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The Corporate Equation: Cultivating Women's Voices, Visibility, and Influence

Abstract

India's corner offices remain dominated by men, with women occupying just 10% of executive roles in the top 200 companies despite comprising half the population. This stark gender imbalance persists due to deeply ingrained cultural barriers and lacklustre enforcement of legal mandates requiring women directors. However, data unambiguously shows gender-diverse leadership tangibly improves financial performance, governance and ethical decision-making.

Norway's pioneering legislation enforcing 40% representation coupled with strict sanctions like potential shutdowns for non-compliant firms provides key lessons for India to urgently prioritize meaningful gender inclusion. Token appointments of influential 'golden skirts' holding multiple directorships compromise true diversity of thought. India needs to move beyond performative gestures towards frameworks facilitating merit-based selection and participation of women leaders.

The business case for diverse leadership is clear - gender balance boosts the bottom line. Hence, promoting women in impactful roles is not just socially responsible but commercially prudent. It's time for India Inc. to step up and genuinely empower women leaders by creating inclusive ecosystems that tap into their myriad talents. Gender diversity in leadership is an imperative, not an option.

The Corporate Equation: Cultivating Women's Voices, Visibility, and Influence

In India's corner offices, a glaring gender gap persists – women comprise half the population yet occupy a fraction of senior positions, staring back from diversity reports. To catalyse change, the Companies Act 2013[i] mandated appointing woman directors, seeking to harness multifaceted perspectives that boost decision-making, risk management and financial performance. Yet despite legal provision, paltry representation spotlights the need for an environment shift – from token appointments to genuinely valuing women leaders.

This inequality extends to India Inc’s upper echelons - women hold just 10% executive director roles among top 200 listed companies, contrasting with 27% independent directors. While over 10% women lead Fortune 500 boards, disparities remain, underscoring the critical need for inclusive policies tapping diverse talent that strongly correlates with success.[ii] This isn't just about numbers but about realizing the wealth of talent and perspectives gender diversity offers. Data shows unambiguously that diverse leadership boosts organizational excellence. Hence moving from numeric representation to further empowering women leaders to meaningfully contribute is an imperative.

The Diversity Dividend

The statistics compellingly show gender-diverse leadership tangibly boosts financial performance - a 10% increase in women leaders directly correlates to a 3.5% rise in earnings (McKinsey)[iii]. Research by Pew also quantifies women's superior skills in key areas like honesty and creativity.[iv]

Importantly, women's inherently inclusive leadership, stemming from qualities like prudence and holistic thinking, shapes collaborative cultures where both employees and enterprises prosper. Their care and diligence strengthen governance and oversight. Appointing more independent women leaders taps into this diverse skill set, enabling sound and ethical decisions crucial amid increasing societal expectations on corporations.

The data is unambiguous - gender parity, particularly at senior levels, delivers measurable business results. Given the competitive edge diverse leadership offers, appointing more women in impactful roles is a commercial and ethical imperative for any enterprise seeking to sustainably grow amid today's business landscape.

Gender Diversity - An Imperative, Not a Box to Tick

India's pursuit of board gender diversity faces deep-rooted socio-cultural barriers that impede substantive progress. Despite mandates for woman directors, most companies adopt token appointments, with 60% Nifty 500 firms having just one. The prevalence of "golden skirts" holding multiple directorships and familial links influencing appointments compromise independence and diversity of thought.

A glaring issue is familial connections driving board appointments rather than merit-based selection, with family members of promoters or executives often appointed. This hampers genuine independence and diversity of perspectives in boardrooms.

Moreover, the ingrained societal view of women as caregivers, not leaders, continues to propagate the glass ceiling. This cultural bias, together with limited professional networking and unconscious gender biases in work settings inhibits advancement.

Necessary shifts involve moving beyond token representation to facilitating inclusive environments where women meaningfully contribute and lead based on merit. Progress requires ecosystem change from performative gestures to empowering women, harnessing the diversity of thought pivotal for organizational prosperity.

Norway's Carrot and Stick Approach: A Model for India?

Norway has been a pioneer in mandating gender quotas for corporate boards. In 2005, Norway became the first country to introduce a requirement for 40% representation of each gender on boards of listed companies.[v] This ground breaking legislation inspired other countries and regions like the EU to pursue similar measures. In December 2022, Norway proposed new legislation that could potentially shut down large private firms that fail to meet the 40% threshold for women's representation on boards.[vi] This signals Norway's firm commitment to enforcing gender diversity in leadership roles.

A key lesson from Norway is the effectiveness of negative incentives and strict consequences for non-compliance in accelerating change. The threat of delisting compelled companies to urgently prioritize gender balance on boards. This negative incentive symbolizes that the country considers gender diversity legislation not just a formality but an imperative tied to the fundamental continuity of operations of recalcitrant firms. In contrast, India mandates at least one woman director on boards but has less severe penalties for non-compliance. India could gain from infusing urgency by elevating repercussions for non-action beyond nominal fines towards sustainability.

In Norway, the nomination committee, as per the Code of Practice, prepares board member elections by assessing independence and shareholder alignment. This systematic vetting and recommendation process promotes transparency in selection ultimately aimed at enhancing board effectiveness. In contrast, India mandates at least one woman board member for listed companies but lacks explicit nomination committee requirements. The absence of a structured nomination committee mechanism in India's regulatory framework has enabled token appointments of few influential "golden skirt" women directors rather than meaningful inclusion.

Turning Intent into Impact

In conclusion, while India has made some progress mandating at least one woman on corporate boards, genuine gender inclusion requires more extensive change. India should reassess regulations to mandate the appointment of at least one independent woman director rather than any woman director, ensuring objectivity and merit-based selection. This adjustment can significantly mitigate the prevailing issue of 'golden skirts,' where influential individuals hold multiple board seats through familial ties, often at the expense of impartial decision-making. Furthermore, implementing diverse nomination committees responsible for transparent vetting and recommendations for board appointments promotes tapping talent from a broader pool.

Additionally, the overall mandate needs elevation beyond the token level of one woman director to at least 30-40% over time, aligned to more progressive global benchmarks.

However, India's limited penalties of fines for non-compliance lack teeth. In contrast, Norway's stringent sanctions, including the potential shutdown of non-compliant firms, underscore the gravity and seriousness attached to gender balance legislation. Sharper repercussions in India can similarly provide impetus for urgent action.

Voluntary initiatives around mentoring, training, enhanced parental leave and returnships can complement regulatory action. But embedding legal requirements with strict oversight provides structural impetus for genuine pursuit of inclusive leadership versus performative minimum compliance.

Embracing and championing equitable leadership practices remains a shared responsibility. It's time for major Indian corporations to wholeheartedly commit to and prioritize genuine gender inclusivity in their leadership.

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[i] THE COMPANIES ACT, 2013

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