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**Building the Women Directorship Pipeline in India:  
an exploratory study**

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# **Building the Women Directorship Pipeline in India: An exploratory study**

Prepared by: Vasanthi Srinivasan and Rejie George\*

## **Abstract**

Women constitute 48% of the population of India; yet their presence on the boards of companies has not been substantial. This paper attempts to define the pathways available to women on Indian boards. A qualitative research methodology with 15 in-depth interviews with women directors was adopted to study the phenomena. The study's findings indicate that while the identification of women directors is largely a non-structured, idiosyncratic process, social capital—which includes the individual's network ties and reputation—is a critical aspect aiding director identification. We also find the role of the chairperson to be critical in facilitating the participation of women directors on boards. Organisational characteristics and the credibility of co-directors are important considerations in the decision to join the board. The policy implications include the need for more structured approaches to identification, effective director assessment processes, and multi-stakeholder intervention to build the pipeline of women directors for the future.

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# **Building the Women Directorship Pipeline in India: an exploratory study**

## **1 Introduction**

With social and cultural shifts in society, there has been an increasing trend to promote greater diversity within organisations. Nearly one billion women who are set to enter the workforce in the next decade are viewed as drivers of economic growth, as the “third billion” next only to India and China (Booz & Co., 2012). Yet, the inclusion of women in the highest echelons of business and management has not been as promising. As several authors (e.g., Fairfax, 2006) have noted, while there has been progress in the last four decades in the participation of women in employment in organisations, the increase at the levels of senior management has not been significant, given the large number of women who are entering the workforce and acquiring higher education. In the last two decades, several countries have introduced quotas for increased participation of women on the boards of companies. Of particular significance is the European Union (EU) quota, according to which at least 40% of the non-executive directors of publicly-traded European companies should comprise women by 2020; state-owned companies are expected to achieve this goal by 2018 (Ibarra, 2012). However, recent empirical evidence from the Scandinavian countries indicates that while quotas have been effective in increasing the participation of women directors on boards, the new women directors inducted to various boards had significantly less CEO experience and were younger than the existing men directors (Ahern and Dittmar, 2012). The issue of quotas through political mandates versus voluntary self-regulation by firms is one that requires further investigation in countries such as India, where women’s participation on boards is very low compared to the rest of the world.

From a human capital perspective, women constitute 48% of the population of India and their participation in higher education has been increasing. Their presence in senior leadership teams and in boards of companies, however, has not been significant enough. This report is an attempt to define the pathways available to women on Indian boards, with a focus on women’s experiences on the board, how they were identified to serve on boards, their perceptions of how they influenced the board process, and finally, the competencies needed to be effective on a board.

The rest of the paper report is divided into five sections. In the second section, we review the extant literature on the subject of women on boards globally; the third section documents the scenario in the Indian context. In the fourth section, we present the methodology of the study and a description of the characteristics of our sample of respondents. The fifth section distils the preliminary findings of the study into four distinct themes that emerged from our field work. In the sixth section, we provide some preliminary recommendations to improve the participation of women on boards.

## **2 Theoretical Background**

Academic research related to women on boards has tended to adopt three broad perspectives: (a) the corporate governance perspective, where the fiduciary responsibility of the boards is to the shareholders, and investors make demands on them to play the monitoring and oversight role effectively; (b) the institutional perspective, where it has been argued that firms seek external legitimacy, and the representation of women on the boards contributes to this legitimacy; and (c) the resource dependence perspective, where it is argued that since women are significant stakeholders in the society for organizations, they bring in their advice and counsel and thus provide a source of competitive advantage for the organisation.

Most of the existing literature on women on boards has a corporate governance perspective. It has been argued that key demographic characteristics including age, educational background, gender, race, and ethnicity (Carpenter et al., 2004; Joshi et al., 2011) affect the directors' cognition, behaviour, and decision making, and subsequently impact firm-level outcomes (Forbes and Milliken, 1999). Therefore, gender diversity in organisations is seen as a process of creating value for the organisation. A brief overview of the three theoretical perspectives is provided below.

It is well-recognised that boards are responsible for strategy formulation and monitoring/governance (Jensen and Meckling, 1976). Unlike strategy formulation, monitoring and governance are far more routine and (arguably) mandatory aspects of board service. In this case, gender diversity at the board level may increase the likelihood of the board being 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 et al. , 2012). Since the board is often

characterised as questioners of management and status quo (Johnson et al., 1996), a diverse board would help avoid “groupthink”, and the presence of women would aid the proliferation of perspectives and viewpoints on corporate boards, leading to better assessments of risk and less rubberstamping of CEOs' decisions; this would improve the monitoring and oversight capacity of the board (Branson, 2012). Adams and Ferreira (2009) provide empirical evidence for this argument: (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 number 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. In their sample of U.S. companies, Abbott et al. (2012) found that after controlling for other restatement-related factors, a significant association between the presence of at least one woman on the board and a lower likelihood of restatement. The results of this study suggest that board gender diversity may heighten the board’s monitoring vigilance.

The second perspective employs the institutional theory, where it is argued that institutional forces shape organisational systems—they model themselves on successful examples from the external environment, perpetuating practices that could be symbolic and that provide external legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2001). According to this theory, the existence of gender diversity on boards may issue positive signals to markets—labour, products, and capital markets—by providing a greater degree of legitimacy to corporations and improving their reputations (Carter et al., 2007; Rose, 2007).

