Women on Corporate Boards: An International Perspective

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Abstract

The paper aims to explore the policies and approaches implemented in various countries to foster the advancement of women on corporate boards. Moreover, it addresses the business case and social case for women on boards. It is evident from the comprehensive review of studies on gender diversity and corporate governance that women's participation in decision-making is positively correlated with the financial performance of companies. Inclusive and gender balanced boards are able to bring diverse perspectives to the table, understand customer preferences better, ensure greater due diligence, and as a result make better decisions. Moreover, boards with women members are more likely to focus on non-pecuniary performance indicators such as customer satisfaction and corporate social responsibility and are better able to monitor board accountability and authority, leading to improved corporate governance. Further, the paper evaluates the effectiveness of voluntary mechanisms to bring more women on boards versus quota legislation. Across various countries, quotas for female membership on corporate boards have been generating interest. The quotas are designed to rectify the extreme gender imbalance on corporate boards, which persists despite female advancements in education and workforce participation. The paper reviews the potential drawbacks to implementing quotas, incorporating sociological and feminist theory. Finally, it discusses the success of alternative approaches for increasing the representation of women in the boardroom.

Keywords: Women on Boards, Gender Diversity, Quotas

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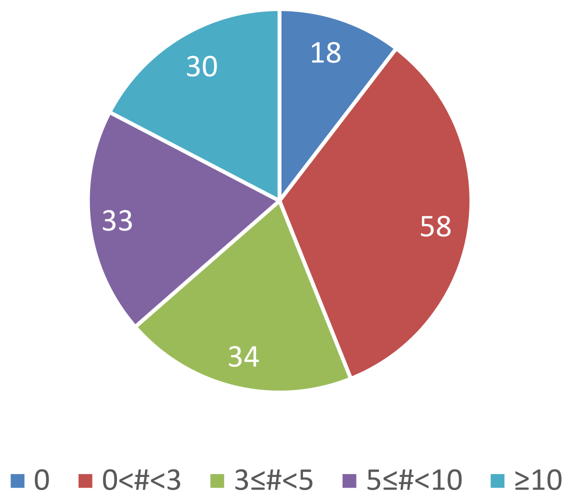
INTRODUCTION

Gender diversity has become a buzzword in the corporate jargon. The need for gender equality is increasingly being recognised as an essential constituent of good governance and strong initiatives are being introduced worldwide to bring this inclusivity in corporate governance. The report of the World Bank group, 'Women, Business and the Law, 2016' brings out the depth of the issue of gender inequality globally. The report covers 173 economies to identify whether their laws differentiate between women and men in ways that affect women's economic prospects. It discovers that 155 economies have at least one law that differentiates between women and men, i.e. create a barrier for women seeking opportunities that do not exist for men (World Bank Group. *Women, Business and the Law, 2016)*. Figure 1 shows, the majority of economies have at least one legal gender difference. The 30 economies with ten or more legal differences are in the Middle East and North Africa (18), Sub-Saharan Africa (8), East Asia and the Pacific (2) and South Asia (2). The 18 economies with no legal differences between women and men in the areas measured are Armenia; Canada; the Dominican Republic; Estonia; Hungary; Kosovo; Malta; Mexico; Namibia; the Netherlands; New Zealand; Peru; Puerto Rico, the territory of the United States; Serbia; the Slovak Republic; South Africa; Spain and Taiwan, China. These disparities hinder growth, slow down prosperity and weaken national competitiveness.

Figure 1: Most Economies (out of 173 Economies) Have At Least One Legal Gender Difference



Source: World Bank Group. (2016). *Women, Business and the Law, 2016*. Retrieved from http://wbl.worldbank.org/~/media/WBG/WBL/Documents/Reports/2016/Women-Business-and-the-Law-2016.pdf

Gender diversity in board composition has become a growing area of research in recent years. It has also become an issue for the policy makers, which is being addressed in various ways by both governments and corporations. Legislating quotas on corporate boards is one way to retort to the issue of glass ceiling. Of the economies measured by 'Women, Business and the Law', nine have quotas for publicly listed companies: Belgium, France, Germany, Iceland, India, Israel, Italy, Norway and Spain with Norway being the frontrunner in passing the quota law. The most recent quotas were introduced in Germany (30%) and India (at least one board member has to be a woman). Quotas range from 20% in France to 40% in Iceland, Norway and Spain. In Israel, as in India, publicly listed companies must have at least one woman on their boards. More movement is expected in this area due to recent European Union efforts encouraging member states to increase women's representation on corporate boards to 40%. Whether law sets corporate board quotas for the private sector or quotas for local governments and parliaments, the aim is clear: to make women better represented in all institutions, public and private.

