

Impact of gender diversity on corporate performance: Issues and Concerns

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Abstract

Diversity is imperative for success of every organization. Creating a diverse and inclusive culture has become fundamental for a long term success of the organization. Yet, board diversity has largely remained an alien concept in most boardrooms worldwide. In India, women constitute 48% of the total population but their presence on the boards of companies has not been substantial. This proposal attempts to study the perception of male and female about the representation of women on boards in Indian firms. The objective of this research is to study the impact of gender diversity on corporate performance and to find the role of the chairperson which does not look easy for facilitating the participation of women directors on boards. The credibility of co-directors and organizational characteristics are important considerations by taking firm decision to join the board. The policy implications become the basic requirement for more structured approaches in identification, process of effective director assessment and stakeholder's intervention to build the pipeline of women directors for the future. The secondary data is used for the purpose of study which is collected from online journals, magazine articles, annual reports and e-book etc.

Keywords: Women Participation, Boardroom, Credibility, Director Assessment, Policy

Introduction

Theoretical Framework of Gender Diversity

Gender diversity is defined as a term in which different genders (basically males and females) are represented as a composition of board's members in a relevant setting. This term is primarily often used to indicate males and females, though in most of the research the term 'Gender Diversity' may also use to indicate those who fall into categories of non-binary gender. The issue related to gender representation of directors on corporate boards is that particular area where a need for greater gender diversity has been recommended for betterment. Employment or positions hold at top level in certain fields traditionally dominated by men, including engineering, computing, medicine, and women in science are some of the areas to study and interest.

Board Diversity in Corporates

The Companies Act, 2013 recognizes the importance of gender diversity in India and makes the appointment of at least one women director mandatory in the listed and other specified companies. Globally, the composition of corporate boards by addressing more gender diversity has been gaining pace. There is a need of improving the gender balance on corporate boards. Even many countries have opted for legislative action and foist quotas, on the other hand rest have used other measures like moral persuasion and initiated voluntary measures (e.g. Strengthened their corporate governance codes and companies required to disclose their gender diversity policy or to set targets for companies). To bring woman on board is not a number game. Preferably, it is about what companies, and by extension society, is losing out

by not tapping on the potential of women. At the same time decisions taken by the board need to indicate the realities of the society and market including the purchasing power, rising incomes and decision-making power of women at work place as well as at home. Organizations that aim to deliver the highest standards of leadership require a diversity of thought, skills, and call for opinions, experience, working style and talent capability.

Gender Diversity in India

Under Section 149(1) of the Companies Act, 2013 at least one woman director is mandatory for certain class of companies. Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides such class of companies to mean every listed company, other public companies having a paid-up share capital of Rs. 100 crore or more and turnover of Rs. 300 crore or more. Woman director could be appointed as independent director or may be as executive or non-executive director in the company. Through Clause 49 of SEBI, the listing agreement mentions "The Directors of the company shall have an optimum combination of executive and non-executive directors with at least one and not less than 50% of the Board of Directors should be women. The provisions for appointment of woman director as provided in Clause 49 (II) (A) (1) shall be applicable with effect from April 01, 2015. Currently gender diversity in board of directors in India is still a concern due to many companies do not have female board of director member Only 8.9% of companies have female board member as of December 2014. As per data recorded by NSE only 908 women directors across the country as compared to

10,185 male directors which itself is self-explanatory figure.

Status of Women Board Members in Indian Firms

The overall percentage of woman employees 23% according to Corporate Gender Group Report 2010. While other countries are far away like US (52%) at the same time countries like Brazil have (35%). Same situation is at senior management even Brazil has 16% contribution USA has 28% while India is lagging behind at 9%. Only one in eight management roles and one in twenty senior executive positions are held by women in India (Schomer, 2010) [16]. A few studies attempted to analyse the participation of women on boards in the Indian context. In a study of 166 companies during the period 1995–2007, Kurup *et al.* (2011) [11] found that there was an overall improvement in the participation of women in directorships—it increased from 29% in 1995 to 67% in 2007. Women directors were largely present in the financial services sector, public sector, and family businesses (Kurup *et al.*, 2011; Banerji and Mahtani, 2010) [11, 3]. A study conducted by *Catalyst* on women on boards of the top 100 companies listed in the (BSE) Bombay Stock Exchange found that women represented 5.3% of all directorships, and women directors were on average at least five years younger than their male counterparts.

