

The presence of women in positions of power—politicians, judges, and CEOs— have increased over the years. While this is a welcome change, the extent of it remains small. Socio-cultural practices across the world have predominantly relegated women to the domain of the house with gender roles dictating work in the domestic sphere. However, over time, we are seeing a change in the perception about women at work. The boys' clubs in different industries have seen more women participating and taking leadership roles. Glass ceilings are being broken and sticky floors are being left behind.

Women occupying positions of power can motivate the younger generation, often encouraging them to aim higher. The increased visibility of women in positions of responsibility and power normalises the idea of a working woman, thereby motivating many others. The latest Inter-Parliamentary Union Report records that all functional parliaments in the world have at least a woman member. There is also marginal increase in the number of elected women representatives. Madhabi Puri Buch, an IIMA alumna, is the current chairperson for the Securities Exchange Board of India (SEBI) and the first woman to hold the post. Tina Dhabhi, IAS officer in charge of Bhilwara and K. K. Shailaja, former Health Minister of Kerala, have showcased exemplary leadership during the pandemic.



Historically, the boardrooms of companies have been predominantly male dominated all over the world. Indian business organisations have started showing change with many women leaders at the helm in decision making roles.

In the following piece, **Virangi Shah** (Research Assistant) and **Prof. Biju Varkkey** (Faculty of Human Resources Management, IIMA) talk about the presence of women in Indian company boardrooms.

## ***Women Directors on India Inc's Board: How Far Have We Come?***

***“Women sitting in the board rooms of well-managed companies add more value. Women have to get on the boards of such companies. It cannot be a comfortable men's club anymore. I am not discouraging socialisation among male members of boards, but it is a little difficult for women to be a part of [such boards]”***

***-Nirmala Sitharaman  
Finance Minister, India***

A positive link between diversity and financial prosperity of companies is well established by various research studies. Diversity encompasses a broad array of aspects, such as gender, generational mix, LGBTQ+ representation, ethnicity, and the inclusion of individuals with experience from diverse fields.

This article primarily centres around the recent attention to the presence of women on boards in India. Section 149(1) of the Companies Act 2013 mandates the inclusion of women directors as board members for specific class of companies as per notifications. In line with the recommendations of the Kotak Committee<sup>2</sup> report of October 2017, SEBI took additional measures to enhance gender diversity in Indian boardrooms. SEBI mandated the top 500 companies, based on market capitalization, to appoint at least one woman as an independent director starting from April 1, 2019. Later on April 1, 2020, the requirement was extended to include at least a woman director in the top 1,000 listed entities.

The legislative requirement to include women on corporate boards is an important step to improve boardroom diversity, but it also raises concerns about

<sup>1</sup>“Not a men's club”: Nirmala Sitharaman asks women entrepreneurs to take up leadership roles. (2022, September 16). India Today. <https://www.indiatoday.in/business/story/finance-minister-nirmala-sitharaman-women-leadership-roles-bse-event-mumbai-2001189-2022-09-16>

<sup>2</sup>Report of the Committee on Corporate Governance. (2017, October 17). <https://www.sebi.gov.in>. Retrieved June 12, 2023, from [https://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance\\_36177.html](https://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance_36177.html)

tokenism<sup>3</sup>. It is alleged that some companies might appoint women to their boards just to fulfil the compliance requirement without truly valuing their contributions. Two recent Indian studies shed light on the importance of inclusion and meaningful participation of women directors on corporate boards. The first study<sup>4</sup> reveals that merely adding a woman director for compliance purposes does not result in significant transformation. It is only when there is a stronger presence and active involvement of women directors, that superior organisational performance and substantial economic value are realized. Another study conducted by Prof. Neharika Vohra of IIMA emphasizes the need to move beyond tokenism. The paper argues, to fully leverage the benefits of diversity in boardrooms, organizations should appoint multiple qualified women as directors on board, entrust them with significant leadership responsibilities, provide fair compensation, and foster an inclusive environment. This approach enables women directors to make valuable long-term contributions, thus harnessing the true potential of gender diversity in corporate governance<sup>5</sup>.