The third perspective draws on the resource dependence theory. Pfeffer and Salancik (1978) suggest that directors bring four benefits to organisations: (a) information in the form of advice and counsel; (b) access to channels of information between the firm and environmental contingencies; (c) preferential access to resources; and (d) legitimacy. These benefits highlight the significance of diversity of perspectives within teams in decision making. Research suggests that teams with functional (occupational) diversity solve problems faster and more effectively than teams of like-minded people (Barsade et al., 2000); further, studies indicate that demographic diversity increases network connections, resources, creativity, and innovation

(DiTomaso et al., 2007). Therefore, the presence of women on boards and in top management positions could 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 Mínguez-Vera, 2008). Moreover, diversity enhances creativity and innovation inside the corporation and would lead to more effective problem-solving, since a more diverse board provides a wider variety of perspectives and, consequently, a higher number of alternatives to evaluate (Rose 2007; Welbourne et al., 2007).

Thus, the arguments for the inclusion of women on boards translate into tangible organisational benefits and become a source of competitive advantage through the board process. The dominant argument is that diversity per se may not result in positive benefits; however, it is the human capital perspective (Johnson et al., 2013) of the diversity that impacts the board process. 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. Such experiences affect what directors pay attention to and how they frame decisions. Studies have shown that prior industry experience and CEO experience of the directors are positively associated with sales growth (Kor and Sundaramurthy, 2009), and stock market reaction is positively associated with new CEO appointments (Tian et al., 2011). Former CEOs bring executive experience to the board; which serves as a “sounding board” on which the organisation can draw on (Rosenstein et al., 1993: 100). The financial expertise on the board has been found to affect a range of firm issues, including debt strategies (Mizruchi and Stearns, 1994; Stearns and Mizruchi, 1993) and earnings management (An and Jin, 2004). Prior experience in specific activities—such as mergers and acquisitions—influences the role of the directors in such specific strategic actions.

It is widely assumed that the personal attributes of candidates and their fit with the rest of the board are the major determinants of director nominations when a new director is required (Bacon and Brown, 1975; Mueller, 1974; Olson and Adams, 2004; Schlueter, 1985). Following this line of thought, during director nomination process, firms may seek out candidates with specific types of human and social capital (Hillman and Dalziel, 2003; Nicholson and Kiel, 2004). For

instance, female directors often hold advanced degrees, a strong business track record, and/or specialised knowledge and information (Burke, 1997; Burke and Leblanc, 2008; Peterson and Philpot, 2007). Hillman et al. (2002) compare the attributes of female and minority directors with those of white male directors on boards in the Fortune 1000. They find that the female and the minority directors are more likely to emerge from non-business backgrounds and hold advanced degrees compared to their white male counterparts. These directors also tended to join additional boards at a much faster rate than white male directors.

However, little is known from a human capital perspective on how boards try to appoint directors, the reasons directors are selected to be on the board, and the reasons for a director's decision to accept the invitation to join the board (Withers et al., 2012); moreover, related studies in other contexts and countries are few (Johnson et al., 2013). It is evident from this discussion that the identification of directors and the manner in which they are socialised into the boards are vital to the board process. The present study fills the gap in the field by addressing questions on the identification and selection of women directors, the acceptance or refusal of a board position, women's participation process on the boards, and the competencies needed on the board in the Indian context.

### **3 Women on Boards in India**

According to the Corporate Gender Gap Report, 2010, the overall percentage of women corporate employees in India is 23%, which lags behind the figures not only in the U.S. (52%) but also in Brazil (35%). At the senior management level, India figures poorly with only 9% women compared to Brazil's 16% and the U.S.A.'s 28%. Only one in eight management roles and one in twenty senior executive positions are held by women in India (Schomer, 2010). 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) found that there was an overall improvement in the participation of women in directorships—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 and Mahtani, 2010). A study

conducted by *Catalyst* on women on the boards of the top 100 companies listed on the 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 (55.6 years compared to 60.3 years); women in executive director positions had been in the organisation twice as long as their male counterparts (Banerji and Mahtani, 2010).

### **3.1 On-going Research**

A study that is in progress on understanding the gender diversity on the boards of Indian companies (Srinivasan et al., 2013) found that there were 375 directors on the boards of the BSE-30 companies in 2011, 16 of whom were women. One of the women was co-chair of the board. Women and men differed in their levels of education (women were more likely to hold a Master's degree) and age. The average age for women was 56 years as compared to 62 years for men. For women, the most common route to the boardroom was being a company executive (5 women versus 118 men); this was followed by being a family member (3 women and 22 men), and being recommended by a joint venture partner (2 women and 6 men). Out of the 16 directors, 8 were executive directors, 3 were family directors (executive and non-executive), and the remaining 5 were Independent Directors.

Another study on women directors in the NSE-200 companies from 2000–2011 is currently being undertaken by Srinivasan and Bolar (2013). The findings depict that 121 (60.5%) companies have appointed women directors from 2001–2011; 181 women held a total of 227 directorships among these companies (Table 1).

Of the 227 directors, 52% were from the private sector and 48% from the public/government sectors; 28% were from the banking industry and 72% were from other industries. The services industry had the highest percentage of directors (45%) of all women directors.



