For most Indian companies, diversity in boards is still a myth

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DIVERSITY IN BOARDS STILL A MYTH

DESPITE THE MANDATE TO HAVE AT LEAST ONE WOMAN INDEPENDENT DIRECTOR, ONLY 18-19% OF LISTED COMPANIES HAVE FEMALE REPRESENTATION ON THEIR BOARDS. IS INDIA INC. TAKING DIVERSITY SERIOUSLY?

BY AJITA SHASHIDHAR

ILLUSTRATION BY ANIRBAN GHOSH

HEMA MATHUR (name changed on request), chief human resources officer of a global logistics conglomerate, had long aspired to serve as an independent director on the boards of leading companies. But she never managed to secure one, until she got a call from an entrepreneur friend from Jharkhand, who offered her an independent director position on the board of his SME-listed company (which was into the business of staples).

Hema agreed almost instantly. But within months, her excitement turned into disappointment. The CFO of the company—also a board member—told her she was a diversity candidate, who had to attend meetings, but had no advisory role whatsoever.

A few quarters later Hema relinquished her board role. "I didn't want to hold a position as a diversity candidate, even though the remuneration was lucrative. Each time I tried to add value, my voice was ignored," she says.

The company appointed a female director merely to satisfy board diversity requirements. It was a ticking-the-box gesture. Her competency as a professional hardly mattered. Most Indian boards are old boys' clubs, and this one was no different.

India Inc. has myriad women leaders aspiring to make it to boards of companies, but they aren't able to. And what is ironical is that there is an acute shortage of independent directors in general. According to Prime Database, 61 Nifty 500 firms have 118 vacant board seats, while 225 vacancies exist across 143 NSE-listed companies.

Where's the gap? There aren't enough women contenders. Almost 50% of the Indian population comprises women, but few make it to the white-collared workforce, and even fewer make it to the top.

"It is assumed that people who sit on boards would at least have CXO, if not CEO-level experience. They are also expected to hold P&L roles. The sheer number of women in those roles is much less," points out Sonal Agrawal, managing partner at executive search firm Accord India.

Because of the Companies Act 2013, which mandated corporations to have at least one woman independent director, women's representation on boards increased to 19% (according to CFA Institute India's 'Mind The Gender Gap' report). However, there are listed firms that still don't have a woman director, but get away by paying a fine.

"It's more a reflection of the human being and work ethics of that corporation," says Smriti Irani, former Cabinet minister. "If a corporation has come to terms with the fact that it would pay the fine rather than do what is right, what is constitutionally mandated, it is an insult to the corporate ecosystem and the mandate of Parliament."

CXOs like Hema Mathur, despite being highly valuable resources, are either not able to make it to boards of organisations because they don't hold P&L roles, or are simply ignored. Most organisations prefer to hire from a smaller pool of women leaders who are frequently seen on boards. Alpana Parida, founder & CEO, Tvarra, a helmet brand designed specifically for women, is on the boards of Nestlé India, Hindware, Nexus Malls, Moneyview and Cosmo Films. She gets at least one board offer a month, which she turns down as her entrepreneurial avatar barely gives her time. But if she suggests a woman leader who is competent, but lesser-known, it often gets shot down.

"People who are hiring need to cast their net wider and give an opportunity to first-time members. They are looking for someone already on boards of other companies... Breaking into this circuit is increasingly difficult," Parida points out.

UNDER-REPRESENTED, AND HOW

The starting point is the leaky pipeline in organisations," says Shyamala Gopinath, former deputy director, Reserve Bank of India (RBI). "If there are more women in the organisation, they will get appointed to boards too. It's natural. Organisations not only need to hire more women, but also ensure they get exposed to P&L roles. That is where the nudging should be done," she adds.

Over 30% of women professionals exit the workforce by the time they enter middle management. Women at CXO levels managing P&Ls aren't too many either. If one were to look at the universe of Fortune 500 India companies, only 12% have women in leadership roles. While the percentage of woman chairpersons is 7.6%, one gets to see fewer woman MDs (4%). Woman CEOs make up just 0.4%.

