CHAPTER 7

SUMMARY AND CONCLUSIONS

This study titled ‘Corporate Sustainability and Gender Diversity: A Study of Women on Board of Directors of Indian Companies’, has critically examined the corporate sustainability disclosure practices and the status of representation of women directors on boards of 185 sample companies over a period of six years. This study has also explored the existence of any relationship between gender diversity and the financial and non-financial performance of companies. The Directors’ Perception Survey conducted as part of this study has provided important insights into the minds and opinions of men and women directors on the importance of having women on boards and barriers that confront them.

This chapter focuses on the consolidation of the results and findings presented in chapters 4 to 6, drawing inferences and presenting conclusions. It also discusses the limitations of the study and presents the agenda for future research on board diversity in the context of corporate sustainability.

Objectives

This study was undertaken with the following objectives in mind:

1. To study the corporate sustainability practices followed by Indian Companies.
2. To examine the status of gender diversity on corporate boards in Indian companies.
3. To examine the relationship, if any, between women presence on BOD and the three dimensions of sustainability i.e. economic performance, sensitivity towards societal issues and quality of environmental disclosures of a company.
4. To understand the perception of directors, men and women, about sustainability and the representation of women on boards.
Methodology

Given the long term nature of sustainability, a longitudinal study over a period of six financial years i.e. from 2006-2007 to 2011-2012 was undertaken for a useful and complete analysis. The study made use of both – Primary and Secondary data for the purpose of accomplishing its objectives. Structured questionnaire was used to gather primary data from the sample directors. A corporate Sustainability Index (CSI) was developed for examining the extent and quality of sustainability disclosure practices of the sample companies. Secondary data was collected from audited Annual Reports filed with the Stock Exchanges, Sustainability Reports, company and stock exchange websites, Capital Market database ‘Capitaline Plus’, Directors Database, Ministry of Corporate Affairs and Registrar of Companies.

To achieve the first three objectives of the study, a sample of companies listed on the BSE500 index were originally selected. The final sample of 185 companies belonging to 19 sectors was derived after eliminating companies that were acquired or merged, delisted, liquidated or naturally replaced by the end of financial year 2011-12 and for which annual reports were not available. The Finance sector (17 per cent) makes up the largest group of companies, followed closely by industries such as Healthcare (10 per cent), Capital Goods (9 per cent) and Transport equipments (8 per cent). All sample companies were later classified under two broad categories of ‘High Profile’ (HP) and ‘Low profile’ (LP) industries (Hackston & Milne, 1996). A total of 66.49 per cent (123 companies) companies in the sample represented ‘Low Profile’ sectors.

Content analysis of annual reports was used to analyze the sustainability disclosure practices. A Corporate Sustainability Index (CSI) along with decision rules was developed to measure the extent and quality of a company’s sensitivity towards societal issues, its environmental concern and the overall corporate sustainability disclosures. The CSI comprised 80 items or indicators and used a system of variable scores for different items to overcome the drawback of superficial and forced definition of a score on any item of the index. The CSI produced robust results on inter – rater reliability and internal consistency tests.

To achieve the fourth objective of the study, a census of all the women on boards of BSE500 companies was taken followed by a randomly drawn sample of an
equal number of male directors. A final sample of 300 respondents was selected for the Directors’ Perception survey. A six page questionnaire with 20 questions was finalized after pretesting. Most of the questions were treated as categorical (nominal) and ordinal and were put to test using simple statistical tools. The same questionnaire was used for soliciting responses of men as well as women directors primarily on two aspects/categories: i) their understanding of corporate sustainability and ii) their perceptions about representation of women on boards. As part of analysis of gender diversity on boards, four sub-scales were created such that each one represented and measured one factor/aspect that influenced and explained the status of representation of women on boards of directors. These sub scales were named as – Qualifications, Skills & Competence, Opportunities, Stereotypes and Board Conduct. Each of the four sub-scales produced robust results on internal consistency test - Cronbach’s alpha.

The survey was kept ‘anonymous’ not requiring the respondents to disclose their identity or that of their company. This was done with an expectation of improving the response rate which was generally found to range between 30-40% in similar studies in the past. A postcard follow-up was mailed after one month of the date of initial mailing (Burke, 1995, Sheridan 2001, Sheridan & Milgate 2005) and again after three months from the date of initial mailing. Of the total 300 final questionnaires mailed, 96 responses were received making the response rate of 32%. 22% responses were received from women and 42% from men. This was considered reasonable and adequate considering the elite class of respondents involved.