Certain companies resort to appointing female family members or known associates as a check box exercise to meet women representation quotas on boards. Practices like these have made quotas a debatable subject worldwide. An International Labour Organisation report<sup>6</sup>, which provides a global perspective on women on boards, highlights that while quotas have the potential to bring long-term benefits by reshaping mindsets, the risk of tokenization can be reduced through inclusive environments, mentoring programs, diversity training, and bias mitigation. Corporates taking up the inclusion of women voluntarily is an alternative to the quotas. However, this also comes with its set of pros and cons.

Amidst the prevailing debates around tokenism, there are companies genuinely striving to enhance gender inclusion. Notable success stories in India, which have moved beyond tokenism include Godrej Consumer Products, Apollo Hospitals Enterprise Ltd., and Balaji Telefilms Ltd., which proudly demonstrate the presence of over four women directors, both dependent and independent, on their boards. In addition, two studies by proxy advisory firms, a) NSE-SES ESG Analysis on Listed Companies<sup>7</sup> and b) IiAS-report on corporate India women on board<sup>8</sup>, that tracked the representation of women directors on board reveal that more companies are surpassing the mandatory regulatory requirements. The first study confirms that out of a sample of 100 listed companies

19 had more than two woman directors, indicating gender diversity at board level beyond mandatory requirement. Both the studies also substantiate that the share of companies with none or only one woman director is steadily falling.

Although there is noticeable rise in the number of women directors, many believe that there is still ample room for improvement. During her speech at the Women Directors Conclave 2022, Nirmala Sitharaman, the current Finance Minister of India and an active proponent of gender diversity in corporate boardrooms, highlighted the evident disparity in the number of women actively pursuing directorial positions compared to their male counterparts. She encouraged women to overcome their hesitations and embrace leadership roles, emphasizing the need for them to seize opportunities. She mentioned:

*"That little crossing of the threshold which we have set for ourselves is very important. We can have icons, but the bold step is yours and you need to take it. Once you take it, you will know, probably, we have exaggerated to ourselves that it is difficult for women to function among men. It is not as bad as we think."<sup>9</sup>*

Encouraging women to assume board positions is one challenge, while achieving women's inclusion at the bottom of the corporate pyramid remains another. While the elite companies have made significant progress in incorporating women directors, more efforts are needed for other listed companies.

During our discussions with prominent corporate leaders in relation to our work on corporate governance and upper echelons, we encountered two contrasting viewpoints. One perspective argues that women no longer require quotas to secure board positions, as a significant number of women have already demonstrated their capabilities and received recognition in terms of growth, rewards, and circle of influence. On the other hand, some emphasize the need for a supportive pipeline to facilitate greater inclusion of women on corporate boards. They are strong supporters of the need to catch up, and are cognisant of lack of readily available talent<sup>10</sup>

It is crucial to establish a strong pipeline, both within the organisation and externally by the regulators, that supports the induction of more women to corporate boards. At the same time, one must remember that the position of a director on board, regardless of gender, carries significant responsibilities, accountability, risks, liabilities, and inherent challenges. Irrespective of gender, directorship is no more an inherited or bestowed position, but one that

<sup>3</sup>Tokenism: where companies include a small number of diverse board members as a mere formality, without genuinely prioritizing diversity and inclusion

<sup>4</sup>Chatterjee, C., Nag, T. Do women on boards enhance firm performance? Evidence from top Indian companies. *Int J Discl Gov* 20, 155–167 (2023). <https://doi.org/10.1057/s41310-022-00153-5>

<sup>5</sup>Vohra, N., Women on Boards in India, June 2020, IIMA, FICCI, accessed from [http://www.primeinfobase.com/indianboards/files/IIM\\_Ahmedabad\\_FICCI\\_PRIME\\_WOB\\_report.pdf](http://www.primeinfobase.com/indianboards/files/IIM_Ahmedabad_FICCI_PRIME_WOB_report.pdf)

<sup>6</sup>Women on Boards - Building the female talent pipeline. (2015, April 28). [https://www.ilo.org/gender/informationresources/Publications/WCMS\\_410200/lang-en/index.htm](https://www.ilo.org/gender/informationresources/Publications/WCMS_410200/lang-en/index.htm)

