in the annual report of women executives and senior leaders along with the director level appointments could result in the deepening of women's participation in the workforce and ultimately the senior levels and the board.

Firstly, several actors need to facilitate a more effective process of identification of women directors. Within an organization there are three key actors who can shape the future -- The top

management with its commitment to improve the pipeline of women leaders with diversity as its agenda; the HR department can help in identification of women leaders in executive positions, developing assessment criteria for identification of women who are board ready or can be groomed to be board ready in a five year time horizon and finally line managers who play

a crucial role in providing developmental and mentoring opportunities to retain and grow the women talent pipeline in organizations. Since Women constitute the third billion, corporations will need to build an organizational culture which fosters, encourages and celebrates inclusion to remain sustainable.

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