**Analysis Techniques**

Multiple analytical techniques were used to find answers to the research questions. Specific to the type of data and the hypothesis to be tested, appropriate techniques were employed. Information collected or calculated was presented in the form of tables and charts for better understanding and inference. Descriptive statistics such as frequency distribution tables and percentage, mean, cross tabulation etc. were used for preliminary and basic level analysis of responses to the survey.
Comparisons of means were done between companies with High Corporate Sustainability Score (CSS) and those with Low CSS. Comparisons of means were also done between companies with no women on boards and those with more than one woman on their boards. Student’s t-test was used for this purpose. ANOVA was also used to evaluate the differences in the perceptions of men and women directors regarding the factors that promote and inhibit the representation of women on boards. Chi-Square and the Fisher’s Exact tests were used to analyze responses on multiple questions using categorical and ordinal scales, in the perception survey to see if there was a significant difference between men and women directors.

Time Series Linear Trend analysis was used for forecasting the future women on boards of directors. Correlation and 2-Stage Least Square (2SLS) method regressions models were used to test the relationship between various identified variables.

**Summary of findings**

1. Towards the accomplishment of objective one, the corporate sustainability disclosure practices of companies were analyzed through the Corporate Sustainability (CS) Index scores of the sample companies over the period of the study and testing whether there was significant difference in CS disclosure practices of companies and their sector classification, size and age.
   
i. The preliminary analysis showed that only 41 per cent of total sample companies had average Corporate Sustainability Scores (CSS), higher than the sample average. With respect to two specific constituents of the composite CS index, only 45% and 44% of companies exhibited an above average performance in Social Involvement and Environmental Concern dimensions respectively.
   
ii. It was further analyzed that only 15 per cent and 6 per cent of sample companies participated in voluntary sustainability disclosure initiatives of UNGC and GRI respectively. This supported the assumption about the unsatisfactory performance of the companies on the sustainability disclosures in their annual reports.
iii. It was found that CS scores significantly varied across sectors and size of the companies. However, the variations in CS Scores between old and young companies were statistically insignificant.

iv. Additionally, it was also found that the High CSS companies exhibited a much better performance in Environmental concern as well as in Social involvement as compared to Low CSS companies. In terms of financial performance, High CSS companies were found to perform better only in one of the three proxies used to measure financial performance – ROE, ROA and Market-to-Book Value. These companies had a higher ROE as compared to that of Low CSS companies; however this was found significant only at 10% level of significance.

2. Objective two of the study was accomplished by analyzing the data of women on boards of directors of sample companies over the period of the study and testing whether there was significant difference in gender diversity on boards of companies and their sector classification, size and age.

i. The preliminary analysis of the data gathered from annual reports showed that women made up just 5% of all directors on the sample and as many as 112 (60.6%) companies had no representation of women at all on their boards. Only half a percent (0.59%) companies had more than three women on their boards.

ii. The results of projections for status of women on boards in future highlighted that, ceteris paribus, at the current rate of growth in number of women on corporate boards, it will take Indian companies 130 more years to reach where Norway is today with 40% women on boards and almost one and a half century (166years) to achieve gender equity on boards of its listed companies.

iii. It was further found that approximately 50% of women on boards of the 185 sample companies were independent directors chosen on board for their expertise and experience rather than the prevalent notion and assumption of women directors gaining entry into boardrooms by virtue of their family ties (Ruigrok et al., 2007).

iv. A majority 84% of women directors held single directorships. This presents an opportunity for appointing more women on boards of Indian
companies from amongst this available pool of female talent and experience.

ev. A reasonably good percentage of women directors were active contributors as Board or Committee Chairs (23%) and members (47%). Also, out of all the women members of some committees, a majority were members of the audit committee, followed by the Investors’ grievance committee and of all the women who were chairpersons of some committees, a majority held the chair of the ‘Remuneration and Nomination committee’ followed again by ‘Investors’ Grievance Committee’. Although women on boards of the sample companies were found to contribute as members as well as chairpersons on some important committees, this cannot be taken as being adequate considering the overall representation of women on boards to be just 5%. This finding, therefore, cannot be seen as being in contrast to the findings of Rhode & Packel (2010) that highlighted the underrepresentation of women as chairs of some of the most influential compensation, audit, and nominating committees.

vi. Preliminary analysis showed that of the total companies with at least one woman on board during the period of study, a majority belonged to Finance sector. Healthcare and Capital Goods sectors were ranked second and third respectively whereas Power sector was ranked last in terms of companies with women on boards. It was also observed that there are more companies in the Low Profile sector with women on their boards as compared to companies in High Profile sector. However, results of ANOVA suggested that the differences in gender diversity on boards of companies and their sector classification are not significant.