Given the growing importance of diverse boards and gender parity in board composition as a vital element of corporate governance, the association between gender diversity and corporate governance needs further exploration in terms of both theoretical review and empirical evidence. The present paper seeks to trace the evolution of the literature on gender diversity in corporate boards across different countries. It brings out the current debate on imposition of gender quotas and the proposal to enforce it, by the regulatory bodies of many countries. This might help in suggesting the alternative approaches to address the issue of glass ceiling and overcome the problems like tokenism associated with the quota system.

The focus of most of the research relating to gender diversity on corporate boards have been the developed countries such as U.S., U.K., Europe and Australia. The dissimilarities in the legal, political, social, cultural and economic environment of these countries with emerging economies call for an investigation in the corporate drivers of gender diversity in developing countries as well and point out the factors causing the problem of glass ceiling in these economies. And hence provide a guide in suggesting the road ahead to pioneer women on top positions.

EVOLVING LITERATURE ON GENDER DIVERSITY IN CORPORATE GOVERNANCE

Gender diversity on corporate board has become a topic of discussion in media as well as corporate governance research. Although the issue is not unidentified in previous studies but the dynamics and understanding of women and corporate governance have evolved over the years. Most of the earlier studies were narrative in the sense that they emphasised on presenting the existing situation in terms of the proportion of female representation on corporate boards and the changing statistics over the years (Conyon and Mallin, 1997; Arfken et al., 1998). And also most of these studies were restricted to large U.S. firms.

There was a spate of studies establishing the association between gender diversity and firm performance, critically analysing the existing situation where in female representation on board was bleak, interpreting the various implicit and explicit reasons for the same and the policy actions required at different levels to rectify the problem and bring more inclusivity in corporate governance (Shrader et al., 1997; Adler, 2001; Kochan et al., 2003; Carter et al., 2003; Farrell and Hersch, 2005, Brammer et al., 2007). With the growing research and awareness of the issue, there were increasing number of studies based on non- U.S. data i.e. in U.K., European nations such as Norway, Denmark, Spain, Netherland etc. and other developed countries such as Australia. International organisations such as Catalyst, McKinsey and Company and Credit Suisse Research Institute have promoted the advancement of women on corporate boards with the empirical evidence of the positive association between gender diversity and corporate performance (Catalyst, 2007; McKinsey, 2007 and Credit Suisse 2012).

Until the last decade the literature on gender diversity in the boardroom was mainly focused on developed nations such as U.S. (Shrader et al., 1997; Adler, 2001; Kochan et al., 2003; Carter et al., 2003; Farrell and Hersch, 2005), U.K. (Li and Wearing, 2004; Ryan and Haslam, 2005; Singh & Vinnicombe, 2004), Europe (Nekhili & Gatfaoui, 2013; Smith et al., 2005; Campbell and Minguez-Vera, 2008) and Australia (Kang et al., 2007; Nguyen and Faff, 2007; Adams and Ferreira, 2009). However, the dissimilarities between the developed and the emerging economies in terms of their legal, economic, cultural environment call for more empirical evidence from these developing countries. However the research on gender diversity on boards in developing countries is still in its infant stage (Marimuthu & Kolandaisamy, 2009; Balasubramanian and Anand, 2012; Adesua et al, 2012).

After the financial crisis and a wave of corporate scandals, regulatory bodies across the globe are bringing more inclusivity and diversity in corporate boardrooms. Although there isn't conclusive evidence of positive relationship between gender diversity and firm performance but it is universally agreed that women representation on board brings greater transparency, fairness, monitoring and hence improves the quality of decision making. To overcome the problem of "old" boy's of directors, countries worldwide have imposed mandatory quotas for women on board or targets of female representation on board with disclosure requirements. The following section provides a comprehensive review of the existing and evolving literature on gender diversity on corporate boards across different countries.

In 1995, Arfken et al. analysed female participation on boards with Tennessee as the focal point for the original study (Arfken et al., 1998) and did a follow up in 2002 (Arfken et al., 2004). It was found that there were 54 publicly traded corporations in Tennessee with a total of 461 board members in 1996, according to the S&P Directory. Only 25 (or 5.4 per cent) were women. In 2002, this figure stood at 5.8%. It was widely agreed that female representation on corporate boards brings an ethical commitment to a corporation's decision-making process but there were various barriers restricting women from rising to top positions.

