

# Women on Corporate Boards -Acting Portia?

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## Introduction

### ***Is ‘slim, fair and beautiful’ the new ‘tall, dark and handsome?’***

Women attaining senior level positions in board rooms has recently attracted a lot of attention. The past couple of years have seen a rapid advancement in women’s role be it in an office or serving at a till at a fast food outlet or selling newspapers at the road side, more women are seen working side by side with their male counterparts. However, women at senior level positions in companies is still a rarity.

It is generally observed that women have to overcome handicaps created by the already established tracks which divide the society (leave alone the professional and corporate pursuits) into masculine and feminine. But we must not deny the fact that change is taking place. Change in attitude is not that easy to accomplish however today women are as much career oriented as men and are as committed and sincere to their professions and even more in certain cases. We see more women attaining education from reputable institutions both within and outside the country and entering into professions boldly, which was not seen previously.

Despite all the right ingredients and encouragement, it is seen that female talent does not have the same or equal place on executive boards. So how do we move towards gender diversity in

professionally organised corporate boards?

### ***Is gender a defining concept? The barriers preventing women’s advancement to the board***

The most typical reason behind a lack of acceptance of women on the boards is the absence of women in general from the boardrooms. This has been a place historically held by men and the image held is of an aggressive, alpha male who emits immense confidence and is successful almost everytime in convincing his peers on matters in question. Furthermore, presence of the ideology that men are better suited to profit maximization than women and a general belief that most of the female traits are often associated with incompetence and lack of confidence has further contributed to the problem. Question now arises whether *the suitability of a candidate in a male dominant environment is a factor that influences employers when seeking to hire female employees?*

Another reason why women around board tables are not heard is because they rarely assert themselves in a manner whereby others would take notice of their presence. The idea that women have something positive to offer in board rooms has always been threatening. *Why is that so?*

Women generally lack the ability to promote themselves and be assertive about their performance and ambitions. Another major reason for the shortfall of women at executive positions is the decision to discontinue their careers. This could be due to several reasons be

it the need to spend more time with family or lesser ambitions.

### ***Staying at home. Isn't there more than this?***

Let us stop for a moment and think biology. Many studies prove that men and women *do* think differently, at least where the anatomy of the brain is concerned. The reason I mention this here (without getting into too much detail) is because the researchers usually argue that eventhough the two sexes think differently, this does not affect their intellectual performance.

The change we are advocating will not be noticed unless the top corporate leaders realise that women bring in a different mindset, and offer a distinct set of skills and benefits to the boards. It is indeed a known fact that diversity in general yields better results and encourages innovative ideas and skills. Although there is not much evidence if gender diversity is also a performance driver, however according to a study conducted by Mckinsey and Company as part of its global partnership with the 'Women's Forum for the Economy and Society'-2007<sup>1</sup> companies where women are strongly represented at board or top executive level are also the companies that perform better. For this to happen women must have the same opportunities as men to succeed in their chosen area of work and be allowed to break through the ceilings which prevent them from reaching senior level positions.

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<sup>1</sup>[http://www.mckinsey.com/locations/swiss/news\\_publications/pdf/women\\_matter\\_english.pdf](http://www.mckinsey.com/locations/swiss/news_publications/pdf/women_matter_english.pdf)

### ***How far the progress?***

According to a recent financial times report, UK holds the sixth highest proportion of women at board level in Europe following behind the nordic countries and the Netherlands, based on a study of the top 300 European companies by the **European Professional Womens Network** and **Russell Reynolds**, the headhunters. Of the British companies, 84% include atleast one woman on the board, and the 17.5% have more than three. <sup>2</sup>

Whereas according to the **2010 Female FTSE** report by Cranfield School of Management<sup>3</sup> there are 135 female board level positions out of a total of 1076 (**FTSE 100 roles** ). The current figure stands at 12.5% whereas only a year before it stood at 12 %. This seems too slow a progress for any radical change to increase the number of women at senior level positions.

### ***Why argue a case for women on corporate boards?***

This has already been emphasised above. It's not only about figures or promoting equal opportunities; this is about improving and enhancing business performance. It is about acknowledging the changing social and consumer trends and incorporating women into decision making.<sup>4</sup> As it stands now, it is felt that the female talent pool is highly under utilized and women do not have sufficient

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<sup>2</sup> <http://www.ft.com/cms/s/0/5bbf3712-foec-11df-bf4b-00144feab49a.html>

<sup>3</sup>

<http://www.telegraph.co.uk/finance/jobs/8174769/UK-companies-failing-to-appoint-women-on-boards.html>

<sup>4</sup> Such as marketing products and purchase decisions of household products and others too.

opportunity to develop their skills and experience needed for effective board participation.