vii. Comparison of means of two groups of companies was conducted - those that had no woman on their boards and those companies that had more than one woman on the board. The results showed that the companies with two or more women on their boards were significantly bigger in terms of total assets, market capitalization and net sales as well as had higher profits as compared to companies with no women on their boards whereas no significant differences were found between the two groups of companies with respect to the age of company.
viii. No significant differences were found in the financial performance of companies with no women on boards and those with two or more women on boards in terms of all the three proxy measures of financial performance, – ROE, ROA and Market-to-Book Value. However, companies with two or more women on their boards exhibited better social involvement as compared to companies with no women on boards. This finding of a positive association between presence of women on boards and the social performance is consistent with previous studies like Bear et al. (2010), Galbreath (2011) and Ibrahim & Angelidis (2011). The results also showed that such companies had a higher average board size and proportion of independent directors as compared to companies with no women on board.

ix. A further comparison between companies which had at least one woman on their boards for all six years of the study and those that had no women on boards in all years of study revealed that companies with women presence on boards had a higher Market-to-Book Value (mean of 4.2842) as compared to companies with no women on board (mean of 2.9736). The t statistic of 2.251 was found to be significant at 0.05 level with a p value of 0.027. This lent some support to results of previous studies (Bonn, 2004; Galbreath, 2011) which highlight the positive link between women presence on boards and the financial performance of the company.

x. It was also interesting to find that although as an initial observation, the High CSS score companies had a higher representation of women on their boards both in terms of proportions as well as Blau’s Index, and the Low CSS companies had a higher proportion of independent directors on their boards, these differences were not found to be statistically significant.

3. The results of comparison of means performed between two subgroups of the sample were tested further by using the complete sample and performing regression analysis. With respect to objective three, the analysis provided no
evidence of gender diversity on board of directors of Indian companies influencing a company’s performance.

i. Consistent with findings of previous studies like Shrader et al. (1997), Carter et al. (2003), Lückerath-Rovers (2010), Dobbin & Jung (2010), Galbreath (2011) and Dezso & Ross (2012) gender diversity on boards of directors was not found to have any significant impact on the financial performance of a company measured in terms of ROA. No evidence of significant association between ROE and either of the two measures of presence of women directors on boards was found, results consistent with Shrader et al. (1997), Bonn (2004) and Dezso & Ross (2012). Similar to ROA and ROE results, no significant association between MBV, the third proxy measure for economic performance, and gender diversity measured as proportion of women on boards as well as Blau’s Index could be established.

ii. In contrast to most studies examining impact of gender diversity on boards on only economic performance measures of companies, this study also explored the relationship of women representation on corporate boards and the social involvement of companies as well as their environmental concern. Consistent with Galbreath (2011), gender diversity on boards of directors was not found to have any impact on the environmental performance or concern exhibited by a company. Similar results of absence of any significant relationship between social performance or social involvement of a company and the representation of women on board were evidenced.

Hence, all the three null hypotheses H07 – H09 pertaining to objective three of the study were accepted which indicates that gender diversity on boards, in its current state in the sample Indian companies, does not contribute towards prediction of any of the corporate sustainability performance dimensions – economic, social and environmental.

iii. Although the study produced non confirmatory results on association between gender diversity and performance measures, various control
variables were found to be significantly linked with the three dimensions of corporate sustainability performance.

a. Except for social involvement of a company (SIS), total assets were found to be significant at 0.01 level for all other performance variables – ROE, ROA, MBV and ECS. This variable contributed negatively in prediction of all measures of economic performance (Waddock & Graves, 1997), but contributed positively to prediction of environmental concern (ECS) exhibited by a company, a finding supported by Clarkson et al. (2008) and Cormier et al. (2005). Bansal (2005) also found a positive association between company size measured as natural log value of total assets with the sustainability performance.

b. Market Capitalization was positive and significantly associated with all dependent variables except ROA.

c. Net Sales, the third proxy measure for company size, was not associated with any measure of economic performance, but was a positive and significant contributor to prediction of SIS at 0.05 level, a finding supported by Patten (1992). This indicates that large companies disclose information about their social involvement as compared to small companies. This indicates that companies primarily commit a part of their revenues for engaging in social responsibility activities. This is also supported by some examples of companies committing a part of their revenue per unit of sale of a product towards philanthropic and socially relevant activities.

d. Surplus resources, measured by adjusted Net Profits, were positively associated with only ROA suggesting that surplus resources help in improving returns, a finding supported by previous studies like Galbreath (2011). However, surplus resources were negatively associated with ECS indicating towards the possibility that companies may not be committing or using surplus resources for improving and mitigating the environmental impacts of their operations.
e. Proportion of independent directors on boards was found to contribute negatively to the prediction of MBV and ECS, significant at a 0.10 level. Contrary to findings of earlier studies such as Galbreath (2011), no significant association was found between board independence and SIS.

f. Age of a company was found to negatively impact the MBV at 0.10 level of significance. It was not associated with any other variable in the study.

g. Board size was also found to be insignificant in prediction of all the dependent variables.

h. A negative association between sector (dummy variable using 1 for high profile and 0 for low profile sectors) and gender diversity on boards of directors, significant at 0.10 level, was found. This was supported by the findings of earlier studies that some type of companies are finding difficulty in ensuring appropriate representation of women on their boards.