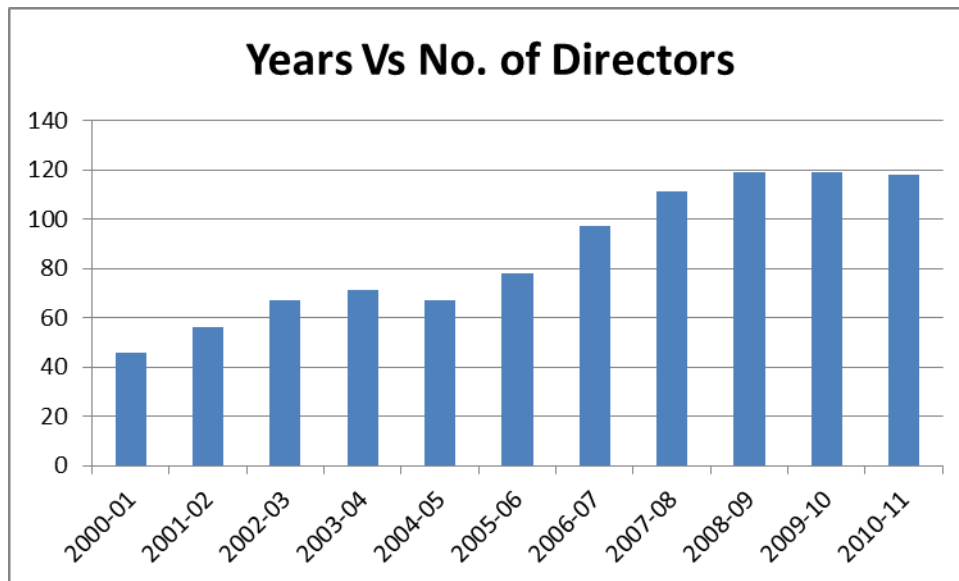
**Table 1: Directorships of Women Directors**

Number of directorships held	Number of unique directors
1	150
2	23
3	4
4	2
5	1
6	1

Source: Compiled by the authors

An analysis of the number of women directors during the period 2001–2011 shows that there has been a steady increase in the number of women directors. There has been an increase of 157% in the number of women directors from 2001 to 2011 (Figure 1).

**Figure 1: Number of Women Directors: 2001–2011**



Source: Compiled by the authors

An analysis of the type of directorships revealed that a large number of women were independent and nominee directors (Table 2).

**Table 2: Director Type and Number of Women Directors**

Type	Total number of directorships	Percentage
Executive	24	10.6
Independent	90	39.6
Nominee	71	31.3
Family/Promoter Non-Executive	24	10.6
Family/Promoter Executive	18	7.9

Source: Compiled by the authors

Figure 1 and Tables 1 and 2 reveal that there has been a significant increase in the number of women directors in India over the last decade. A longitudinal analysis shows an increase in the number of independent directors. However, given the percentage of women directors to the total number of directors, a lot more needs to be done in this area. Similarly, while the number of women holding independent directorships is high—which is likely to support the differentiated skill hypothesis resulting in better oversight on board responsibility—what is a matter of concern is the low number of executive directors who will eventually be the potential and likely candidates for independent director roles in the long run.

Beyond these two studies, very little is known about the demography of women directors on the boards of companies in India and the process of selection, grooming, and participation of women on the boards. The present exploratory study is an attempt to understand the pathways for increased women's participation on boards in India. In particular, the study focuses on understanding the manner in which women were identified for board membership, what their experiences as members on different boards were, how they decided to accept or refuse board membership, what their perceived contribution to the board was, and what they thought were the competencies 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 that have focused on the individual level, and little is known about the

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 context of an emerging economy.

## **4 Methodology**

A qualitative research methodology with in-depth interview was adopted to inductively arrive at the insights and nuances emerging from the exploratory analysis of the phenomena. The authors developed a structured interview schedule that was validated by an international researcher who had prior experience conducting similar research in the Canadian context and is also on several global research committees on women on boards. The inputs received were incorporated into the final interview schedule (Annexure 1).

While the initial 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 the experience of being on a board with other women directors. Two of them were Chairpersons who had inducted women directors to the board during their tenure. The nature of the study required the usage of “theoretical sampling”, where the sample is not chosen randomly but is chosen based on *a priori* identified selection criteria, which would allow for a wide range of experiences to be incorporated into the study.

The sample for our study consisted of a total of 15 directors (11 female and 4 male). The sample had the following characteristics: (a) 4 of the 11 women directors (and 2 of the 4 male 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) of 9 independent directors, one of the directors was a former Chairperson and CEO, one previously belonged to the Indian Administrative Service (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, each of the 15 directors was associated with 3 directorships on an average.

Five of the interviews were conducted in person, while the remaining 10 were conducted over telephone. The average length of the interviews was approximately an hour. We had two outliers, with one interview lasting only for 30 minutes and another stretching for almost 2.5

hours. We largely engaged in a structured interview format deviating from it only occasionally. Depending on the experience and profile of the respondent director, we had differing levels of emphasis on the various sub-sections of the structured interview protocol. The respondents were promised complete anonymity in order to obtain a frank exchange of views on the subject. If the interviewee was comfortable with the interview being recorded, we recorded the interview; on other occasions, we took notes.

The interview protocol had 35 questions divided into the following sections: background; identification; board experience; board process; and insights to increase the woman director pipeline in organisations. In certain instances, we skipped some of the questions/section(s) based on time considerations and the experience/relevance of these questions/subjects to the interviewee.

With the male respondents, we followed the same protocol asking exactly the same questions; however in this case from the perspective of an observer.

## **5 Themes and Findings**

The key findings of the study are presented in the following sections.

### **5.1 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 either the Chairperson or the Managing Director of the company that 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 director's present position. This was particularly evident for the women directors who were CEO/MDs of companies. In two instances, the women directors were on the boards of subsidiary organisations, again by virtue of their current position. In one instance where there was a 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. In the case of the women directors 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 organisation had a formal search process to identify women directors and she was identified and groomed as part of the “talent management process”.