Several studies have been conducted to establish an association between gender diversity and firm performance but there had been no conclusive evidence that the relationship is positive. The study conducted by Shrader et al. (1997) explores relationships of female participation in management positions with firm financial performance. It is hypothesised that firms hiring greater percentages of women managers at different levels of management will experience relatively better financial performance. Analysing data from the Wall Street Journal for 200 large U.S. firms, did not find any significant relationship between the percentage of women on the top management and firm performance (measured using ROS, ROA, ROI, and ROE). An obvious reason for this finding is that there are very few women top managers. In the study, females made up only 4.5% of the top management teams, and there were no female chief executives. Adler (2001), on the other hand, finds a positive correlation between women-friendliness and the firm's financial performance. His sample consisted of 25 U.S. Fortune 500 firms and performance is measured using ROS, ROA and ROE. Carter et al. (2003) also find a significant positive relationship between the fraction of women or minorities on the board and firm value after controlling for a number of other factors such as for size, industry, and other corporate governance measures. The research was the first empirical evidence considering *Fortune* 1000 firms analysing whether board diversity is associated with improved financial value. Mixed results were found by Kochan et al. (2003). They conducted a study of the relationships between race and gender diversity and firm performance in four large U.S. firms. Few positive or negative direct effects of diversity on performance were observed. However, it did not find any significant relation between gender diversity and firm performance.

An interesting aspect of female representation on board, the 'critical mass' was brought out by Konrad et al. (2006). They described 'critical mass' as the number of women on a board who can make a difference. They concluded that having three or more women on a board can form a critical mass where women can influence board's decision making and promote good corporate governance. The research was based on extensive interviews with 50 women directors, 12 CEOs, and 7 company secretaries from Fortune 1000 companies.

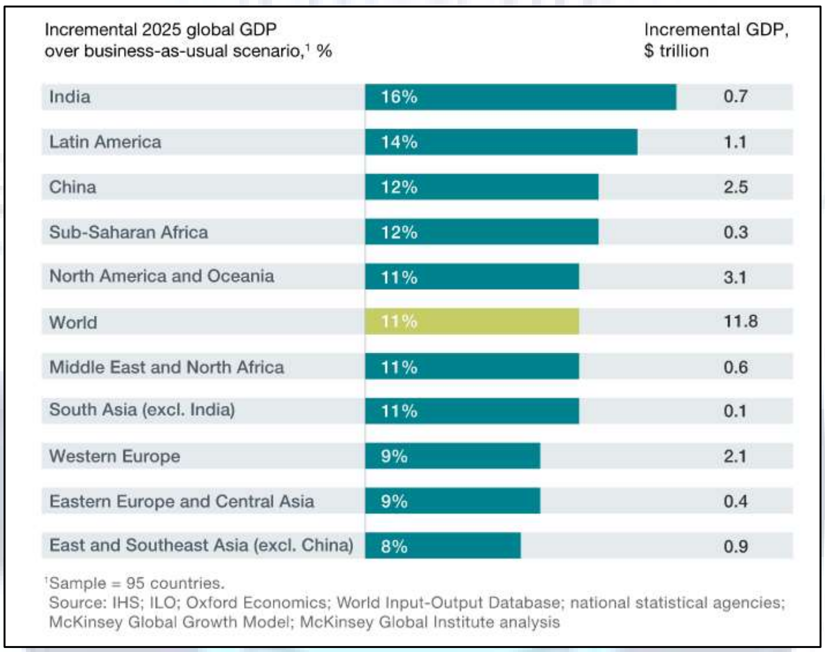
The empirical evidence associating gender diversity with firm performance remains inconclusive. The study based on a sample of publicly traded U.S. firms, using a data set of the highest ranking executives (Bell, 2005) finds that there is a statistically strong link between the proportion of female board directors in the company and the relative compensation of the executives of the firms and also these firms have a higher representation of women executives at all levels. To determine the market reaction on appointment of women director on board, Farrell and Hersch (2005) analysed U.S. Fortune 500 firms and found insignificant relationship between appointment of a women director and the reaction of market. Also they concluded that the demand for women directors are not based on performance, rather companies are responding to either internal or external calls for diversity.

An examination of the business case for the inclusion of female directors on corporate board was done by Carter et al. (2010). The research studied the relationship between female representation on board and its committees and firm performance (ROA and Tobin's Q). Using a sample of large U.S. companies (S&P 500), there was neither positive nor negative significant relationship between the gender diversity of the board and financial performance. It was concluded that impact of gender diversity on performance may be different under different circumstances at different times.

'Catalyst' which is a leading international research and advisory organisation promoting advancement of women in business published a report on 'The Bottom Line: Connecting Corporate Performance and Gender Diversity' in 2004. It assessed gender diversity and financial performance of 353 Fortune 500 companies taken from 1996 to 2000 and found that companies with the highest representation of women on their top management teams experienced better financial performance than companies with the lowest women's representation. This finding holds for both financial measures analysed: Return on Equity (ROE), which is 35 percent higher, and Total Return to Shareholders (TRS), which is 34 percent higher. Another report published in 2007 confirms that financial measures excel at those Fortune 500 companies where women board directors serve.