4. Towards the accomplishment of the fourth objective of this study the perceptions of men and women directors on corporate sustainability and gender diversity on boards of directors were analyzed.

A. Analysis on perceptions, awareness and understanding of men and women respondents with respect to the corporate sustainability dimension of the Directors’ Perception Survey, reports:

i. There is evidence of only partial awareness of the concept of Triple Bottom Line (TBL) in case of men as well as women respondents, with differences between them only attributed to chance.

ii. Men and women directors are both equally in agreement that companies can position themselves better in the eyes of the stakeholders by undertaking sustainable activities.

iii. Significant statistical differences were observed between men and women, in the identification of key drivers of corporate sustainability. Management of the company was clearly identified as the key driver by men, where as Public and Media closely followed by the Management of
the company and Regulators and law agencies emerged as women’s key drivers of sustainability.

iv. Governance was commonly perceived as the most important sustainability issue that companies were committed to. Governance was followed by Energy use and Environmental quality. Water use & efficiency and Workforce diversity & equal opportunity were perceived by the respondent directors as being the least significant issues for corporations.

v. As compared to men, a higher percentage of women were part of organizations that had commissioned a separate CSR committee. Strong evidence was found that companies on which female respondents were serving as directors were more likely to have separate CSR committees as compared to companies on which male respondents were serving.

vi. A strong association was also found between the existence of separate CSR committee and laying down of the code of conduct with higher number of CSR committees leading to a higher probability of having a well laid out code of conduct.

vii. A not so positive finding about the frequency of sustainability training organized by companies was observed with a majority of companies having never organized such training.

viii. Even in terms of taking sustainability issues into the board rooms where strategic decisions are made, a mixed and moderate response was received from the directors. Crucial agendas like the need of integration of social, ecological and economic elements for a balance decision, corporate reputation, employment trends etc. were taken up only ‘Sometimes’ as board agendas. Innovation being given a high priority as ‘almost always’ on the agenda of the board was a positive outcome of the analysis of responses of both men and women. Gender issues were the least priority agenda for the board with active discussion on gender issues happening ‘almost never’.

Both these findings, about the frequency of sustainability training and the frequency of putting sustainability issues on the boards’ agenda, present a strong case for the need to sensitize both the companies and the
directors as the strategic decision makers to take steps towards integrating sustainability in their core operations.

ix. A high level of involvement of women directors in Customer service and Public Relations as compared to men directors’ high involvement in decisions pertaining to Accounting & Finance, Engineering related issues, Legal issues, Product Development & Design and Product Quality, in addition to Customer service and Public Relations, supports the similar findings in previous researches on the subject (Klassen & Whybark, 1999; Mann et al., 1998; Hillman et al., 2002). This finding is also supportive of the earlier finding of this study that presence of women on boards does not significantly influence a company’s financial performance. The respondents consider women are generally given soft assignments and positions or their involvement is limited to such decisions (Rhode & Packel, 2010) as compared to crucial financial decisions. This clearly hints towards the existence of stereotypes against women which was statistically tested and proved by the results.

B. Analysis on perceptions, awareness and understanding of men and women respondents with respect to the gender diversity dimension of the Directors’ Perception Survey, reports:

i. A majority of respondents felt that although there is adequate diversity on boards in terms of experience and background, there are not enough women on corporate boards, the Boards still lacked in gender diversity. A significant association between the perceptions of directors on board’s general diversity and its gender diversity was found with the conclusion that the respondents who considered the boards to have adequate diversity of experience and backgrounds generally consider them to have inadequate representation of women directors. This supports the findings on objective two of this research relating to the current ‘token’ status of women representation on boards of directors of Indian companies with women being only 5% of the total directors on boards.
ii. Analysis of the responses on the statements pertaining to the qualifications, skills and competence that women bring on board shows that:

a. There is an overall agreement amongst men and women on the ability of women to resolve conflicts through their diplomacy and tact as well as their problem solving skills.

b. However, a higher percentage of women (93%) felt that they had better abilities of dealing with ambiguity and uncertainty as compared to men (78%), consistent with the findings of Rosener (1995).

c. Interestingly, a higher percentage of men (72%) as compared to women respondents felt that women bring different viewpoints and perspectives enriching decision making and are better monitors of ethical conduct of business operations. These findings are consistent with earlier studies such as Adams & Ferreira (2009) and Nielsen & Huse (2010).