*I honestly don't know how... I mean their Managing Director just came by and he said I think it could be useful to have you on board. ... I said fine ... you know but to be very candid I think what happens these days is that everyone sees that if there is a woman Director stepping off [that] they wanted to be replaced by a woman Director ... so they don't really look at the universe of all women who can come into that position; what they look at is women who can step into that position from Banking and Financial services then again it limits to a smaller group, I think that's really the way that go.*

– CEO and Executive Director

*Again if you look at it is the same if you look at [details omitted], it's a Joint Venture and the Board Composition has always has been 3 from our side and 3 from the JV ... and when I took over this position and I went on to the Board ... I think a logic applied there is how significant and how important is the Joint Venture and from our perspective therefore who should be on Board, so I am on the Board, our CEO is also on the Board and our Head of our Research business which is the business under which the accounts are consolidated and reported in the public domain, so I think it's more ex-officio rather than anything else.*

– CEO and Executive Director, JV

*... somebody called me from the Ministry ... I have worked in the party's “women's wing” for the last 30 years...somebody must have suggested my name...*

– Independent Director, Politician

*... we shared a common director on the board ... I also had known [details omitted], both the common director and [details omitted] led to my being asked if I would join the board.*

– Executive Director, Family member

*The bank had a Talent Search process for identification of board members among the senior executives of the bank. I have been with the bank for over 10 years. So to me it was a natural career progression from being a senior executive to a board member.*

– CEO and Executive Director

When asked why they thought they were identified to serve on the board, the responses of the women directors 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 another mentioned her prior experience in the government sector as the reason for being identified to serve on the board. One independent director thought she was invited to be on the board because of her experience in the North Eastern states of India as well as in a large-scale turnaround context. All the executive directors were CEOs and their presence on the board was attributed to their functional responsibility.

*... my experience in the North East states of India as Chairman of a bank and also my experience of the turnaround of the bank where I did a lot of work on building systems and defining policies in the field of Human resources and change management in the public sector could have been the reasons I was asked to be on the board.*

– Independent Director, Board of a conglomerate

*... basically, I am from the financial services sector—an Insurance company dealing in the same sector ... think that somebody from the sector will be able to help them, as against an example of somebody completely from a different sector. So one could say domain specific expertise.*

– Executive Director, Financial Sector

When asked about the criteria they used to decide whether to accept a board position, the issue typically at the forefront was the quality of governance in the organisation that had made the request, the image of the organisation, the board member who was inviting them to join the board, and the history of earlier board members in the organisation. A few of the respondents specifically indicated that they did their own background checks (which included talking informally to other directors on the board, getting a feel of the reputation of the organisation in the corporate landscape, and verifying with other professional colleagues who served on other boards). One respondent in particular indicated that another important criterion in deciding the appointment was her assessment on whether her views would be taken seriously by the board or whether it was just a “token” appointment. Usually, this assessment was based on discussions with other professionals who had prior experience with the organisation.

*Before joining the board, there are several factors that I take into consideration: track record of the company, how do several key people view the company, reputation, background of the promoters ... old [established] companies are better, who are the other board members. As an independent director, you have a choice on the boards you want to get on.*

– Independent Director

With regard to rejecting appointments, two respondents indicated conflicts of interests associated with their current position and one respondent indicated being overburdened as the reasons for their decision. Two others indicated that they were not convinced about the value that they would bring by being on the board.

*The main reasons for rejecting some of the global board positions are really questions of 'What will be my responsibility on the board?' and 'Do I have the bandwidth to handle the same and do justice to the role?' I do not want to be on a board just for name only.*

– Executive Director

*I have refused offers to be on boards. That is because when I choose a company, the company should have a good track record, should have existed with a reputation for a period of time or they must be involved in something that is purposeful. Otherwise what is the point? I have worked hard to reach here and my credibility and reputation are at stake by arbitrarily agreeing to be on the board.*

– Independent Director

*Director positions are increasingly becoming positions with high expectations and responsibilities. Even as an independent director, the expectations are high, the responsibilities are high; business space is becoming more complex. All positions come with a lot of responsibility and you need to be able to spare the bandwidth for it.*

– Independent Director

As is evident from the discussion above, the process of invitation to the board is a function of the networks that the women have been a part of, and the reason for their presence on the board appears to be driven by their functional, domain, and managerial expertise. All the women directors interviewed have had offers to join boards and have refused. This reflects the demand for women directors in Indian corporations. The reasons for rejection were quite varied.

## **5.2 Board Experience**

Three aspects of 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 the third was 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.

### 5.2.1 How are women treated on 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 taken seriously. Several of the respondents indicated that they held memberships on committees and a few of them also chaired the committees.

However, one of the respondents indicated that she felt intimidated initially, when she assumed the position. This was due to the fact that she was a politician with no contacts with the particular industry and was invited to be on the board—she found the jargon 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 on the board) 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.

As one respondent mentioned:

*It does not matter how many women there are on the board. I make relevant points and I believe my opinion has to be considered since the companies have invited me to be on the board. If you are active and you are using your knowledge in different fields, you will be able to bring in value. If you are seen as a credible person, who brings aspects that are relevant, then usually people listen to you.*

– Independent Director

*I think women should come on merit and participate in a board like anybody else. So I just think there should be more opportunities for women, so I have never [it] found difficult being the only women to say what I wanted to say; but I don't think having more than one woman necessarily makes [it] easier for you.*

– Executive Director

Of the respondents interviewed so far, except for one Independent Director who had no prior experience in the corporate sector, all the other women had professional experience in the sector.