I**nternational management consulting firm** McKinsey and Company published its first report on '**Gender diversity, a Corporate Performance Driver' in 2007, suggests companies perform best when women are strongly represented at senior levels. In 2015,** McKinsey and company published its report on 'How advancing women's equality can add $12 trillion to global growth'. It describes **gender inequality** as a social issue as well as a critical economic challenge. The report concludes that if women—who account for half the world's working-age population—do not achieve their full economic potential, the global economy will suffer. The research finds that, in a full-potential scenario in which women play an identical role in labour markets to men's, as much as $28 trillion, or 26 percent, could be added to global annual GDP in 2025. This impact is approximately equal to the size of the combined U.S. and Chinese economies today. It also analysed an alternative "best-in-region" situation in which all countries match the rate of improvement of the best-performing country in their region. This would add as much as $12 trillion in annual 2025.

Figure 2: Global GDP could increase up to $12 trillion in 2025 if every Country Matched the progress towards Gender Parity of its Fastest- Improving Neighbour.



Source: McKinsey and Company (2015), *How advancing women's equality can add $12 trillion to global growth.* Retrieved from http://www.mckinsey.com/insights/growth/how_advancing_womens_equality_can_add_12_trillion_to_global_growth

Credit Suisse Research Institute published its report on 'Gender Diversity and Corporate Performance' in 2012 considering the issue from a global perspective. The study analyses the performance of close to 2,400 companies with and without female board members from 2005 onwards. It concludes that companies with one or more women on the board have delivered higher average returns on equity, lower gearing, better average growth and higher price/book value multiples over the course of the last six years.

Gender issues in the U.K. corporate governance debate were highlighted by Conyon and Mallin (1997). The study was conducted with the main objectives of examining the proportion of female directors in the boardroom of U.K. companies. And to bring out the degree to which women are positioned to key committees of the board. Thereafter, Li and Wearing (2004) using a sample of top 100 UK quoted companies found that less than 2% of the executive directors in the sample are women and less than 9% of the non-executive directors are women. Also there is a wide wage gap between the remuneration of female and male directors. Hence there are inherent barriers women face as they attempt to rise to the top. Examining the performance of UK FTSE 100 companies before and after the appointment of a male or female board member, Ryan and Haslam (2005) highlighted that while women are now achieving more high profile positions, they are more likely than men to find themselves on a 'glass cliff', such that their positions are risky or precarious. In addition to the obstacles women face in climbing the corporate ladder, they are likely to be appointed on positions which have a high risk of failure than those of their male counterparts. To investigate the reasons for social exclusion of women on boards, Singh & Vinnicombe (2004) conducted a survey of female directors in UK FTSE 100 companies and found that only 61 per cent of the top 100 companies had female directors in 2002, down from 64 per cent in 1999. None of the sample companies had more than three female directors. An interesting finding which brings out the influence of external business factors such as proximity to final consumers determining board diversity than simply the presence of women in the workforce was put forward by Brammer et al. (2007). They examined the ethnic and gender diversity in UK FTSE companies with weightage to their links to board size and industry characteristics.

An extensive review of literature on gender diversity in corporate governance was conducted by Terjesen et al. (2009). By studying the impact of women on corporate boards (WOCB) at micro, meso, and macro levels: individual, board, firm, and industry/environment, the research brings out that female representation may not have a direct impact on firm performance but it enhances good corporate governance through a variety of board processes.

Women representation on corporate boards has received greater attention after the mandatory quota legislation enforced in Norway, France and Spain and European Commission contemplating European-wide law to this effect. In a study of the Norwegian quota model (Dhir, A. 2014) establishes the significance of gender diversity in promoting good corporate governance, while also revealing the issues associated with diversity. The research also compares the mandatory quota for women regime in Norway with the disclosure of female participation regime in the U.S. Female representation on French large- and mid-capitalised companies is studied by Nekhili & Gatfaoui (2013). The research brings out the various factors which influence appointment of women on corporate boards such as nationality, foreign experience, educational level, business expertise and network links among others. It highlights the problem of double glass-ceiling faced by women as firms count more on the demographic characteristics of their female candidates when they are appointed to director positions. The research examining the relationship between gender diversity and firm performance for 2500 largest Danish firms was conducted by Smith et al. (2005). Considering the period 1993-2001, they found that higher percentage of female representation has a positive relationship with firm performance, other things being constant. It also highlights that this positive relation depends on the qualification of top women managers. Another non- U.S. based study on gender diversity on board using a sample of Spanish firms brings out that gender diversity on board generates economic gains (Campbell and Minguez-Vera, 2008). Higher percentage of female representation on boards was found to be positively associated with firm value measured using Tobin’s Q.