d. There was a general agreement between men and women on the ability of women presence on boards and top leadership positions to boost confidence of clients, consumers as well as investors. This supports the argument that women have a better understanding of consumer behaviour and needs of customers (Kang et al., 2007; Brennan & McCafferty, 1997).

e. Also women possess a strong moral overtone (Arfken et al., 2004) and believe in nurturing relationships and focus on needs of others. This makes women better at representing and safeguarding the interests of different stakeholders and keeping them connected to the organization (Biggins, 1999; Hisrich & Brush, 1984; Rosener, 1995; Hillman et al., 2007).

f. Women presence on boards also contributes by bringing women friendly policies and culture in organizations, a finding supported by Burke (1994) who also argues that women on boards indirectly serve as role models for other women in the organization.
g. However, a majority of men respondents, unlike their female counterparts, did not feel that the lack of presence of women on top reduces the company’s image in the eyes of its female employees.

h. With specific reference to sustainability, both men and women acknowledged that women on boards would lead to better social responsiveness of a company. By virtue of their qualifications and skills, their temperament and relational abilities, women contribute more effectively on qualitative, human and ethical issues like managing social impacts of their company (Huse et al., 2009; Huse & Solberg, 2006; Rosener, 1990;Bear et al., 2010; Ibrahim & Angelidis, 2011). Increased participation of women on boards leads to stronger controls and enforcement thereby leading to better social governance (Grosser & Moon, 2005; Schnake et al. (2006).

i. However, with respect to impact of gender diversity on boards on the economic performance, where a majority of women respondents remained neutral or undecided on the issue, the men generally disagreed with women presence having any positive effect on the financial performance of a company. However, overall, higher percentage of men felt that gender diversity on boards would help the cause of sustainability as compared to women.

iii. Analysis of responses on statements relating to opportunities available for women point towards:

a. Lack of ample opportunities available, in general, for women aspirants of directorship positions. The results show that companies do not generally know where to look for qualified women and do not appoint women unless they are already on boards of other companies.

b. There was also a general consensus on the low visibility of women as they are not part of the informal networks. The process of appointment of directors on boards, which traditionally relies on accessing the existing network and pool of experienced and high profile chief executives, chief operating officers, or retired executive officers of large corporations, tends to exclude the
female talent pool as women generally do not follow these traditional career paths (Hillman et al., 2002). Male directors are significantly more likely to have corporate board experience, including CEO/COO roles, while new female directors are significantly more likely to have experience as directors on boards of smaller firms (Singh et al., 2008).

c. It was interesting to find that a higher (68%) of men as compared to 36% women, believed that women get appointed on boards only if a company is specifically looking for a woman director.

These entry barriers tend to drastically cut down the opportunities available for qualified women interested for board service. So although there is a growing global trend of appointing women on boards, the opportunities and support available for women directorship aspirants are indeed very limited.

iv. Responses on statements designed to assess the prevalence of stereotypes show that:

a. Stereotypes and biases against women exist in the corporate world.

b. Women are put on boards and leadership positions as part of the legitimacy argument and public sentiment rather than their qualification and competence. This is supported by the findings that a majority of respondents, higher percentage of men (47%) as compared to (30%) of women, felt that companies do not think women are qualified for senior management positions.

c. A higher percentage of women (48%) as compared to men, felt that companies prefer men over women for board service as they think men naturally understand business.

d. More women felt that women’s inputs on technical issues such as environment and production are overlooked by their male counterparts and that women’s contribution is limited as they are assigned less influential portfolios such as HR and CSR (EOWA, 2008; Klassen & Whybark, 1999; Mann et al., 1998; Hillman et al., 2002; Galbreath 2011).
e. In response to the statement ‘a single woman on board finds it difficult to make her opinions heard’, 54% of women expressed their strong agreement to this in contrast to 33% men disagreeing to this statement. This is supported by Kanter’s (1977) explanation of ‘Token’ women directors. She finds that women found in minority are treated as representative or symbols of their category, are highly visible and are easily stereotyped leading to performance pressures. This makes it more difficult for them to contribute on merit and as equal members (Rhode & Packel, 2010). This was a particularly important finding as most of the companies in India have only a single women director on their boards.

f. There was a general consensus between men and women on women being underestimated and being perceived as oversensitive.

g. 82% of women directors as compared to only 38% men believed that a ‘Glass Ceiling’ still existed for women in business. This supports the findings of earlier studies by Hillman et al. (2002) and Arfken et al. (2004).

h. Another interesting finding was that men, generally, did not feel that companies perceive women as ‘feminists’ who would push ‘women’s agenda’. This was in total contrast to 42% of women respondents’ perception on this issue.