<sup>7</sup>NSE-SES. (2022, July). NSE-SES ESG Analysis on Listed Companies. NSE India-SES. <https://www.nseindia.com/resources/publications-reports-corporate-governance-reports>

<sup>8</sup>NSE, Prime database IiAS\_Report\_on\_Corporate\_India\_Women\_on\_Boards\_Nov\_2022. Accessed from [http://www.primeinfobase.com/indianboards/files/IiAS\\_Report\\_on\\_Corporate\\_India\\_Women\\_on\\_Boards\\_Nov\\_2022.pdf](http://www.primeinfobase.com/indianboards/files/IiAS_Report_on_Corporate_India_Women_on_Boards_Nov_2022.pdf)

<sup>9</sup>S, V. (2022, September 16). The day FM Nirmala Sitharaman entered the BSE Hall for the first time. *Business Today*. <https://www.businesstoday.in/latest/economy/story/the-day-fm-nirmala-sitharaman-entered-the-bse-hall-for-the-first-time-347470-2022-09-16>

<sup>10</sup>Other things being equal, preference for woman director or actively searching for women directors who fit the criteria.

requires a careful selection process. In order to ensure effective representation, it is crucial to provide women directors with the necessary training to navigate the risks associated with directorship. As part of this effort, the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, implemented from December 1, 2019, made it mandatory for both existing independent directors and professionals who wish to become independent directors to register with the Indian Institute of Corporate Affairs (IICA) and pass an online proficiency self-assessment test within a specified timeframe<sup>11</sup>.

In our opinion, the essential regulatory frameworks have been established to guarantee women's representation on corporate boards. Additionally, corporates now face a growing scrutiny from proxy advisory firms which red flag companies failing to meet mandatory quotas. As Indian companies strive to make a transition from a mere "required to have" position to a "must have" position, it necessitates implementation of progressive measures that can effectively strengthen gender diversity in boardrooms. One crucial measure is to focus on building a diverse and robust talent pool for board positions. Organizations should actively identify and nurture prospective internal woman candidates who possess the potential and capabilities to excel in board roles. By providing targeted mentoring, training, and developmental opportunities, organizations can groom them and, this will ensure that they are well-prepared to contribute effectively as board members.



### Unspoken Dimensions of having Women on Corporate Boards

In our interaction with a corporate leader who has recently transitioned as a governance advisor, there was a passionate emphasis on the urgent requirement for enhanced female representation on corporate boards in India. According to the advisor, having women on board goes beyond the economic value that they bring; it is about the distinctive sense of maturity and grounded thinking they infuse to the boardroom atmosphere. Reflecting on a particular experience, the advisor recalled a time when boardrooms were predominantly a men's club, characterized by conversations that could sometimes seem coarse. However, with women joining the boards, a noticeable transformation took place. Respect became more prevalent in the board atmosphere, and the choice of words became considerably more measured. The individual observed that women possess an intriguing ability to guide board discussions by asking thought-provoking questions and directing the thinking of board peers towards unexplored territories. Their unique perspective and approach allow for a more inclusive and dynamic exchange of ideas that may not have otherwise surfaced.

<sup>11</sup>The online proficiency test evaluates test takers understanding of various subjects like the Companies Act of 2013, Securities Law, basic accountancy, financial ratios, corporate governance and related topics

<sup>12</sup>Will this amount to moonlighting, is one question that may arise. However, we consider it as a method of leadership pipeline development.

The monthly newsletter from the Committee for Managing Gender Issues (CMGI) is an attempt to initiate conversations on discrimination, gender bias, sexual harassment, and related issues. We would love to have the community participate. Please reach out to Therese Abraham at [theresea@iima.ac.in](mailto:theresea@iima.ac.in) for submissions, queries, and/or feedback.

If you feel you have been subjected to sexual harassment or if you would like to make any suggestions regarding curbing sexual harassment or gender bias on campus, please reach out to us at:  
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Please note that any communication with the CMGI is strictly confidential.