substantial number of independent directors on company boards will complete a 10-year mandated tenure by April 1, 2024. This will result in more than 1500 vacancies in 825 listed companies and about 30,000 vacancies if we include the unlisted companies. The pertinent question is whether the anticipated Great Board Refresh of 2024 will be a mere formality or a testament to a board’s resolve to swing-in diversity on boards. We are likely to witness some definitive changes in the course of the next one year that may have far reaching implications.

DO WE HAVE ENOUGH WOMEN ON-BOARD?

In recent years, the corporate governance landscape in India has witnessed a significant shift towards fostering gender diversity on boards. The Companies Act (2013), SEBI Regulations (2015), and the appointment of the Uday Kotak Panel on Corporate Governance by SEBI in 2017 have all played pivotal roles in steering this change in India. The Companies Act of 2013 mandated all listed companies and large corporations to appoint at least one female director to their boards. Further to this, SEBI Regulations of 2015 required all listed companies to select at least one woman on their boards before April 1, 2015, whether executive or non-executive.

A recent EY report on DEI states that almost 95% of Nifty 500 companies currently have at least one woman on board, and about 40% of companies have gone beyond the mandate and appointed more women than one on their boards. The average board representation of women in 2013 was 6%, which changed to 13% by 2017 and stands at 18% in 2022.

IS INDIA INC. AT THE RISK OF TREATING THE PATH OF THE OFT-TOKENISM?

Despite government mandates, the underrepresentation of women in leadership roles persists in Indian corporate corridors. One major inhibitor is tokenism. We take the help of two seminal research works in this domain to explain this concept, namely Kanter’s theory of tokenism. And Konrad’s findings on boardroom dynamics. The latter states that interactions start to shift when at least three or more women are on corporate boards.

THE THEORY OF TOKENISM

Kanter defined ‘tokens’ as individuals representing a minority group constituting 15% or less of a larger group, with the remaining 85% being the “dominant group.” She has said that for diversity to impact the firm positively and for a positive experience for the minority, the minority must be present in at least more than 15% in numbers.

Kanter identified three essential experiences for tokens within an organization: performance pressure, boundary height-
norms favor men as the dominant group.

THE IMPACT OF THREE OR MORE WOMEN ON CORPORATE BOARDS
Researchers Kramer, Konrad, and Erkut interviewed 50 female directors and sought to understand boardroom dynamics. In 2008, they published their findings in another much-quoted research paper in this domain, with its research findings in line with Kanter’s work. They said that at least three women were needed to impact how directors interacted, and this was the minimum number of women directors required for a boardroom for the positive input of women to come into play. The research was further complemented when Mr. Manoj Rout, CEO and Secretary General of the Institute of Directors, responded in a conversation with the author, stating that “the current board gender representation is still low and 30% would be a decent percentage to aspire for to create a comfortable and inclusive environment.”

WHY BOARD GENDER DIVERSITY IS IMPORTANT AND WHAT ARE THE ROADBLOCKS?
Numerous researchers have underscored the positive impact of having more women on boards, touching upon aspects such as improved financial performance, ESG compliance, risk disclosure, firm innovation, green initiatives, etc. Still, there is a wide gap to be filled regarding diversity and inclusion for women directors. Various factors contribute to this imbalance.

It is believed to be an interplay of many unconscious biases (one example is the faulty belief that there is a lack of qualified women for directorial roles. Research has dispelled this notion and established that the talent pool is rich with skilled and competent women ready to assume leadership positions.). Other factors considered to be the major derailing are the ‘leaky pipeline’ phenomenon, the influence of the ‘old boys’ network,’ the dual responsibilities that women often shoulder in India with or without choice.

There may be a less recognized but equally significant phenomenon at play, and it has to do with the turnover rate of company boards. One recurring challenge that executives from companies cite when urged to enhance board diversity is the reluctance to ask current directors to step down or increase the size of the board. The pivotal year of 2024 offers a unique opportunity to address this challenge head-on.

THE OPPORTUNITY PRESENTED BY THE GREAT BOARD REFRESH OF 2024
As stated earlier in this article, April 1, 2024, opens the floodgate of seamless opportunities as 30,000 independent directorship positions that could be on the anvil of being filled. What does this mean for corporate boards nationwide? This eliminates the long-drawn arguments of the logistical hurdle of insufficient openings on boards for female nominees. The urgency of increasing gender diversity on company boards now squarely rests in the hands of the Boards.

Corporate leadership’s crucial question is whether they will translate their verbal commitments into tangible actions. The opportunity for a more diverse and inclusive corporate landscape is at the doorstep. Will they seize it or let it slip away? How will India Inc. respond to this great opportunity?

All stakeholders will undoubtedly scrutinize the outcome. In 2024, the corporate world has a chance to fight tokenism, drive real change, and redefine its narrative—let’s hope Board members seize the opportunity to create a gender-balanced board.

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