v. Analysis of the responses of directors on statements relation to the Board Conduct emphasize:

a. A general agreement on the professional conduct of board proceedings with higher percentage of men as compared to women, feeling that meeting are formally conducted with open discussions on opposing views from women.

b. Participation of women is valued and gender neutral language is used to make women feel more comfortable.

c. However, 62% of women respondents felt that ‘sexist jokes’ do sometimes find a way into boardroom proceedings.

vi. With respect to the satisfaction of the respondents with the way their companies function or perform, their discretion in dealing with problems
and opportunities to do creative work, a majority were satisfied on all three. However, it was noteworthy, that a higher percentage of women felt dissatisfied with the discretion they enjoy and opportunities they get to do creative work, a potential reason for their lack of impact on the company’s performance. These differences between the level of satisfaction of men and women were found to be significant with the men being more satisfied on the way their companies operate, the discretion they enjoy and the opportunities they get to do creative work, as compared to women.

vii. It was interesting to find that majority of respondents highlighted that their companies did not have internal processes that create opportunities for women and felt that enough is not being done to attract and retain the talented women. Another interesting finding was that of respondents who said their companies did have internal processes to create opportunities for women, women made a larger share as compared to men.

viii. In the context of the current corporate regulatory environment and specifically the enactment of the new Companies Act 2013 which mandates appointment of at least one woman director on boards of specific companies, it was particularly interesting to evaluate the responses of the directors to the question whether there should be quotas or reservations for women on boards. A majority of the respondents did not support quotas and reservations as measures to promote appointment of women on boards. The most generally given remarks against such quotas were ‘merit must prevail’ and ‘quotas will lead to ornamental appointments only’. However, amongst a small segment of respondents who were in favour of quotas for women, female respondents formed a higher percentage as compared to their male counterparts. ‘Equality’, ‘Need a push at the entry level’ and ‘Discrimination’ was quoted by some of the respondents as reasons for support of such quotas. Overall, majority of respondents felt that although enough is not being done to attract and retain women, quotas or reservations are still not the answer/solution.

ix. In place of quotas, respondents stressed on the need to develop a pipeline of women talent and to get the women ready for board positions. They
also felt that companies need to employ ‘head hunters’ to fill board positions. This supports the concerns raised in this and previous research like Hillman et al. (2002) about women not getting equal opportunities for presenting themselves for board service primarily due to the informal process of recruitment adopted by companies. Women, in particular, felt that companies need to be sensitized to the need, importance and the ways of tackling diversity. A higher percentage of women also felt that by tackling stereotypes the organizations could improve gender diversity on boards.

x. Significant differences were found in the perceptions of men and women directors on what are the potential weak areas of women directors which need to be improved through training programmes. Respondents considered training to handle discrimination as being one of the most important areas that women require to raise to the top leadership positions, however, women felt that they need more training in business analytics and sector specific knowledge. None of the respondents considered that women required any kind of training in ‘Risk management’, an expected outcome as women are generally perceived to be more risk averse as to men. While women thought there is a need to improve their ‘Assertiveness’, men thought women need to work on their personal branding.

Conclusions

An overall unsatisfactory status and performance on corporate sustainability disclosures and representation of women on boards of directors of sample Indian companies is observed. Gender diversity on boards, in its current state in the sample Indian companies, does not contribute towards prediction of any of the corporate sustainability performance dimensions – economic, social and environmental. The statistically insignificant estimates of gender diversity in the models may point towards a general lack of value addition by women on boards towards performance, but at the same time it can be taken as an indication of the prevalence of ‘tokenism’ in appointment of women directors on boards of
directors of companies (Carter et al., 2003; Rhode & Packel, 2010; Rosener, 1995) indicated by a mere 5% presence of women on boards of sample Indian companies during the period of study and as many as 112 (60.6%) companies with no representation of women at all on their boards. This is also supported by a majority of respondent directors, both men and women, who felt that although there is adequate diversity on boards in terms of experience and background, there are not enough women on corporate boards to make a difference and that the Boards still lacked adequate and effective gender diversity. As Kanter (1997) explains too few women on boards simply act as ‘tokens’ that are highly visible and under pressure to perform. Tokenism impairs performance of women on boards and makes it more difficult for them to contribute on merit and as equal members (Kanter, 1997; Carter et al., 2003; Rhode & Packel, 2010). Also, a significantly higher percentage of women directors felt dissatisfied with the discretion they enjoyed as well as with the opportunities they got to do creative work, another potential reason for their lack of impact on the company’s performance. It is also likely that women have not been on the board long enough to make an impact on the company’s performance (Shrader et al., 1997).