Adding females to the talent pool and improve their entry within the board rooms can assist in promoting a conducive environment for companies to approach especially for recruitment purposes and to choose from a more diverse pool of qualified candidates.

In the present times with an evolving/competitive environment there is a dire need of well-qualified professionals who can work together as a team to further the interests of a company. A vast range of personal talents and experiences can be an added tool to meet the diverse needs of a company including operating an effective board.

Although there is no evidence of a direct link between economic prosperity and fair representation of women however, several countries around the world have now realised that the lack of women at board level needs addressing urgently<sup>5</sup>.

The Catalyst <sup>6</sup> a leading non-profit member organisation which works globally with businesses and the professionals to build inclusive workplaces (does not show a very significant change in the statistics from 2009 to 2010.<sup>7</sup> In both 2009 and 2010

more than 50% of companies had at least two women board directors, yet more than 10% had no women serving on the boards. In 2009 women holding executive officer positions was 13.5% whereas in 2010 this came up to 14.4%.

Also of significant interest is the ASX (Australian Securities and Exchange) Corporate Governance Council Corporate Governance Principles and Recommendations' that were re-issued on 30 June 2010 by the ASX Corporate Governance Council and now contains a number of new recommendations relating to gender diversity.

From 1 January 2010, companies listed on the Australian Securities and Exchange is required to:

1. Adopt and disclose a diversity policy
2. Establish objectives for achieving gender diversity and assess the progress towards it.
3. Disclose in annual report the proportion of women employees in the whole organisation, in senior executive positions and on boards.
4. Disclose the mix of skills and diversity for which board is looking to achieve in membership of the board.

In February 2011, Lord Davies launched his independent review into Women on Boards in UK<sup>8</sup>, which sets out a series of

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<sup>5</sup> According to Fondas, N. and S. Salsalos -2000, "A different voice in the Boardroom: How the presence of women directors affects board. Influence over management," Global Focus, 12: 13-22, there is a body of research which shows how appointment of female directors can improve a company's performance.

<sup>6</sup> <http://www.catalyst.org/press-release/181/latest-catalyst-census-shows-women-still-not-scaling-the-corporate-ladder-in-2010-new-study-indicates-clue-to-reversing-trend>

<sup>7</sup> <http://www.catalyst.org/press-release/181/11/latest-catalyst-census-shows-women-still-not-scaling-the-corporate-ladder-in-2010-new-study-indicates-clue-to-reversing-trend>

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[to-reversing-trend](#). The report **Leadership Gender Gap in India Inc.: Myths and Realities**<sup>7</sup> (the first in Catalyst's *Advancing Women in India* series), is a very interesting read. It focuses on building awareness and offering action steps for developing and advancing women in corporate India.

<sup>8</sup> The report is available at

recommendations to increase the number of women on company boards. The report recommends that FTSE 100 companies should aim to increase the proportion of female directors on their boards to 25% by 2015. It further suggests that companies should disclose the number of women sitting on their boards and working in their organisations as a whole, to drive up the numbers of women with top jobs in business.<sup>9</sup> This is a call for radical change which shall lead an inquiry into male dominance of UK boardrooms.<sup>10</sup>

Correspondingly, the UK Corporate Governance Code would also require listed companies to establish a policy concerning boardroom diversity and disclosure of board appointment process in their annual accounts.<sup>11</sup>

Lord Davies rejects the introduction of quotas in favour of voluntary targets. Although he suggests that the "government must reserve the right to introduce more prescriptive alternatives if the recommended business-led

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<http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf>

<sup>9</sup> According to the report the government has recommended that FTSE 100 companies should aim to have a minimum of 25 per cent. female representation on their boards of directors by 2015 but has stopped short of imposing quotas to enforce such measures.

<sup>10</sup> Women account for only 12.5 per cent. of directors of FTSE 100 companies, and only 7.8 per cent. of board posts are held by women in the FTSE 250. At the current rate, it would a long time to achieve gender-balanced boardrooms in the UK's largest companies.

<sup>11</sup> Also recommended in the report is that investors are to have responsibility to monitor implementation of recommendations and that female appointments should be considered from both inside and outside the corporate sector.

approach does not achieve significant change".

### ***Is change in law – the only answer?***

The most important point to consider at this stage is whether boards actually want to acknowledge the benefits of gender diversity in their composition.

We note that several countries have a quota system for female representation on boards. **Norway** has introduced a quota system, which required public companies to have boards comprised of up to 40% of female directors which had to be complied by 1 January 2008. In December 2009, **France** also introduced legislation in parliament, which required women to comprise 50% of the board of directors of publicly listed companies by 2015. **Spain** has also introduced a regulatory requirement that private companies awarded public contracts must have at least 40% of their board of directors comprising of women by 2015.

