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8. Gender Diversity in Organisations: The Psychological Issues

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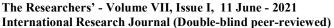
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Abstract

Gender diversity is one of the most important governance issues presently faced by modern organisation. Better corporate governance can be achieved by having women on the Board of Directors, and subsequently, this may translate to competitive advantage. Studies have reported that more number of women directors on the board adds value and variety to the organisation. This paper is based on secondary sources and intends to provide a comparative perspective on women's leadership positions in the corporate boards. The paper highlighted the psychological issues involved with their underrepresentation across organisations throughout the world. It has been found that motherhood and balancing work-home responsibilities are the biggest challenges faced by women towards their career progression. The introduction of the quota, flexible working hours, appropriate service conditions is some of the measures that can be adopted by organisations to ensure more participation of women in corporate boards.

Keywords: *Gender, Diversity, Women, Odisha, Dhenkanal, Leadership*

Background

The board of directors is one of many internal governance mechanisms of the organisation. It ensures the interests of shareholders and managers, keeps an eye on the performance as well as control or gets rid of ineffective management teams. Although there has been mixed evidence and constant debate regarding the effect of board composition on corporate performance, diversity of board membership is still considered desirable for two important reasons. First, diversity of group membership increases discussion, the exchange of ideas, and group performance. Diversity has been advocated as a means of improving organisational value and performance by providing the board with new insights and perspectives. Second, if the function of the board is to protect the interests of the corporation's
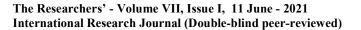
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stakeholders, then it is reasonable that the board should comprise members that are representative of these stakeholders

Diversity is a significant factor in making better not just the quality of an organisation's leadership and decision making, but also influence by and large its financial, environmental, social, and governance performance, and ultimately, the organisation's sustainability. Some of the other advantages of board diversity are a better understanding of the marketplace, increased creativity and innovation, and effective problem-solving. Further, board diversity can uphold more effective global relationships and augment board independence as people with different gender; ethnicity or cultural backgrounds might ask questions that would not come from directors with more conventional backgrounds. Gender diversity is one of the most important governance issues presently faced by modern corporations.

The boardroom is the place where strategic decisions are made. It is therefore vital that boards are made up of competent high caliber individuals with a mix of skills and experiences. Board appointments must consider merit, with the best eligible person getting the job. Research has shown that women constitute a significant untapped source of new managerial and executive talent. In 2007, global consulting firm McKinsey & Company published Women Matter: Gender Diversity - A Corporate Performance Driver. The report examined the role of women in business and found a direct relationship between a company's performance and the number of women in its executive team i.e. more women in the team, the better performance of the company. The study showed that companies with more than three women in senior management positions attain more highly, on average, for each organizational criterion of "excellence" than companies with no women at the top. McKinsey found that women apply several positive leadership behaviours more often than their male counterparts. But, even though women achieving the highest qualifications and leadership positions in many walks of life, records show the poor representation of women on boards, relative to their male counterparts, has raised many questions.

Against this background, this paper intends to a) what values women add to corporate governance?

b) Quantitative position and qualitative analysis of women's contribution in the corporate boards;

c) The psychological issues involved with the under-representation of women in the corporate boards;

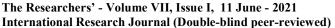d) Some suggestions for gender-neutral corporate boards.

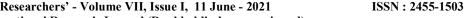**What values do women add to corporate governance?**

It is believed that women on the board can increase a corporation's value. The advantages of having women on board may be viewed from two aspects. First, women are not part of the "old boys" network, which allows them to be more independent. Second, women may have a better appraisal of customer behaviour, the needs of clients, scope, and opportunities for companies in fulfilling those needs. A study at the Business School, the University of Michigan examining the stock value and earnings growth following initial public offerings (IPO) in the USA found that in companies with senior female executives the IPOs were notably more successful.

Further, it is argued that women bring different resources and external relationships to the board, which also enhances value for the board. These arguments are based on three assumptions. First, that good governance improves corporate performance. Second, women possess different resources, behaviour, or preferences than men, and, third, women on boards exert authority on the board. There is some evidence indicating that more women on a board increase the quality of board planning and corporate governance as a whole (Burke & Vinnicombe, 2008; Huse & Solberg, 2006 & Van der Walt & Ingley, 2003). The assumption that women have different preferences or behaviour than men has also gained some empirical support.