Until early 2000s, the research relating to board diversity and firm performance was mostly centred on the United States and European firms. A study relating to Australian data was conducted by Bonn (2004) examining the composition of board in large Australian firms and analysing whether board diversity has an impact on performance, as measured by ROE and market-to-book value ratio. The study found a positive relation between gender diversity and market-to-book ratio. Kang et al. (2007) report on the diversity and independence of the board membership of 100 top Australian companies in 2003. It is worth noting that 33 out of 100 companies did not have a female director. While 51 companies had one female director, only 15 companies had two or more female directors. Significantly, only 10.37% of the total director positions in Australia's top companies are occupied by females.

Even in studies analysing gender diversity in Australia, there is no conclusive evidence of a positive or a negative association between proportion of women in corporate boards and firm performance. Nguyen and Faff (2007) found a significant positive relationship between gender diversity and higher firm values as measured by Tobin’s Q. Wang and Clift (2009), on the other hand, found insignificant relationship between female representation on boards and performance of firm measured by ROA and ROE for 500 listed Australian companies.

Adams and Ferreira (2009) using a sample of all firms listed on the S&P/ ASX 300 bring out the importance of addressing the endogeneity of gender diversity in performance regressions. It concluded that mandatory quotas for women on board can decrease firm value for well-governed firms. In other words, gender diversity has a positive impact on performance in firms which are poorly governed. However, in firms with strong governance, enforcing quotas for women in board could eventually reduce shareholder value. After the announcement of diversity policy by the ASX, Adams et al. (2011) analysed director appointments and found that market reaction is positive to the appointment of a female director than a male director. This could be because increase in female participation on board is viewed as bringing more transparency and fairness in decision making.

Gender diversity has become a trend in corporate governance globally. With a wave of studies and discussions, emerging economies have also recognised the need to bring more inclusivity and equality on corporate boards. Due to the differences in the legal, political, social and economic environment of developed and developing nations, there is growing demand to research on this topic from the perspective of developing countries as well. And although the literature pertaining to such emerging economies is limited but is growing with the increasing importance of female talent on top positions on one hand and the thin population of women directors in such countries.

A study of gender equality, inclusivity and corporate governance in India brings out the sorrowfully low representation of women in corporate boards. It found that only 5.3% of the directors on the BSE-100 boards were females (Balasubramanian and Anand 2012). The figure is much lower in comparison to developed nations like Canada (15 %,), U.S. (14.5%) and U.K. (12.2%). Another popular market index in India, Nifty had a similar count of 4.46% as female representation on the board seats of its companies. Establishing the association between women representation on board and firm performance on a sample of top 100 Malaysian listed companies from the non-financial sector over the period 2000 to 2006, Marimuthu & Kolandaisamy, 2009 found insignificant association between gender diversity and financial performance measured by ROA and ROE. This could be due to the low female representation on boards.

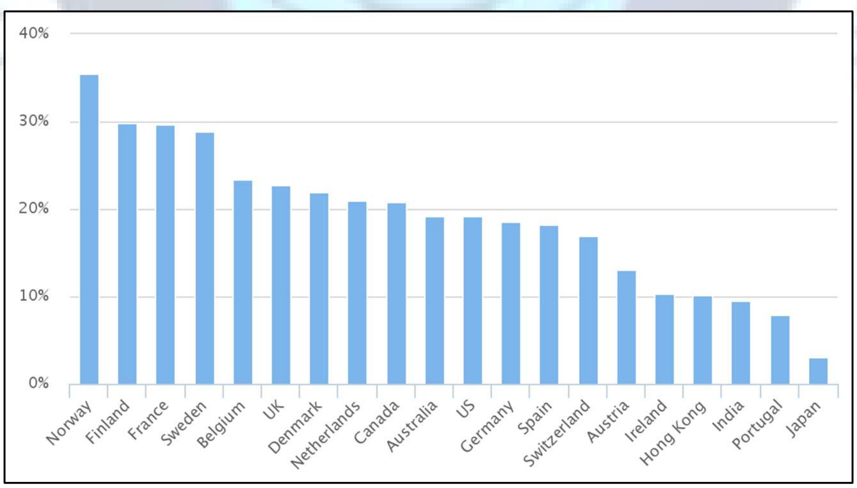
An examination of the various barriers to gender diversity on Nigerian corporate boards, brings out the factors such as unsupportive working environment and difficulty to balance the career goals with family obligations which restrict women from rising to top positions (Adesua et al, 2012).

GENDER QUOTAS ON CORPORATE BOARDS: THE EXISTING DEBATE

The subject of quotas for women in the corporate boardroom has become a debatable topic in the wake of recent efforts to impose quotas for women directors for companies in the European Union. The E.U.'s recent initiative has triggered a debate over the optimal gender balance of boardrooms and whether a gender quota is a rational or effective way to achieve the underlying goal of women's full and equal participation in companies.