Under the English translation-which is available online for **Norwegian Public Limited Liability Companies Act**<sup>12</sup>:

*s.6–11 a Requirement regarding the representation of both sexes on the board of directors*

*(1) On the board of directors of public limited liability companies, both sexes shall be represented in the following manner:*

*1. If the board of directors has two or three members, both sexes shall be represented.*

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<sup>12</sup> The Public Limited Liability Companies Act was effective from 1 January 1999. The present translation is updated to reflect all amendments to the act as of 1 November 2009.

2. *If the board of directors has four or five members, each sex shall be represented by at least two.*

3. *If the board of directors has six to eight members, each sex shall be represented by at least three.*

4. *If the board of directors has nine members, each sex shall be represented by at least four, and if the board of directors has more members, each sex shall be represented by at least 40 percent.*

5. *The rules in no. 1 to 4 apply correspondingly for elections of deputy directors.*

*(2) The first paragraph does not apply to directors being elected among the employees according to ss. 6–4 or ss. 6–37 first paragraph. When two or more directors as mentioned in the first paragraph shall be elected, both sexes shall be represented. The same applies to deputy directors. The second and third sentences do not apply if one of the sexes represent less than 20 percent of the total number of employees in the company at the time of election.*

The quota system is not an ideal solution, as more emphasis should be placed on encouragement rather than dictating the elements of board composition. Lord Davies is also a supporter of this thinking.

What is required is convincing the corporate leaders of the benefits of a more open and inclusive approach to board selection. This further demands adopting a change in attitude.

### **.Conclusion**

A number of factors seem to influence the ratio of women on boards, including

company size and industry. The gender culture and role of women in society in general is a contributing factor. It is argued that smaller firms tend to have more women on the board of directors since these are typically family firms, and women tend to be readily available and at times more important in the family sphere.<sup>13</sup>

Norway is held as the success model for closing the gender gap, but following the Norwegian model is problematic, and we may need to consider other options that look beyond numbers/ quotas and to the real benefits women could add to the boardroom.<sup>14</sup>

Implementing diversity opens the door for women as talented outsiders, offering different skills and knowledge to a board. In some companies it makes better sense to have women's perspectives depending on the industry (such as food industry etc).

With more and more awareness, and the global acceptance of gender equality, investors would be hesitant to do business with companies they consider old-fashioned and 'colonialised'. The first few women who are appointed to corporate boards are recruited (in many cases) for symbolic value only. In an evolving corporate world where there is added emphasis on attracting,

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<sup>13</sup> Corporate Innovations: Women on boards of directors- Lessons learnt from Norway, by Professor Dr.oecon, Morton Huse Norwegian School of Management BI  
[http://www.sareemakunde.com/media2/contenidos/archivos/Huse.M\\_o8\\_engl.pdf](http://www.sareemakunde.com/media2/contenidos/archivos/Huse.M_o8_engl.pdf)

<sup>14</sup> Gender-based quotas were raised by the government of Norway as early as 2003, and companies were given five years to comply. As of January 1, 2008, it became compulsory for Norwegian companies to appoint 40% of women to their management boards.

developing and motivating talented people, the demand for talented candidates is much higher than ever, for this reason companies cannot afford to exclude any source.

In the absence of legislation, what constitutes diversity can be hard to pin down. It is feared that quotas may be used as a driving force if sufficient change is not noticed in the coming years. Also there might be a realistic concern over requirement for social environments that are more supportive of working women. Support facilities to reconcile work life with family life, such as providing day care facilities are now coming up and are much more needed. Also gender equality needs to be promoted in terms of equal responsibilities and equal pay. For practices to develop it is pertinent that top management is convinced that diversity brings a competitive advantage to companies.

Portia thinks that until and unless there is an acceptability of her potential and that her presence makes a positive difference to the boards it seems very difficult to see a massive change. The pool of women with business credentials and experience has expanded and at the same time selection criteria in companies have changed, where leading companies look for women with private sector experience. Current women directors assisting in development and advancement of women in organizations could be a way forward in ensuring a greater presence of women on corporate boards. This may also reflect favourably in the eyes of stockholders and other female employees.

It is hoped that this is achievable without having to impose any penalty for not having any women on their boards. As the saying goes “to keep a lamp burning, we have to keep putting oil in it”, likewise we must keep pushing forward and find ways and means to achieve this rather than taking a submissive approach and merely observing the figures and waiting for it to go up or see a change.

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