### 5.2.2 Do women make 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) spoke of her ability to sensitise the other members of the board on the difficulties associated with dealing with the loan terms and conditions as far as rural woman are concerned. She also indicated having played an active role in probing the organisation's efforts with regard to this segment of the population.

There were also examples of how the women directors questioned decisions that seemed inappropriate. One respondent indicated that after questioning a decision by the company management that 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—especially skills and competence gained from the public sector and banks, which have a much stronger risk management process—and translated these experiences into the private sector.

*As the Chair of the risk management committee, I support the executive management to examine different kinds of risk. As a member of the Compensation committee, I check whether the individual pay incentives of the senior leaders lead to the right kind of behaviours within the organisation, which aligns with the organisational culture. We also need to check whether we are measuring performance at a firm and individual level correctly to get the right direction for the company.*

– Independent Director

*As a banker, the kind of perspectives you bring about the economy and industry is wide—how businesses are run, how different strategies impact the businesses, understanding corporates from close quarters, financial restructuring and the manner in which it can enable companies, and the huge amount of insights and knowledge that exist in a person by just being in the industry. The risk assessment capabilities—what risks and opportunities exist in the environment—you can relate to any kind of a business, when you are an independent director. You can look at the risk of any business and see how different businesses perform, what turn the economy would take, and therefore, what strategic path the business can take. I think bankers bring this unique perspective of being able to see the economy as a whole to the board.*

– Executive Director

*Actually, apart from a good understanding of the financial domain, I think the prior experience of having built an organisation helped tremendously, but the*

*challenges you know any new organisation faces—whether it is people, whether it is external environment and the regulatory sort of risks—I think one will be able to certainly contribute and share some experiences which helped a lot.*

– Independent Director

Other areas where women brought value to the board included introducing new processes and providing management the required support to change the processes.

*In one of the boards earlier, I found that the executive team was not used to discussing the agenda. In my experience, all items on the agenda are for discussion and debate. I found this to be unacceptable. I was comfortable on the board, but I had to make it known that this was not acceptable. What is needed is a conviction in your beliefs and that one exercises the authority to approve or not approve the process.*

– Executive Director who is also an independent director on another board

### 5.2.3 Do women bring distinct competencies to the board?

Only two women respondents referred to the unique competencies that women brought to the board. When probed about how being a woman would have influenced the company's decisions, one respondent (who was on the board of a fast-moving consumer product company) 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 where the company's logo was tweaked to possibly appeal better to women.

*... so I think the perspective definitely is slightly different, in the way a business opportunity sighting is done, the way some of the consumer decisions [are] done, the way Corporate Governance is given importance ... I think a lot of that is slightly different and I am not saying men are not doing it, but women tend to validate more ... and there are men who try to pick it up ... also will refer to it in the meeting.*

– Executive Director

Another woman respondent (who had been with other women on boards) observed that because women have multiple pressures—both at the workplace as well as at home—most of the senior women leaders have had to navigate an engendered context in organisations as well as the society to reach the current positions that they hold.

*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.*

– Independent Director

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”.

### **5.3 Board Process**

The role of the chairperson of the board in enhancing the 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. One of the respondents 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.

*The Chairperson of the board is a key player in ensuring that women participate effectively at the board level.*

– Executive Director

*On one board, the Chairperson ensured that there was a lot of opportunity for every board member to respond and minutes were documented chronologically. The minutes also mentioned which board member said what and all the pertinent items on the minutes of previous meeting were read and then ratified. One of the important value additions of the directors is to raise the relevant questions and ensure that in the subsequent meeting, the questions have been answered. This process is enabling for women directors to participate but is equally effective for male directors who are hesitant about raising questions to the management.*

– Independent Director, Conglomerate

*Since I was the only woman member on the board and also a politician with no prior understanding of business, the chairperson of the board would talk to me during coffee and lunch breaks seeking my opinion on the issues that were discussed. He would then invite me to share those ideas in the board room. This gave me confidence to present the ideas, and several ideas that I presented got executed by the management.*

– Independent Director, Politician

## **5.4 Increasing the Pipeline**

The need to increase the woman director pipeline was mentioned by all the respondents. However, there were significant differences in the approach towards enhancing the numbers. One respondent emphasised the need for legislation to improve the representation on the boards. On the other hand, several respondents opposed the idea of quotas associated with the participation of women. One of them emphasised that quotas, if properly directed, were inherently not a bad idea; the problem is associated with where the quotas are implemented (i.e., it should not be directed at the very top, but at the entry levels, such as educational institutions), 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 organisation owing to the dropouts associated with women in their child-bearing/rearing ages was a critical issue. Given the 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 organisation needed to be provided from the senior level onwards. This would mean that when key decisions are made in organisations, 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.

*My strength is community development, working with the poor, and the political strategies in the Government. I don't know how companies are managed. There are several terminologies that are used that I am unfamiliar with. How many times can I stop and ask the management team to explain every term? There must*

*be a training provided for people like me who do not come from the corporate sector.*

– Independent Director, Politician

Another director (who was formerly a Managing Director) concurs with the assessment of this director and adds:

*Even with your experience in the corporate sector, if the company is in the power sector, the sector is itself so complex that there is a need for a good education for board members. Unfortunately, nobody does this. I think there should be at least a 2-day orientation of directors on what is the business of the company, the background of the board inducted, and the sector characteristics and challenges that are faced by the sector and the firms in the sector. This is particularly important with independent directors since they have a higher degree of responsibility to understand this, given their non-partisan status.*

– Former Managing Director

All of the respondents mooted the importance of institutions such as IIM Bangalore in promoting the cause of greater participation of women directors on the boards. According to the respondents, there is a pressing need for more director training and the creation of an identifiable pool of women directors who can be tapped for the purpose.

