

## Representation of Women on Boards of IT Companies: An Indian Story

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### **Abstract**

The new Companies Act introduced in India in August, 2013 incorporated a mandatory provision for appointing at least one woman director on the board of directors of listed and certain other companies. The companies were required to comply with the law by 31<sup>st</sup> March, 2015. The change in law led to a virtual scramble for identification of woman to be appointed as directors on boards of listed companies. The new norm was aimed to improve gender diversity on Indian corporate boards. Different countries have adopted varied methods for better representation of women on corporate high offices, viz. quota system, comply or explain incentive and voluntary action etc. Information Technology sector in India is a high growth sector and is one that is considered highly professionalized also. How the companies in this sector have responded to gender diversity norm propagated through the new law? The paper examines this aspect by analyzing the board composition of a sample of large Indian IT companies.

**Keywords:** Board of Directors, IT companies, New Companies Act, Women Directors, India

### **Introduction**

The Government of India promulgated a new Companies Law in August, 2013 which for the first time made it mandatory for certain category of companies to appoint at least one woman on its Board of Directors. The provision was enacted with the objective to improve gender diversity on boards of Indian companies. It provides:

*Section 149(1) - Provided further that such class or classes of companies as may be prescribed, shall have at least one woman director (Companies Act, 2013).*

The Rules framed under the Act, Companies (Appointment and Qualifications of Directors) Rules, 2014, enjoins following companies to appoint at least one woman director on their Board (Rules, 2014):

- (i) all listed companies, and
- (ii) other public limited companies having paid up capital of Rs. one hundred crore or turnover of Rs. three hundred crore.

Further, any intermittent vacancy of women director shall be filled up by the Board by woman director only within three months or next board meeting whichever is later. This provision was incorporated in the law to fill up much needed gender diversity on the Board of corporates. The existing companies were given time till 31<sup>st</sup> March, 2015 to comply with the new legislative provision. India is the first

country among the developing nations which has decided through legislation to make representations of women on company boards mandatory. Pursuant to this change in law, the capital market regulator, Security and Exchange Board of India (SEBI) also amended its listing agreement (Listing Agreement, 2014) for companies to incorporate a provision similar to the section 149 of the Act. This led to a virtual scramble among Indian corporate management to fill up women seats on their boards and reports revealed that most companies complied by appointing family women or relatives as board members. Some companies with progressive outlook were, however, appointing woman directors on their boards even before the new law was enacted.

### **International Perspective on Women Board Members**

In the absence of any legal mandate, Indian companies have been averse to giving adequate representation to women on their board of directors even though there has been no dearth of professional women to fill up the positions on corporate high offices. Many countries had enacted legal provisions or adopted other measures to improve women presence in their board rooms. Norway and Iceland had introduced 40% quota for women directors which resulted in significant increase in women positions on corporate boards. The quota position also prevails in some other countries like Iceland, Belgium and Israel. In some others, either there is voluntary provision or comply or explain type norm. United Kingdom and Australia have adopted comply and explain policy towards creation of women diversity on boards. The US Regulation requires disclosure by companies with regard to consideration of women diversity while selecting directors on their boards. The process of women participation in board rooms has, however, been rather slow though of late some improvement has been witnessed. The position of women representation on companies in some advanced countries can be gauged from Figure 1.

Most of US and European companies have women representation on boards in excess of 20%. This has resulted out of a slew of legislative and regulatory measures taken by their governments with effective follow up. The numbers in India and Hongkong are around 10% and in Japan, it is about 3% only. In Australia, the position is as good as in European nations, being in the region of 20%. The countries in Asian region, however, had been relatively slow in advancing women empowerment in corporate board rooms and have to travel a distance in achieving objective of greater women equality in corporate ceiling. The recent legislative push given in India is expected to improve Indian corporate gender diversity at higher levels and generate, in the longer run, a more progressive outlook in this regard.

### **IT Industry in India**

Information Technology sector has contributed immensely to the Indian economy. Its share in national GDP is nearly 9.5%. According to NASSCOM statistics, it is now largest employer in private sector (NASSCOM, 2015). About 10 million professionals and other employees are engaged in the IT industry. IT sector has the largest share in export of services constituting more than 38%. IT industry has in past few years made big strides and led to the transformation of economy of the country. India's technology sector (including hardware) is estimated to have generated US\$ 146 billion in revenue during FY15 compared to US\$ 118 billion in FY14, implying a growth rate of 23.72 per cent (Ibaf, 2015). The sector is expected to grow 11 per cent per annum and triple its current annual revenue to reach US\$ 350 billion by FY 2025, as per estimates of the industry body (NASSCOM, 2015).

India is the topmost off shoring destination for IT companies across the world. The high growth in IT sector has attracted professionals not only from IT areas but also different branches of engineering and other domains in good numbers.