The CFA Institute's 'Mind The Gender Gap' report also points out that the representation of women in key managerial positions is barely 10-12%. And that's what is leading to the lower number of women on boards. "Organisations are thinking about inclusion at the board level mainly due to regulations. They are required to create that push," says Arati Porwal, senior country head, India, CFA Institute.

Does India also need regulations to have more women in key managerial positions? Rules help only up to a point, feels Suresh Narayanan, former MD, Nestlé India. "Organisations need to understand that having a balanced representation of men and women makes business sense. I set an ambitious goal of having 50% representation of women in our board in 2015-16. Having a storied quality of people on the board helped us to become more attractive for other women leaders to consider joining our board. Also, if we are professing to be a company of choice for diversity, it should start from the top. You can't have a board of directors with just one woman."

GOOD FOR BUSINESS

A recent mckinsey report endorses the point that gender-balanced boards and organisations make for greater business sense. According to the report, companies in the top quartile of 'diverse boards' are 27% more likely to outperform financially, compared to those in the bottom quartile. For every additional woman added to a 10-person corporate board, there is an average two-point increase in holistic impact scores, which include environmental, social and governance (ESG) metrics. The report also says companies focussed on diversity at the board level tend to project a stronger stance on inclusive growth, and have higher overall representation of women throughout their senior management ranks.

To prove that adequate women's representation in leadership roles as well as on boards is indeed good for business, organisations need to move out of the compliance mindset. "If it is directly linked to organisational objectives, including profitability, then obviously companies would take note of it irrespective of whether compliance, regulations or reporting standards exist or don't exist. Understanding this actually makes business sense, which has not dawned upon most organisations," says CFA Institute's Porwal.

Narayanan illustrates how having a gender-balanced board helped the company steer out of the Maggi noodles crisis in 2015. "During the Maggi crisis some of the ad campaigns we did came out after discussions with our woman directors such as Rama [Bijapurkar] and Swati [Piramal]. They understood the psyche of a woman who will serve Maggi to her children, the assurances she would need before she gives the product to the child. Not that all men are incapable of this thought, but it is just that women get it naturally," he explains.

The former Nestlé India MD also credits women board members for the company's progressive people policies, which he claims helped the company attract high-quality talent.

A CHICKEN-AND-EGG SITUATION

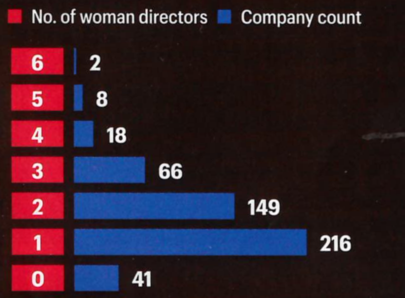
On one hand there aren't too many women in CXO roles managing P&Ls and on the other hand, many boards don't want to invest in grooming women members. "Many organisations want to have good woman directors, but they are not willing to make the effort to find newer women or induct a woman who they know is competent, but has never been on any board. It's a lazy heuristic which operates in people's minds, which is sad," says Apurva Purohit, former director, Jagran Group, and co-founder, Aazol, a food and beverages firm with a specific focus on the ready-to-eat and ready-to-cook segments.

Today, independent directors (both men and women) face immense scrutiny, personal liability, and risk of investigation due to strict corporate and criminal laws. Since legal risks often outweigh remunerations, many qualified executives decline or prematurely resign from board positions, leading to the shortage of independent directors. To add to this, the reluctance of some promoter-led businesses to have women on their boards and the difficulty of breaking into the old boys' club come as a double whammy for women leaders.

Organisations such as Aspire For Her and even the likes of CII and

WOMEN ON BOARDS

A study of Fortune 500 India companies shows there's miles to go.



The woman director count is based on the latest available board composition disclosed for the respective financial year (FY26 or FY25, as applicable).

Note: Only companies with available board/top management data from the database provider have been considered. A woman director count of zero may reflect actual board composition as of the reporting date or, in certain cases, data availability/reporting limitations, temporary vacancies, delayed appointments, or applicable regulatory exemptions.