Tarr-Whelan (2009) identifies higher profits, more risk awareness, less hypercompetitive, a greater ability to endure financial downturns; a stronger integration of work and family leading to higher productivity and quality of life; increased commitment to both personal and corporate responsibility; teamwork and participative decision making are some benefits organisations may receive from having more women in senior positions. In the USA, possibly recognising the value of women on boards, it has been found that 87 percent of the Fortune 500 companies had at least one woman on their BOD (Hyland and Marcellino, 2002).

Some research studies attempted to examine the effect of a gender-diverse board on a company's performance. No conclusive result has been obtained yet. To measure corporate opacity, Upadhyay and Zeng (2014) developed an opacity index and found that gender-diverse American firms are more transparent. The impact of corporate board gender diversity on the voluntary disclosure of greenhouse gas in United Kingdom firms was studied by Liao, Luo, and Tang in 2015. The researchers found a significant positive relationship between gender diversity and the predisposition to reveal GHG information.
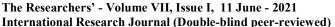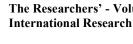
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Quantitative position and qualitative analysis of women's contribution in the corporate boards

Female representation on corporate boards should increase, because women represent 45 percent of the global labour force (Goldsmith, 2010). But the current representation of women on boards in other countries, however, is not very encouraging. From a sample of 100 companies Australia's Kang, Mandy & Gray (2007) found that 33 companies did not have a female director, 51 companies had one female director and 15 companies had two or more female directors**,** and only 10.37 percent of the total director positions in Australia's top companies are occupied by a female. Further, a significant factor in determining gender in top positions is the level of shareholding concentration. Companies with two or more women in the board do practice good governance to a larger degree than those without women (Brown, Brown and Anastasopoulos 2002) while Adams and Ferreira (2009) viewed that boards with women focus more on monitoring and auditing tasks, which can reduce firm value for well-governed firms. The full relationship between gender minority standing and influence has not yet been investigated, as there has neither existed corporate boards with a large minority nor boards with a female majority.

The initiative to include women directors in corporate boards in India was primarily driven by the leading industry association, the Confederation of Indian Industry (CII), to achieve greater regulation and transparency. The Bombay Stock Exchange (BSE-100) is the oldest in Asia. The BSE-100 is a broad-based index and there are different types of companies such as family-owned companies, government-owned companies, multinational companies, and others listed on the BSE-100. The report on India states that 59 of 1,112 directorships (5.3 percent) were occupied by women, and 54 of the 100 companies had all-male boards. While female students graduate with honours from excellent business and engineering schools, most top positions in Indian corporations are still held by men (Gupta, Koshal, & Koshal; 2006). The percentage of women in management in India is roughly 3% to 6 %,(Budhwar, Saini, & Bhatnagar; 2005) with approximately 2% of Indian women managers in Indian corporations (Saini, 2006). Catalyst in its 2009 report identified women CEOs of Fortune 1000 companies. Out of the Fortune 500 companies, only 15 CEOs are women, including one Indian woman. There are nine women CEOs in the rest 500 companies. According to a current report, women hold 31 (6.2%) of the CEO positions at S & P 500 companies (Catalyst, 2021).

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The psychological issues involved with the under-representation of women in the corporate boards

With the changes in social values and perceptions, Indian women have been entering the workforce in the past couple of decades. Globalization has brought an entry of multinational corporations to India and the adoption of Western HR practices and concepts such as gender diversity in leadership roles has become very popular. As opportunities for women in management in India slowly increase, women are choosing professions earlier seen as the field of men in the corporate world: advertising, banking, civil services, engineering, financial services, manufacturing, police and armed forces, and emerging fields such as IT and communications (Budhwar, Saini, & Bhatnagar; 2005).

A study Gender Stereotypes at Work: Implications for Organizations (2002) notes that stereotypes and perceptions of Indian women in the workplace appear to have had a significant negative impact on the position of women managers. This study suggests that Indian male managers are viewed, stereotypically, as working in the areas considered challenging such as sales, marketing, and production; and efficient in handling tough assignments. Conversely, Indian women are viewed as working in PR, HR, and administrative positions at low to junior levels, and in fields such as fashion and beauty. The main challenge for women managers is to deal with both their conventional role as housewives and their profession. Women experience great pressure to prove themselves in the workplace. One of the greatest obstacles is how women managers are treated by men. They often get differential treatment, reinforcing the traditional view of being mediocre and less important than men, resulting in not being offered challenging jobs and not being part of important organisational issues. However, despite the discrimination, Indian women have gained some egalitarianism.