Another plausible reason explaining the lack of significant association between gender diversity and a company’s performance, us the unsatisfactory performance of the companies especially on the dimensions of social responsiveness and environmental concern measured by the proxies SIS and ECS. Only 45% and 44% companies’ average SIS and ECS scores respectively were higher than the sample average. Further investigations into the sample companies’ social and environmental performance also showed that only 15 per cent of sample companies were participants in the UNGC initiative and an even lower 6 per cent of sample companies were participating in voluntary sustainability disclosure initiative of GRI. This supports the conclusion of this research about the unsatisfactory performance of the companies on the sustainability disclosures in their annual reports and also considers it a vital contributing factor in explaining the results of lack of significant association between gender diversity and the social and environmental performance. The unsatisfactory performance in terms of corporate sustainability disclosures can be attributed to a general lack of awareness of what constitutes sustainability as also the lack of integration of
sustainability in the organizational culture. This is also evident from the findings of the directors’ perception survey indicating only partial awareness about the concept, considering management as the key driver and governance as the key corporate sustainability issue.

Valuable findings were made with respect to the factors that promote and inhibit women from attaining board positions such as their qualifications, skills and competence, opportunities for their growth, stereotypes and the way in which the board conducts its affairs. Evidence was found that boards generally conduct their business professionally making it reasonably conducive for women directors. There is also evidence that respondents perceive women do add value to the board as well as the organization through their knowledge, skills and competence (Hillman et al., 2002; Adams & Ferreira, 2009; Singh et al., 2008; Rosener, 1995).

At the same time, directors acknowledged the lack of adequate/ample opportunities for women and the prevalence of stereotypes and bias against women in the organizations which are inhibiting their representation on boards (Hillman et al., 2002; Nielsen & Huse, 2010; Bilimoria & Piderit, 1994). Statistically significant differences between perceptions of men and women on these factors or aspects were found. Female respondents had a tendency to agree more strongly that women presence on boards adds value to the organizations as compared to male respondents. Also with respect to existence of opportunities as well as stereotypes, men comparatively feel the ample opportunities exist for women and that there is not much existence of stereotypes against women. Men also felt relatively little strongly than women that board meetings were professionally conducted which make women feel comfortable and contribute.

Although the results of the survey in this study and substantial amount of prior empirical data and evidence suggests that corporations can benefit by appointing more women on boards, still the companies were found to lack in internal processes that create opportunities for women and help attract and retain women. Many organizations find themselves with regard to a continuing loss of high potential and high performing female population which results in lost growth opportunities, high replacement costs and a potential for cultural obsolescence (PwC, 2008). Of the respondents who felt their companies did have internal processes to create opportunities for women, women made a larger share as
compared to men which leads to the conclusion that the culture of companies that have women on their boards tend to be more conducive to women employees.

A majority of the respondents did not support quotas and reservations as measures to promote appointment of women on boards. The most generally given remarks against such quotas were ‘merit must prevail’ and ‘quotas will lead to ornamental appointments only’. However, amongst a small segment of respondents who were in favour of quotas for women, female respondents formed a higher percentage as compared to their male counterparts. ‘Equality’, ‘Need a push at the entry level’ and ‘Discrimination’ was quoted by some of the respondents as reasons for support of such quotas highlighting a lack of level playing field in director appointment. Women, in particular, felt that companies need to be sensitized to the need, importance and the ways of tackling diversity with a higher percentage of women feeing that stereotypes exist and by tackling them organizations could improve gender diversity on boards.

Concerted efforts and intervention by the regulators and voluntary associations would be constantly required to improve the sustainability performance and disclosure practices adopted by Indian companies at a faster pace as also to improve the representation of women on boards of directors of Indian companies.

**Implications of research and recommendations**

Literature suggests that board of directors play a vital role in determining a company’s commitment to sustainability issues. In this context the role of diversity on board of directors is an area of interest for many researchers. This research has attempted to link two of the most important and contemporary business paradigms – Corporate Sustainability and Gender Diversity. Most of the prior empirical research on board diversity has been mainly restricted to data from Norway and other Scandinavian countries, Australia, US and UK, this study has presented the Indian perspective on these issues. It has provided insight into the corporate sustainability disclosure practices adopted by Indian companies and presented the current status of women on boards and how this is perceived by the corporate elites. This study has comprehensively and simultaneously examined
performance of a company on all the dimensions of sustainability – economic, environmental and social, and has attempted to investigate their potential association with the degree of gender diversity on a sample of Indian listed companies.

Through its Directors’ Perception Survey, with both men and women directors as its respondents, the study has provided insights into the minds of the strategic decision makers. The perceptions of directors on what sustainability issues confront organizations and the role women can play in tackling such issues has provided vital information for policy makers as well as corporates to further the cause of sustainability and promoting gender diversity.