SOURCE: CAPITALINE, BSE

19%

FEMALE REPRESENTATION ON BOARDS IN FY25, A MARGINAL INCREASE FROM 18.4% IN FY23. THERE WERE A TOTAL OF 2,838 BOARD POSITIONS IN FY25, A REDUCTION FROM 3,000 IN FY24

KPMG have been conducting board certification programmes for women. But it hasn't really helped them get plum board roles. "If you are a first-time candidate and you think you will get to the Hindustan Unilever board, it's not going to happen. You have to start with a small SME board, get your experience, bring some credibility, then people will start calling you," explains Accord's Agrawal.

Most existing women board members are on the verge of completing their 10-year tenure. What is India Inc. doing to build the next pipeline of women board members? The answers are far and few. "If the funnel (women in CXO roles) is not there, how will you get them on boards?" asks Monica Agrawal, chairperson and country head, Sheffield Haworth. Her executive search firm recently expanded its search strategy. "There are lots of academicians coming in, as well as bureaucrats and people from the social sector. A board needs all kinds of skills, so we are dealing with it by expanding the domains, so that we can get more women board members."

COMPETENCE VS DIVERSITY

Yes, getting a man as a board member is an easier choice for most companies, but the needle has begun to move, says Purohit of Aazol. She is on boards of five companies (Marico, L&T Technology Services, L&T Realty, Leela Hotels and Naveen Flooring) of which three companies have more than one woman director. "Many of the boards today are looking for competence. They welcome diverse opinions. Every year there is some crisis or disruption, so boards need good advice. Between a competent man and woman are they still selecting the competent man? That continues to be a debate."

For the woman board aspirant there are certainly more odds. She may be far more competent than her male counterpart but she has to go the extra mile to make her presence felt. But there are progressive companies as well, where having a gender-balanced board is no longer a ticking-the-box; it's a necessity. The challenge for women is how to get on to these boards.

"People have to open their minds to the fact that women will contribute to the boards. If you remove bias and pick people who are competent, you will have enough and more representation of women," says Tvarra's Parida.

Is joining the board of an NGO a good start? The opinion is divided. "Have you ever heard someone telling a man, please get trained in an NGO to get into a corporate board? Women are forever over-trained and underutilised," points out Priti Bajaj, executive vice president, Schneider Electric. The composition and responsibilities of the board of an NGO, according to Bajaj, are quite different. "They don't operate like a company board. The motive of an NGO is community focus. It's not about corporate or shareholder value. The two are not commensurate. The thrust on the strategic direction of a business, how to evaluate the strategy of a company when AI is disrupting the organisation, these are things which are commercially oriented, which you don't get if you are on the board of an NGO," Bajaj explains.

Her advice to women board aspirants is to look at smaller boardrooms. "Don't go for a listed board, because it is hard to balance, especially if you are in CEO/CXO roles. If the board has an advisory committee, you could begin your board career with that. It is not compliance driven, so you can actually learn the ropes. The time commitment is not as much in advisory committees," Bajaj says.

Gender-balanced boards are the need of the hour. However, companies need to get women on the basis of their competence, and not gender. A company's board needs to mirror its consumers and the mirroring can't be done through the lens of compliance. "Affirmative actions get in the way of merit, women who are genuinely meritorious get clubbed as affirmative action hires, and that's unfair on women as well as business," says Parida.

Organisations need to shed their patriarchal mindset. They need to groom women leaders because they are competent and would add significant value to their business. The leaky pipeline has to be fixed. F

OF HITS & MISSES

- Real estate has the highest female representation, improving from **24.4% women directors** on boards **in FY23 to 27.7% in FY25.**
- **It is followed by healthcare,** which also saw steady increase in female representation on boards during the same period.
- Most other sectors, including IT, consumer staples, financials and industrials, **have seen only marginal or no change in female representation** on boards.
- The energy sector continues to lag, with female participation dropping from **15.7% to 10.2%,** the weakest performance at the board level.

SOURCE: CFA INSTITUTE INDIA'S 'MIND THE GENDER GAP' REPORT