Another interesting aspect that emerged was the role of career planning by women CEOs who are nearing their retirement stage. As one respondent mentioned:

*When male professionals are due to retire, they very consciously plan what they want to do after retirement, and somehow, women professionals do not do that. If the opportunity is provided to them, they are willing to take it up. I haven't seen that conscious planning among women—you know, after 55, I want to be on 5, 6 or 7 Boards. They don't think: 'Let me begin to explore opportunities 2 years before retirement'.*

– Executive Director

This view is supported by an Independent Director who mentioned that one of the male directors who was on her board when she was a Managing Director asked her what she planned to do post retirement. She had mentioned that she would want to devote time to travelling, reading, and spending time with family. He suggested to her that she should do that for six months and then join the board where he was the chairperson.

Another aspect that emerged was the role of mentors in grooming women directors. One respondent (who belonged to the founding family) indicated the benefit she derived from a mentor during the first 18 months of her tenure as chairperson on the board and how invaluable that experience proved to be. In addition, the same respondent recommended that ideally such services would make a difference to the effectiveness with which women could perform their tasks on the boards.

As is evident from the wide range of perspectives on increasing the pipeline of women directors, a multi-pronged approach appears to be the need of the hour. While quotas are needed to provide the impetus for strong action anchored on the legal framework, quotas by themselves are not likely to result in an increased number of women executives or directors. There is a need to supplement the quota with robust training, visibility, and grooming of women executives to hold director-level responsibilities; immediately accessing the pool of retiring women professionals and encouraging them to view a board-level role as part of their professional career journey post retirement are also required.

To summarise, the study revealed six key findings from women respondents.

- The identification of women directors to the board was done through a talent management process, through existing directors, through an executive search firm, through family business ties, or through prior experience on the board of a subsidiary.
- Most women acknowledged that the reason they were invited to the board was because of their functional expertise such as in HRM or finance; their domain expertise such 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. The idea of women bringing unique and specific skills apart from functional or domain expertise into the board room was highly contested; the role of gender-specific skills was seen as a part of the social context of women in India and this requires further investigation.
- The criteria used by women for accepting a board membership included the quality of governance in the organisation that had made the request, the image and reputation of the

organisation, the individual director who was inviting them to join the board, and the history of board members in the organisation.

- The reasons why women refused board appointments were conflicts of interests, work overload, and the inability to see their contribution to the board.
- Apart from this, the respondents had very positive experiences in the boards, and in particular, mentioned the key role of the chairperson of the board 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.
- Finally, the respondents agreed 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 the identification of women early in their careers and providing visibility, grooming and developing competencies to take on director-level roles, and creating a career-planning process for women in public sectors and banks who are retiring/close to retiring so that they can serve as directors on boards.

## **5.5 Themes that Emerged from Discussions with Male Directors on Boards with Women Directors**

We spoke to four male directors who had been on several boards that had one or more women directors. In their opinion, women brought distinctive competencies to the boards that they served on. Three of the male directors interviewed were either current chairpersons/CEOs or ex-CXOs of large listed companies and had served on boards for an average of 12 years. Comparing their experience on all-male boards and boards with women provided some interesting findings.

Regarding the selection process, since two of them were chairpersons who inducted women on the boards, they explained the manner in which boards went about bringing in women.

According to one respondent:

*There are three ways that directors are identified to serve on the boards. First, the chairperson proposes some names; usually they are a part of the circle of contacts and known to several members. Usually, these are accepted.*

*In the second case, a nomination committee is set up which decides on the characteristics that are needed; e.g., 'A finance person is retiring so we need someone with that experience'. Then, the committee identifies and shortlists candidates through networks and references.*

*In the third case, the board identifies the characteristics and the requirements are handed over to an executive search firm, which then identifies the prospective women candidates. This happens in very few cases.*

*Usually, when diversity is accepted as necessary in the board, the retiring male director is replaced with a woman director with a similar background.*

– Chairperson of board

Another respondent, who had the mandate to make his board diverse about ten years ago, added:

*We have always had nomination committees to identify directors. The committee was advised to increase the number of women directors on the board each year. The MD and the senior executive team were active in identifying women directors proactively to join the board. We were (over three years) able to increase women on board from 1 to 4. For every retirement, we had identified both men and women and, in general, the thumb rule was that if there was a competent woman and man for a position, we would bring the woman on board.*

– Chairperson and MD

It is clear that when organisations are shortlisting women for the board, the criteria for shortlisting women appear to be their professional competence and experience.

Only one male director had experienced rejection of an offer to join the board from a highly sought-after woman director, who felt that the board position was not commensurate enough with the time she needed to invest on it.

## **5.6 Do Women Bring in Differentiated Competencies to the Board?**

The difference between the women and the men respondents in answering this question was significant. All the male respondents mentioned that women brought in distinctly different competencies.