Being an intellectual based industry, the top management of these companies has also been found to be largely professional oriented. A search of board composition of IT companies in India has revealed that most of boards consist of professional persons as directors guiding the business strategy and policies of companies. In these circumstances, it raised a curious question regarding response of IT companies to new legislative provision in the latest Companies Act that each listed company must have at least one woman director.

### Objective of Study

The study has been conducted to assess and analyze the representation of woman directors on Board of Directors of Indian IT companies in response to new legal mandate of Companies Act, 2013 that each listed company must have at least one woman on the board.

### Data and Methodology

For the purpose of study, the list of all public companies in IT software sector, listed on National Stock Exchange (NSE), was drawn. A sample of 30 companies with market capitalization of Rs. 1000 million or more was selected as a representative sample. The composition of board of directors of these 30 companies, as provided in the websites of companies, was examined to determine the numbers of total directors and woman directors among them. The results were analysed to study the pattern of women representation on boards of Indian IT companies.

### Analysis and Findings

The results of study have been shown in Table 1 attached as Annexure I and summary thereof is given below:

**Table 2: No of IT companies with different no of directors**

Women Director	No of companies	%
1 Women Director	24	80%
2 Women Directors	6	20%
3 Women Directors	0	0%

While 80% of IT companies have complied with woman director norm by just minimum requirement, a symbol of mere tokenism in improving gender representation on their boards. In other words, male dominance continues on corporate boards of IT companies. The result supports an earlier study “that although many of these (IT) companies promote gender equality in the workplace and women in senior positions of authority, the Indian software sphere continues to be almost entirely male-dominated” (CIS, 2013). In another 20% companies, there are two woman directors and none of companies have three or more woman directors on the boards irrespective of the size of the board. None of these companies have woman Chairperson signifying that in all companies under study, male dominance prevails in the positions at helm. Does this position results from lack of competent women IT professionals in India? Even the internationally well-known names like Tata Consultancy, Wipro, Tech Mahindra have just woman director while companies like Infosys and HCL Technologies have two women directors on their boards. There are seven companies with 11 or more directors but none of them have appointed more than one woman as director.

The law mandates for appointment of just one woman on boards of companies irrespective of the size of board or total number of directors. The Companies Act provides for a minimum of 3 and maximum of 15 directors on boards of public limited companies which comes under purview of woman director

norm. A company with 5 directors is required to have one woman as director, as also a company with 15 directors, three times the board numbers of previous company. In other word, the law does not prescribe for number of woman directors as percentage of total directors which would be true indicator of gender diversity on corporate boards in India. The position in this regard in case of IT companies is reflected in following table:

**Table 3: Percent share of woman directors in IT companies**

Sl. No	Percentage of women directors	No of companies
1	0-5 %	0
2	5-10%	9
3	10-15%	14
4	15-20%	3
5	20-25%	2
6	25-30%	0
7	30-35%	2
8	Above 35%	0
	Average =14.5%	Total= 30

It emerges that in half of IT companies, percentage share of women directors is between 10 -15% and on the average, it is at 14.5%. Only in 2 companies, percentage of women directors is more than 25%. The law also enjoins on listed companies to have at least one third Independent Directors on their boards. These are directors who are not related to promoters and have no pecuniary relationship with company or its promoters or directors. The condition of independence does not apply to women directors, which means that companies are free to appoint their relatives and friends on boards in compliance of law. This has been given a leeway to companies to overlook professional women and offer board seats to family women. A women who is nominated as Independent Director will not be reckoned as fulfilling the position of women director which need to be separately appointed.

#### **Status of women Directors in top IT companies in USA**

For comparison purposes, the position of women representation in top It companies in USA was also assessed and is reflected in Table 3 (Annexure II). The outcome is presented below:

**Table 4: No of IT companies with different no of directors**

Women Director	No of companies	%
0 Women Director	1	10%
1 Women Director	2	20%
2 Women Directors	3	30%
3 Women Directors	4	40%

In major US technology companies, there are 20 women directors in 10 companies, while in India, only 36 directors find seat on 30 corporate boards, showing much less women representation. In US companies, while 40% companies have three directors each, no Indian company has this feature. 70% of IT companies in US have appointed two or more directors on their boards, though only 20% Indian IT companies have such distinction. Since, US Government has not enacted any mandatory norm for

women directors on company boards, one US company is shorn of any women representation on its board. It emerges that major IT companies have shown better progress in gender equality even without any legislative quota provision.

### Women Directors in other Sectors

Internationally a 2014 report by Credit Suisse brought out that women constituted only 6.7% on corporate boards though there was an increasing trend over past few years.