The findings of this study can be valuable to the policy makers and regulators both in emerging and developed markets, for defining policies and standards applicable to the disclosures of governance, environmental impacts and social involvement information by companies and for advocating, even through mandates, the appointment of women on boards. The findings of this research can be useful for companies to assess whether a sustainability culture is prevalent in their organization.

Another important outcome of this research has been a validated Corporate Sustainability Index (CSI) – an instrument devised to measure the level of sustainability disclosures in quantitative as well as qualitative terms rather than a mere box ticking approach. This index can be used by investors, financial institutions and other stakeholders for assessing and evaluating the companies on their sustainability performance. The index can also be used by companies for self assessment of their practices by carrying out longitudinal and inter-firm comparisons.

**Recommendations**

Based on the results and key findings of this study, the following recommendations are proposed:

1. In India, there is a need to generate more awareness about the concept of Corporate Sustainability and more importantly a need to sensitize both the
companies and the directors as the strategic decision makers to take steps towards integrating sustainability in their core operations. The goal of ‘sustainable development’ needs to be widely communicated amongst all stakeholders and ingrained in the culture of an organization. More frequent sustainability trainings in organizations as well as making sustainability an integral part of the boardroom agenda and strategic discussions would help to achieve this objective. Frequency of such trainings may be regulated just like mandatory governance requirements of number of board meetings in a year.

2. Interventions such as making sustainability disclosures mandatory spelling out the minimum requirements sector wise, like GRI, would improve the disclosure practices of Indian Companies.

3. Appointment of separate sustainability officers and a separate CSR committee would give the required impetus and focus to corporate sustainability issues. It is apt that the new Companies Act 2013 has already mandated establishment of a separate CSR committee for specific companies. This should improve companies CSR performance and commitment as well as increase representation of women on boards.

4. There is a need to recognize the many ways in which presence of women on boards can contribute towards improving the performance of a company. But despite these benefits the current status of gender diversity (5%) on boards of Indian companies does not compare favourably with other countries like Canada (10.3%), USA (16.1%) and UK (15.0) as also Hong Kong (9.0%) and Australia (8.43%) (Catalyst, 2012b). Norway with its 40.1% representation of women on boards may be considered simply ‘out of the league’ for any comparison.

5. Concerted efforts are required to put more women on boards. Although the Companies Act 2013 has mandated at least one WOB for specific companies, the process of selection as well as whether the women on boards should be independent directors need to be further clarified.

6. Companies need to make major changes in order to create more opportunities for qualified women. Some efforts in this direction can be by providing flexible working hours, maternity benefits, ‘School hours shifts’ etc. to accommodate the needs of women employees.
7. Companies need to employ ‘head hunters’ to fill board positions. This supports the concerns raised in this and previous research about women not getting equal opportunities for presenting themselves for board service primarily due to the informal process of recruitment adopted by companies.

8. Gender audits can be made mandatory for organizations to ensure a conducive environment for women in the organizations.

9. Other interventions like diversity trainings in organizations to help members identify and overcome gender biases and stereotypes and specific skill trainings to develop a pipeline of women talent and to get the women ready for board positions are required. Some topics identified by this research include training to handle discrimination, business analytics and sector specific knowledge, assertiveness and personal branding.

10. Organizations should also develop mentoring programmes for qualified women executives.

Limitations of research

This study is not free from limitations. It has been planned with only a few specific objectives in mind. The research design and the selection of the methodology as well as the sample would greatly impact the results and findings. Some of these assumptions and limitations have been discussed below in all earnestness.

The results of this study were based on a small sample of 185 companies listed on the BSE. Ownership structure of the sample companies with respect to subsidiary or holding or stand alone companies was not accounted for in the study.

Collection of data was not an easy task. Some annual reports were difficult to obtain. This in itself may be taken as a reflection of the transparency of disclosure practices of those companies. More efforts were required for getting an acceptable number of respondents to participate in the Directors’ Perception Survey. Reminder and follow up letters were mailed after the initial mailing of the questionnaires to increase the response rate.
This research looks specifically only at gender diversity on boards in the context of corporate sustainability. It does not take into consideration the impact of other demographic characteristics such as age, educational background and experience of the directors in the analysis.

**Agenda for future research**

For logical and consistent generalization, this study can be further replicated on a larger and global scale through an inter-country analysis.

Further detailed and concentrated research into the board processes in Indian companies may be undertaken to understand board dynamics and behaviour. Qualitative case studies may be appropriate to provide insights into interpersonal relationships amongst board members and the decision making processes. This would help in further understanding how women directors can effectively contribute to strategic decisions at board level. The study can be repeated on a larger sample of directors and use of personal interviews may be evaluated.