*Women do bring in slightly different perspectives compared to male directors. In the two areas that I have observed, on customer issues in particular in the retail environment – issues related to confidentiality of information or social impact of a decision that is being made in the context of the business – they usually bring in these issues.*

*On human resources and in particular on compensation, they bring in slightly different perspectives – they identify the constraints, challenge the philosophy and ask some key questions on the why and how? On compensation committee, they ask several questions on potential and the compensation made to board members.*

– Chairperson of board

*Even one woman on the board makes men behave like ‘gentlemen’. When women speak, men have to listen and not interrupt. They are forced to be polite and there is a drop in aggression. Women also do not hesitate to question things that they are not able to understand or are uncomfortable with. They tend to be more conscientious when they commit their time for the day of the meeting. They are present till the last agenda is discussed. This often means that men are forced to discuss and make comments on the questions raised and this in turn results in a better discussion. Having been on boards with one, two, and three women, I have observed this across all the boards.*

– Chairperson of an MNC board and the board of an Indian listed company

*Women directors in general take their board responsibility more seriously than men, because the number of boards they are on is lesser than that of men; even otherwise, I find that they are quite well prepared. In my experience, women perform very well on committees. Since the committees tend to be smaller in size compared to the board, and if the competence and the perspective the women bring is tied to an area of expertise needed on the committee like risk, audit, nomination, etc., they are very actively engaged in this process.*

– Chairperson, family board and board of an Indian listed company

All of them agreed that some chairpersons have the capacity to be more inclusive and have the capacity to manage the dynamics of a diverse board more effectively. They were unanimous in this opinion and gave several examples of chairpersons they had been on boards with who could facilitate a diverse board effectively. Some of the characteristics that such chairpersons possessed included the ability to establish personal contacts with every member of the board; the ability to mitigate discomfort and tensions that any board member experienced; a willingness to allot time to discuss any issue that unexpectedly surfaced during the discussion that elicited strong reactions; the ability to ensure that such key items found a place in the next agenda; the

ability to get the minority members (whether they are women or nominee directors) to present their views through a sub-committee of the board; the ability to ensure that all members speak at every board meeting by deliberately calling out to their professional identity; and finally, the ability to create a collegial atmosphere of openness through meaningful conversations and strong action agendas.

It is evident from the interviews with male respondents who had held chair positions on boards that there are unique competencies to the board. However, there are similarities in the perceptions of the male and female respondents about the functional expertise needed for women to be on boards, the role of the chairperson in facilitating women's participation on the boards, and the selection process to the board. This allowed the corroboration of the findings of the study.

## **6 Discussion and Conclusions**

The objectives of the present study were to understand the experiences of women directors on boards in the Indian context, how were they identified to serve on the board, the criteria used by them to accept or refuse board positions, the inclusion and board participation processes used to leverage their competencies, their perceptions of how they influenced the board process, and finally, the competencies needed to be effective on the board. Our exploratory study contributes to the field of human capital management and the subject of women directors in four different ways.

Firstly, we noticed that the identification of women directors is largely a non-structured, idiosyncratic process. However, social capital—which includes the individual's network ties, individual reputation, and parent firm and other board reputations—is a critical aspect of director identification.

Secondly, the reasons why women accepted board positions were the quality of governance in the organisation that had made the request, the image and reputation of the organisation, the individual director who was inviting them to join the board, and the history of board members in that organisation. Our study provides support for the Lorsch and MacIver (1989) report that directors accept an offer to join a board based on (a) quality of top management, (b) opportunity

to learn, (c) challenges as director, (d) prestige of the firm, (e) potential growth of the firm, (f) opportunity to work with board members, (g) personal prestige, (h) compensation, and (i) major stock ownership. According to the Lorsch and MacIver report (1989), the reasons why women refused director-level positions included (a) lack of time, (b) meeting conflicts, (c) conflicts of interests, (d) the feeling that they could not play a useful role, (e) lack of interest in the firm's industry, (f) uncertainty about firm's future, and (g) personal liability. Our research supports the findings of the study on all aspects except for personal liability, which did not emerge as a factor for refusal to accept a board membership. However, in our study, the ambivalent corporate reputation of a company was a reason for refusing offers to join the board. As Withers et al. (2012) note: "Research on director selection has offered a number of insights into the antecedents of the selection of a new director. However, one fundamental question still remains unanswered: Why do certain individuals accept board appointments?" Finkelstein et al. (2009: 253) suggest: "[T]he process of being offered, and accepting, a board appointment is still not well understood." Our study provides some insights into the process.

Thirdly, the role of the chairperson of the board in enhancing the participation of the women board members is a key finding of the study. Very few scholars have explicitly examined the role of the chairperson in the board processes (Cascio, 2004). Some authors (e.g., Gabriellson et al., 2007) noted that the positive team leadership attributes of the board chairperson were positively related to a constructive team production culture in the boardroom. Our study contributes to the identification of the key qualities of chairperson of boards that contribute to creating an enabling process on the board for increased participation on the board.

Fourthly, our findings related to the key competencies that women directors bring to the boards are similar to the findings of the existing literature on director competencies. Earlier literature in the field identified 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 as the key competencies that directors bring to the board (Johnson et al., 2013). Our findings suggest that the competencies that women bring to the board could be broadly classified into technical, domain, and managerial competencies. Research has frequently considered the role that incumbent CEOs play in director selection. Director selection is one way in which CEOs can "acquire and institutionalize discretion" (Tosi et al., 2003: 183). However, in

our study, there was not a single respondent who mentioned the role of a CEO in their identification and selection process to be on the board. Further research is needed to investigate whether the identification of a woman director is largely done by male directors on the board or whether CEOs play an informal role at an earlier stage by providing relevant information on potential women directors to the board but do not play an active role subsequently. This aspect requires further investigation in the Indian context.

## **6.1 Implications for Policy and Practice**

There is increasing pressure for countries to demonstrate their commitment to gender diversity. Among emerging economies, India's performance on the gender diversity front has been poor and is 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 such a way that organisations 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 the true participation of women. A 10-year time frame to implement gender diversity in organisations with disclosures in the annual report of the number of women executives and senior leaders along with director-level appointments could result in the deepening of women's participation in the workforce, and ultimately, at the senior levels and on the board.