Norway has been the frontrunner in imposing gender quotas in corporate boardrooms by passing a statue in 2003 which required boards of all listed companies to be composed of at least 40 percent women with compliance by 2008. Non-compliance could lead to forced dissolution of firms, though none has in fact suffered such a fate. Since then, gender quotas for boards have been imposed in Belgium, Iceland, Italy, the Netherlands and Spain (though with less severe sanctions: non-complying firms must generally explain in their annual reports why they fell short and what they plan to do about it).

Figure 3: Norway has the Highest Female Boardroom Representation



Source: Davidson, L. (2015), *Proof that women in boardrooms quotas work*. Retrieved from http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/11341816/Proof-that-women-in-boardrooms-quotas-work.html

In the U.K. there has been noteworthy development since Lord Davies published his report on Women on Boards in 2011. One of the fundamental recommendations of the report was that U.K. companies should set self-improving targets for the number of women on boards. The report said tackling diversity was not a gender numbers game but made good business sense.

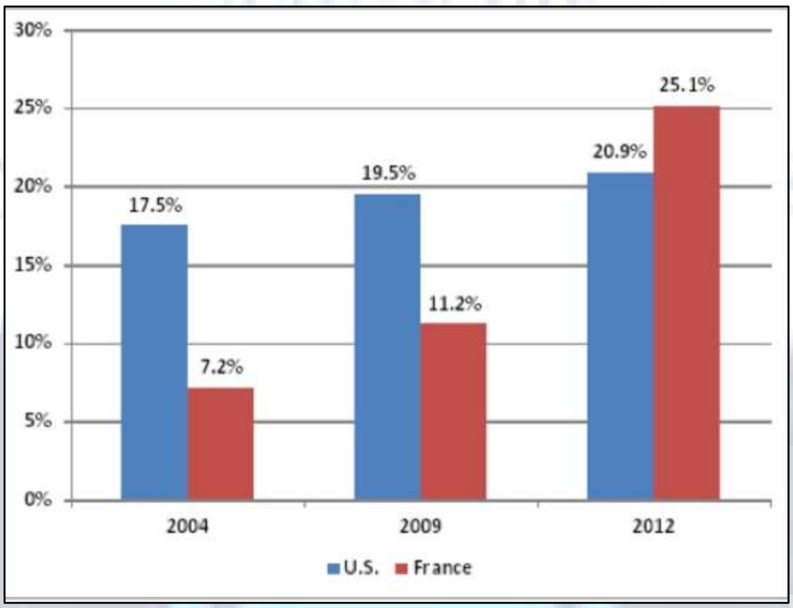
European Commission has also taken steps to break the glass ceiling which prevents female talent from topmost positions in Europe's biggest companies. The Commission has proposed legislation with the objective of achieving a 40% female directors in non-executive board-member positions in publicly listed companies, with the exception of small and medium enterprises.

Germany and Finland are among the countries who have driven the fastest growth in board diversity since 2017. Germany saw a 6.7% increase which is likely linked to recent gender quota legislation passed in 2015. And Finland, which issued corporate governance code recommendations and encouraged more career development programs for women, saw a 7.2% increase.

U.S. which had been adopting a voluntary approach to gender diversity in corporate boardrooms is now moving to mandate gender diversity. Among the largest 3,000 largest U.S. publicly traded companies, only about one in five board members are women, according to Equilar, which tracks corporate governance data. And it says nearly one in 10 boards have no women. In 2018, California became the first state to mandate gender diversity in boardrooms with the passage of a bill called SB 826. The measure, requires publicly traded companies based there to have at least one female board director — or face a $100,000 fine. Washington's bill follows similar legislation passed in California. Pursuant to the recently-amended Washington Business Corporation Act (WBCA), effective June 11, 2020, corporations subject to the WBCA that are public companies will be required to either have a "gender-diverse board" by January 1, 2022 or comply with new board diversity disclosure requirements.

According to GMI Ratings' 2012 Women on Boards Survey, the United States currently ranks 11th out of 45 countries in terms of gender diversity on public company boards, with an average of 12.6 percent women on S&P 1500 boards. A recently published report by 'E.Y. Center for Board Matters' on Women on U.S. boards: what are we seeing? (2015) brings out that despite the value of female representation on corporate boards being increasingly recognised, U.S. companies continue a slow march toward gender diversity. While progress is being made, it is not at the pace needed to result in a substantial improvement of gender diversity in the near term, or to compete with public sector approaches being taken in other markets. This report looks at diversity in U.S. boardrooms at the time of their 2014 annual meetings and reflects S&P 1500 companies.