Objectives of the Study

1. To study the impact of gender diversity on corporate performance.
2. To study the perception of male and female about the representation of women on boards.
3. To study the issues and concerns related to representation of women on boards and their solutions.

Issues and Concerns in Gender Diversity

There are various concerning issues which company should take into considerations for long term retention of female employees and to encourage them to perform outstanding so that the company will excel in the same way.

Quota

By introducing quota system for the number of women in company boards would certainly give result in Gender Diversity on Boards, as demonstrated in France and Norway. Many boards and investors opposed quotas as company should feel free to appoint directors based on the merits and companies need to include diversity in boardrooms in broadest sense.

Gender quotas, give opportunity to more women to serve as leaders can also be at least partly circumvented by corporations allowing directors to serve on multiple boards.

The quota can be a measure for improving the gender diversity but it can't be a solution to the barriers of gender diversity which are prevalent in both developed and developing countries.

Marriages of Indian working women

When an economy is on boom booming and the social culture is drastically changing then in that case it has been seen that every year it brings and motivates more Indian women to come into the workplace. But on the other hand same factors are pulling them drop out as well. Now the questions arises that to what extent 'ready' are Indian marriages to accept professional women?

ICICI Bank Chief Chanda Kochhar once commented said "When women are in their thirties, their work and family responsibilities often peak together. It is then you find a lot of women dropping out". "Earlier, there was compelling economic logic for women to continue working after marriage, and they had a support system. This logic has now weakened compared to the last two decades, and family support systems are definitely breaking down" She said.

In the words of Naina Lal Kidwai.—A marriage in which both spouses are on an equal footing is the key to women rising to top positions. "Couples who stay in are the ones who share the chores and women who fall by the wayside are the ones who do not have a marriage that supports them"

Organizational policies

There are many board members who believed in that the women who hold the top position in a company gives a different perspective which is very much essential for managing the risk and it motivates them to serve as important role models to the organization and society as well. Yet, it is quite shocking that data which is taken by considering the world the large number of women are absent from corporate boardrooms. Companies should at least make extra efforts to retain female employees and encourage them to continue their job after

Getting married also and shed the prejudices for the employment of women. The corporate should provide facilities to the working women like flexibility in office timings, maternity leave and work from home etc.so that will help in retaining the female employees at the workplace. Different companies follow policies differently; like in case of Infosys, they offer a policy to women if they have children below the age of 3 years then they can work from home as well. Recently, Nandita Gurjar, HR Head, Infosys has given the statement that this facility of work from home is going to applicable soon on men also as this would be a discrimination to the men and a woman employee raised this issue that this facility should be extended to men also.

Cultural Barriers

India is a country that has framework to allow to opt for any choice of career they want but cultural barriers stop them from doing so. No matter what or how much our country has been developing steadily, the working women still contributes on 29% of the country's total labour workforce; as per 2010 statistics, hence standing on 131st position out of 135 countries in terms of area of Economic Participation and Opportunity. This huge difference marks the poor condition of women workforce/

economic empowerment in India as compared to other nations. Outdated cultural and social norms, however, play an important role in widening this gap. "Over 89% of women (in India) are not always able to access opportunities because they are not educated and other factors that are obliged them to indulge only in domestic work. Over 56% said that they were the only self-willing contenders out of the whole family to work from outside the home.

Conclusion

Focussing on the presence and effect of female stockholders, directors and top managers, by analysing their impact on various accounting ratios, technical efficiency and market value. Findings show that companies with higher levels of gender diversity do not obviously outperform in comparison of other companies with lower levels, in terms of several markets and accounting measures. Therefore, it is too earlier to say that gender diversity may not influence corporate performance. We have a set of women running largest banks of India as CEO's which can be a rare sight at Wall Street too. Quota approach is best way to enhance a women's participation in economic growth and mentoring programmes to bring up their talent and confidence, and to motivate them into participating in workforce. Though unlike the bold decisions making by female political leaders, corporate decisions made by female employees are often overlooked or not considered as of much importance. In order to overcome it, legislatively imposed quota will subside meritocracy lawfully. Hence, we can start-up with mentoring programs to polish women's talent to overcome an entire boardroom.

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