Firstly, several actors need to facilitate a more effective process of identification of women directors. In our interviews with experts, it consistently emerged that there is no shortage of competent women professionals in India across a variety of spheres. However, several of these women are not in the business sector. Given the information asymmetry that exists among competent women professionals who are present in other spheres (such as development, media, law, politics, art, culture, and sports) and do not have access to commercial organisations, it is

likely that corporations are focused on a narrow talent pool, thereby fostering the perception that there is a scarcity of women professionals.

Secondly, there is a need for an effective director assessment process. Mid-career women with high potential should be identified at the firm level, and adequate exposure and grooming need to be provided for such identified directors. There is a need for training and development of women directors. Once women with high potential, competence, and willingness to be on boards are identified, systematic training over a 3-to-5-year period needs to be provided to these identified directors. Relevant functional expertise areas can be identified and training in those areas can be provided. Several shadowing and mentoring processes can be structured under key male directors who have a track record of grooming women directors. This process is likely to result in building a pool of effective directors who can serve as the desired pipeline for organisations. Existing executive directors can be groomed during their tenure to be independent directors in non-competing industries. This can be done as part of their personal development process tied to the HR strategy of the firm.

Finally, more structured interventions from organisations such as *Catalyst* and other women's network organisations and executive search firms could hasten the pace of potential assessment. Business schools can provide platforms for the education of women directors. The mandate to have at least one woman director on the board of a certain class of companies in the recent amendments to the Companies Bill provides an opportunity to enhance the supply of women directors. A multi-stakeholder approach could result in increasing the participation of women on boards.

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## **Annexure 1**

### **Interview Questions**

**Please note:** *In case you have served on multiple boards, please do indicate differences in your experiences in the various boards.*

*We would be grateful if you could enter your responses in the spaces below the questions that follow. Please do use as much space as you require. Thank you very much.*

#### **Section A: Background**

1. How many boards have you served on?

*Please include listed and unlisted entities but not trusts, etc.*

2. Please provide a chronological listing of the boards, starting with the first board. Please mention the number of terms that you served on the respective board.

3. Were there any other women on the board(s) when you served? If yes, how many women directors were on the board(s)?

4. What kind of director were you in the various boards that you served on?

*Please list multiple boards separately.*

5. Executive/Non-Executive/Nominee/Independent/Other?

#### **Section B: Identification**

6. How were you identified to serve on the first board?

*Please describe the process by which you were invited to serve on the board. For instance, who recommended or approached you?*

7. Why do you think you were chosen to sit on the board?

*Please describe your thoughts on this.*

8. How did you view this role?

*Please describe your thoughts on this.*

9. What was in your mind when you made the decision to accept or reject the position?

*Please describe your thoughts on this.*

#### **Section C: Board Experience**

10. How were you treated on the board?

*Please describe your thoughts on this.*

11. What perspective/value did you think you brought to the board?

*Please describe your thoughts on this.*

12. What were the skills and competencies that you possessed that were of use as a member of the board?

*Please indicate specific instances of how you believe these skills/competencies furthered the discussion of issues in the board meetings.*

13. How do your personal and professional aspirations shape your role as a director?

*Please describe your thoughts on this.*

#### **Section D: Board Process**

14. How active were you in the key decisions made by the board?

*Please indicate examples of actions pursued by you while on the board.*

15. What was the nature of participation of the other board members?

*Please illustrate with examples.*

16. Were you a member on any of the committees? If yes, what role did you play in them? What was your experience on the committees?

*Please indicate the nature of the committee (for instance Audit, Nomination, etc.).*

*Please also list each of the committees.*

*Please indicate if you chaired any of the committees.*

17. If there were other women on the board, what differences did you see in the board process?

*Please indicate what you believe resulted in the differences*

18. In case there were no other women on the board, do you think there would have been a difference had there been other women on the board?

19. What do you think were the other women directors' contribution?

20. What do you think are the opportunities and challenges for women on boards?

21. Compare and contrast your experience on different boards.

*Please contrast your experience across multiple boards.*

22. How long did it take for you to be comfortable on the board?

*Please indicate some incidents related to how you became comfortable.*

23. On the boards you have been involved with, has there been a role for the chairperson of the board and/or the CEO in relation to facilitating your being comfortable on the board?

24. Do women face any particular obstacles that prevent them from reaching top jobs?

25. Does the presence of women in boards lead to increased women in the pipeline?

26. When you joined the board, were you provided any education, orientation, or training related to your roles and responsibilities as a board member?

27. How does one identify women directors? How does one groom them?

*For instance, based on your experience, are women directors on internal board positions given adequate opportunities/support to be groomed for statutory board positions?*

28. When women from other spheres (non-business) are invited to join the board, how does one provide them the necessary business perspective needed to perform their statutory responsibility effectively?

### **Section E: Implications on Firm Performance**

29. Will having more women in boards make a difference with regard to firm performance? If yes, why? If not, why?

30. Do you think there is a relationship between the presence of women directors in the board and firm performance? Why?

31. On the other hand, do you think the performance of the firm influences the presence of women directors on the boards of firms? Why?

32. Which do you think is more plausible of the two relationships indicated above? Why?

33. Do they think women appointments are driven by factors other than those that drive the appointments of male directors?

*For instance, does the sector/industry in which the company operate make a difference?*

### **Section F: Miscellaneous**

34. In case you are a director from the promoter's family, how was the engagement of the family in preparing for the board role? What and how did you learn? How did you imbibe wisdom from experienced professionals?

*Please describe your thoughts on this.*

35. Are there any other observations you would like to share with us?