Figure 4: Percentage of Women Board Directors of Fortune Global 200 companies in the U.S. and France, 2004-2012

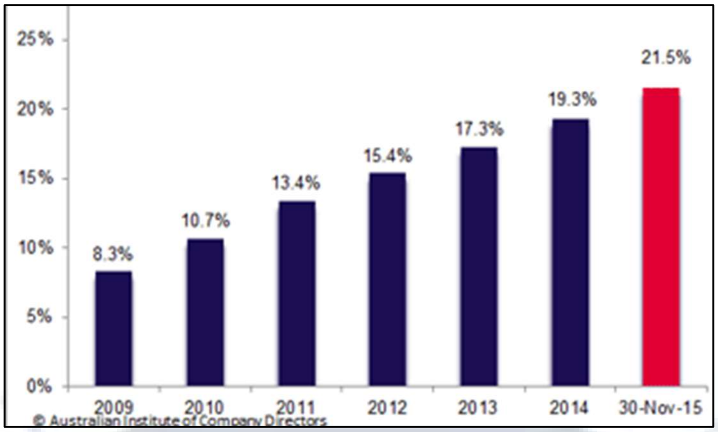


Source: CWDI Report on Women Board Directors of Fortune Global 200 and beyond (2013), Retrieved from http://www.globewomen.org/summit/2013/EconomicForecast.NATIVIDAD.pdf

Australia which calls itself the 'land of equal opportunity' has set voluntary targets rather than mandatory quotas for female representation on corporate board. After a four-year campaign to increase gender diversity on Australian boards, the 30 per cent target was reached in 2019. It is clear that Australia's largest companies see the value of board diversity; a diverse mix of views and perspectives around the table increases board performance and reduces the risk of group think.

The percentage of women on boards of ASX 200 companies and the proportion of women comprising new appointments increased significantly in 2010, 2011, 2012 and 2013. In the year 2013, 114 companies of ASX 200 and 232 companies of ASX 500 had adopted the aforesaid target.

Figure 5: Percentage of Female Directorship on ASX 200 Boards



Source: Australian Institute of Company Directors (2015). Retrieved from http://www.companydirectors.com.au/director-resource-centre/governance-and-director-issues/board-diversity/statistics

When the number of women on boards of ASX 200 companies hit 30 per cent for the first time in 2019, the Australian Institute of Company Directors chief executive Angus Armour said 30 per cent was "base camp" and the next step will be a push towards a 40:40:20 model in which boards are made up of 40 per cent women, 40 per cent men and 20 per cent either gender, as well as greater ethnic diversity.

India is one of the few emerging economies to have introduced a quota for gender diversity on corporate boards. In 2013, Indian corporate law passed a historic legislation to have at least 1 female on the board within one year starting in 2014. The SEBI Committee on corporate governance was formed on June 02, 2017 under the Chairmanship of Mr. Uday Kotak (the executive vice chairman and managing director of Kotak Mahindra Bank) along with different stakeholders from the Government, industry, stock exchanges, academicians, proxy advisors, professional bodies, lawyers etc., with the aim of improving standards of corporate governance of listed companies in India. The Committee comprised of twenty five members in total and was requested to submit its report to SEBI within four months.

With a view to improve gender diversity on the board, the Act and the SEBI (LODR) Regulations require at least one woman director on the board of directors of every listed entity. It was recommended by the Committee to have at least one independent woman director on the board of directors of every listed company. SEBI decided to accept the recommendation in a phased manner, i.e. at least one independent woman director in the top 500 listed entities by the market capitalisation by April 01, 2019 and in the top 1000 listed entities, by April 1, 2020. It is expected that with the aforesaid amendments, corporate India will witness women playing a more active role.

Thus globally, the quota system is becoming a popular way of addressing the issue of gender diversity in the corporate boardroom. However is not accepted as a right approach universally. While the relationship between increasing the number of women on boards and firm profitability is inconclusive, it is evident that women make positive contributions to the board decision-making process.

Rationale for Gender Quota

Proponents of gender quota argue that increasing female representation on boards adds value to the organisation by improving the quality of decisions made by the board. The board members on gender diverse boards have directors who participate with greater integrity. They are more vigilant about the association between management's compensation packages and performance, and require better documentation of roles and responsibilities. Quotas will ensure a broader search for candidates, hence will increase the talent pool. This will help overcome stereotypes and biases about whether men or women are well-matched with the job, which has an influence on genuine merit-based recruitments. Above all, the most important justification for having gender diverse boards is the equality rationale. It explains that promoting gender diversity on boards is justified by the need to equalise power and opportunities between men and women, or in other words, in terms of upholding justice.

Flaws with the System of Gender Quota

The arguments opposing the mandatory enforcement of gender quota on corporate board are as follows. Firstly it may lead to the problem of 'tokenism'. It has been found in a study that introduction of quota for women in Norway has neither increased the percentage of women on boards above the quota level nor increased the number of female chairs. Instead the new law has led to an increase in the number of women holding multiple directorships. As a consequence, a small group of women − known as the 'golden skirts' − have simply intensified the power they already held before the introduction of the quota law. Quotas may also aggravate the issue of token female directors wherein women are placed on boards simply because of their gender. This is predicted to be one of the drawbacks of the introduction of quotas for women on boards in France after several wives of well-known politicians and controlling shareholders were appointed on the boards of some of France's largest companies. Secondly, it would be considered as too much interference on part of the government in corporate affairs. Thirdly, in order to comply with the quota regulations, unqualified females will be promoted to senior level positions.