The barriers to exerting the influence of a female minority in a group are comprehensively discussed in Rosabeth Moss Kanter's illustrious study of tokenism (Kanter, 1977). Kanter viewed that number of women in a group affects group processes. She studied women working within male-dominated Fortune 500 firms. She defined a skewed group as a ratio of 85:15, where the members of the majority (85 % or more) were regarded as dominants. The remaining minorities were categorized as tokens and they suffer from the contrast effect. The majority group becomes aware of their commonalities and their difference from the token (minority). To preserve their commonalities, they keep the tokens outside and detach them from the rest of the group. Moreover, a token will often be exposed to stereotype prejudices – for example, expectations as to what is "suitable behaviour" for a woman. It is

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often the case that in-group members (the majority) build up unity and confidence and thus be more positive to communicate with each other than to communicate with diverse out-groups. There is also evidence indicating that members of the in-group in a corporate board tend to assess the behaviour of others in the in-group is more positive compared with the same behaviour in the out-group (Singh & Vinnicombe, 2004).

Scholars have observed that lopsided sway in favour of male members is a problem related to the number of women on the corporate board and that a critical mass is required for women to wield authority (Konrad, Kramer, & Erkut, 2008). Catalyst's survey on 20 European countries and the USA, found stereotypes and preconceptions of women's roles ranked the top obstacle to women's progression (Catalyst, 2007). The causes of diminishing number of women in managerial position may be attributed to factors like lack of flexible working arrangements, problem in maintaining work-life balance and or disillusionment at a lack of career progression.

Motherhood is a vital issue in the career progression of women aspirants. Between the challenges of top managerial positions and demands and difficulties of motherhood, women have to select one. Many women remain on leave or quit the job for a long time during childbearing years, which often correspond with early- to mid-career development. When they return to the job, they may find themselves behind contemporaries and slowed down in career advancement. Data show that employed married women on average spend 40 minutes more per day than married men doing household activities such as cooking, housework, and household management. These extra responsibilities can take a toll on a young woman's career path.

Suggestions for gender-neutral corporate boards

Adding women to top positions will exert influence by providing role models and aspirational goals for other women and girls at early stages of education and career decisions. More diverse corporate boards will produce more diverse senior management and more diverse workforces. Even if it is realistic for women to aspire to leadership positions, they will be motivated to try when they find other women filling similar positions, or learn that their candidature may be considered. Women will be encouraged to aspire for leadership positions in corporate boards when they find female predecessors and role models indicating that it is a place where women can be successful.

As cultural values transform and Indian society becomes more accommodating, organizations need to be more open and make apt changes in their workplace and support the career progression of women from managerial positions to board rooms. Change can occur through the collective will to change the

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mindset of people to overcome gender differences at the educational and organizational levels (Basu, 2008).

The following suggestions are made for Indian organizations to promote gender diversity in Indian organisations.

i) Reservation of a certain number of seats for women.

Regardless of the voluntary provisions made by different corporate boards to ensure gender parity in their organizations, the government should introduce a quota to ensure more women's participation in the board of directors. The quota initiative was first taken by Norway in 2003 when it introduced a 40% quota for women in corporate boards. Other European countries also introduced their quota system to enhance women's participation in management. The European Commission announced to reach the gender balance of 50% in the management sector by the end of 2024. The government of India makes it mandatory for all corporate boards to include at least one woman in their boards. Though this is the right step to ensure women's participation in corporate governance, India has not advanced more in this direction.

ii) Creation of a professional network among women

A professional network provides a platform to the corporate women of all organizations to monitor the career progression of women, disseminate information, and development of leadership skills through training. For example, the Danish Charter for women in management is committed to promoting more women in management.

Conclusion

This study reviewed the available sources and found that organizations have not maintained a gender balanced corporate board. Evidences support companies with a strong female representation at board and top management level perform better. The female directors have a considerable and value-relevant impact on corporate board structure and performance. More research study may be carried out by researchers to explore the sectors where women directors could do better and add values to the organizations.

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