Hence the enforcement of mandatory gender quota is argued to be a flawed system which may be used to window dress the corporate governance report without there being any progress in promoting gender equality in its true sense. It is for this reason that voluntary measures such as gender diversity targets and director training solutions are considered as a better approach to encourage gender diversity on boards.

Alternatives to Quotas

One measure to break the glass ceiling in boardrooms is to establish 'targets' for female representation. These targets would point out the lack of diversity at board level and encourage companies to promote gender equality. By placing the lack of females at board level in the public eye, the issue would become inescapable and businesses would have to confront their diversity issues head on. The introduction of long-term targets could also drive corporates to invest more in advancing female talent from the start of their career. This would certainly be more fruitful than training women as a last-minute measure if short-term targets were to be in enforced.

An example of this would be the Australia's Diversity Policy introduced by the ASX Corporate Governance Council introduced in January 2011 requiring all publicly listed companies in Australia to set, and report on, targets for increased female representation. The latent threat that failure to achieve the voluntary targets might lead to mandatory quotas and penalties for non-compliance was made categorical in the Australian Human Rights Commission's Gender Equality Blueprint 2010. The blueprint recommended a minimum target of 40% women on all Australian government boards, senior managerial ranks of the public service, all companies providing goods or services to the Australian government, and on the boards of all publicly listed companies in Australia.

Career development mentoring programs like those introduced by Australian Institute of Company Directors are useful in improving female representation on boards. Such programs involve prominent chairmen and senior directors of ASX 200 companies, as well as public sector and not-for-profit boards, mentoring highly talented and qualified women over a period of one year. It provides candidates with an opportunity to develop network with prominent business leaders along with the value addition in terms of knowledge and skills required for career advancement on corporate boards.

Another interesting measure suggested by some scholars to tackle the issue of gender diversity is the 'Rooney Rule'. The original 'Rooney Rule' was introduced in 2003 in the National Football League (NFL) by Pittsburg Steelers chairman Dan Rooney. Where in Rooney mandated that every football team with a vacant position for a head coach interview at least one minority candidate for the role. The rule could be expanded to manage gender diversity by mandating that at least one woman applicant must be considered in the slate of candidates for either every open position or every open senior position in the company. The rule will help to overcome the problem of 'tokenism' as only qualified women will rise on the top on the basis of their merit and not simply on the basis of their gender.

Apart from the aforesaid measures there is a need to bring change in the culture of organisations by promoting gender equality and inclusiveness. Women being the primary carer in most families can successfully participate in leadership positions of corporate with the support of work place flexibility which is a key enabler of gender equality. Thus there is a need to bring structural changes at all levels to enable women to accommodate the demands of work and family life.

CONCLUSION

Based on our research and the review of previous studies, countries have to work consistently towards addressing the cultural barriers that prevent many women from climbing up the corporate ladder. Driving greater board diversity can be done through different approaches- voluntary or mandatory. In countries like Belgium, France, Germany, Iceland, India, Israel, Italy, Norway, Pakistan; gender quotas have driven greater board diversity; while other countries like Australia, New Zealand, and the U.K. have driven change through setting targets and corporate governance recommendations. A noteworthy blockade is the lack of women in senior leadership positions:

globally, they hold just 4.4% of CEO positions and just 12.7% of CFO roles. Since these roles are often what propels executives into board seats, increasing the number of women in the C-suite is vital to increasing the number of women on corporate boards.

Corporates with women in top leadership positions have almost double the number of board seats held by women. The inverse is also true, as gender-diverse boards are more likely to appoint women to leadership positions, like CEO and board chair. This suggests that some diversity spurs more diversity. Organisations need to address the issues that prevent women from progressing. They must focus on minimising bias in hiring and development processes and put in place mentorship initiatives to support women. They should encourage the retention and progression of more women in the companies by creating a family-friendly workplace. Perhaps the most coveted benefit for working parents is flextime. This may include job sharing, a compressed work week, shift work, teleworking, remote work or just the freedom to alter work hours when needed. All of these flexible work options empower employees by letting them arrange their work schedules in a way that accommodates their family life and personal needs.

Globally, workforce should reflect our diverse society. Diversity in the workplace is an asset for both businesses and their employees, in its capacity to foster innovation, creativity and empathy in ways that homogeneous environments seldom do. Business leaders should execute this vision as it’s a pathway where every corporate need to walk along. Since it brings better prospects, productivity and good corporate governance.

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