**Table 5: Percentage of women Directors on Corporate Board**

Year	2010	2011	2012	2013
Percentage of women on boards	5.5%	5.8%	6.2%	6.7%

**Source:** Credit Suisse, 2014

In India, a study conducted in 2012-13, on a sample of NSE 50 (National Stock Exchange) companies and their board composition revealed that on an average 56% of companies had at least one woman on their board (Sharma, 2014). In banking industry, at least four banks are led by women chairpersons or CEO, including two public sector banks. The Government of India has also floated in 2014, a bank predominantly devoted to the cause of women, led by a woman as chairperson and its board is largely comprised with women directors. However, while most private sector banks have at least one women board member, most of public sector banks have not inducted women as directors. Being bodies set up under independent statutory enactments, they have escaped the mandate of new provision dealing with women seats on boards, but as purveyor of the new law, Government was expected to play a role model in showing way with their own undertakings. One noteworthy aspect in financial sector is that a good number of women are heading organizations and have earned a name for themselves.

### What IT companies need to do?

Here are some suggestions that IT companies can follow to improve gender diversity on their boards in the medium to long run:

- The Chairmen, CEOs and other members of board have to bring a change in the mindset that only male directors can take better strategic decisions for long term value of companies,
- Top management should encourage, motivate and groom senior women executives for gradual upgradation to top most positions to build a sustainable pipeline for women directors,
- Companies should devise suitable training programmes in leadership and strategic decision making, for grooming senior women professionals for board positions,
- A pragmatic view should be taken in women specific matters of career breaks, flexi working timings and post maternity facilitation,
- Board selection process should be non-discriminatory and without any bias towards soft gender,
- A holistic and sustainable long term strategy towards gender diversity on corporate boards should be adopted by top management of companies and implemented in right earnest,

### Conclusion

Even before the introduction of new provision regarding one woman director on the board, some IT and other companies with progressive outlook inducted women on their boards. The new legislation made it mandatory and companies scrambled to comply before the deadline. It was, however, observed that

most of companies appointed women directors from their families and tended to defeat the very intent of law which sought to widen gender diversity on corporate boards by providing representation to professional women. The Information Technology sector in India has been brimming with rich professional women talent but the study has revealed that IT companies has shown only tokenism in appointing women directors in compliance of legal mandate. It is expected that such companies will exhibit more women orientation in their board nominations in future matching with the professional nature of their industry in true spirit of gender diversity. The role of Chairman and CEO is critical in making a strong business case for more women representation on boards. Not only that they should also plan some training programs for women members of board as well as women senior executives for grooming them for an effective role in strategic decision making.

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**Table 1: Women Directors in IT Companies listed on NSE with Market Cap of Rs. 1000 cr or above as on 2<sup>nd</sup> January, 2016**

SL. No.	Company	Total no. of Directors	Chairman (M/F)	No of women Directors	No of men Directors	% of women Directors
1	Infosys	8	M	2	6	25.0
2	Tata Consultancy Services	11	M	1	10	9.1
3	HCL Technologies	10	M	2	8	20.0
4	Wipro	10	M	1	9	10.0
5	Tech Mahindra	10	M	1	10	10.0
6	Mindtree	10	M	2	8	20.0
7	Info Edge (India)	9	M	1	8	11.1
8	Just Dial	8	M	1	7	12.5
9	Zensar Technologies	9	M	1	8	11.1
10	Vakrangee Software	8	M	1	7	12.5
11	Tata Elexi	7	M	1	7	14.3

12	Take solutions	11	M	1	10	9.1
13	SQS India BFSI	9	M	1	8	11.1
14	Sonata Software	8	M	1	7	12.5
15	Ramco Systems	9	M	1	8	11.1
16	Persistent Systems	8	M	1	7	12.5
17	Polaris Consultants	12	M	1	11	8.3
18	8K Miles	6	M	2	4	33.3
19	Accelaya kale Solutions Ltd	8	M	2	6	25.0
20	<a href="#">Cyient</a>	11	M	1	10	9.1
21	<a href="#">eClerx Services</a>	9	M	1	8	11.1
22	<a href="#">First sour.Solu.</a>	11	M	1	10	9.1
23	<a href="#">Geometric</a>	8	M	1	8	12.5
24	<a href="#">Hexaware Tech.</a>	11	M	1	10	9.1
25	<a href="#">Hinduja Global</a>	6	M	2	4	33.3
26	<a href="#">Intellect Design</a>	5	M	1	4	20.0
27	<a href="#">KPIT Tech.</a>	10	M	1	9	10.0
28	<a href="#">Lycos Internet</a>	7	M	1	6	14.3
29	<a href="#">Mphasis</a>	9	M	1	8	11.1
30	NIIT Tech	7	M	1	6	14.3

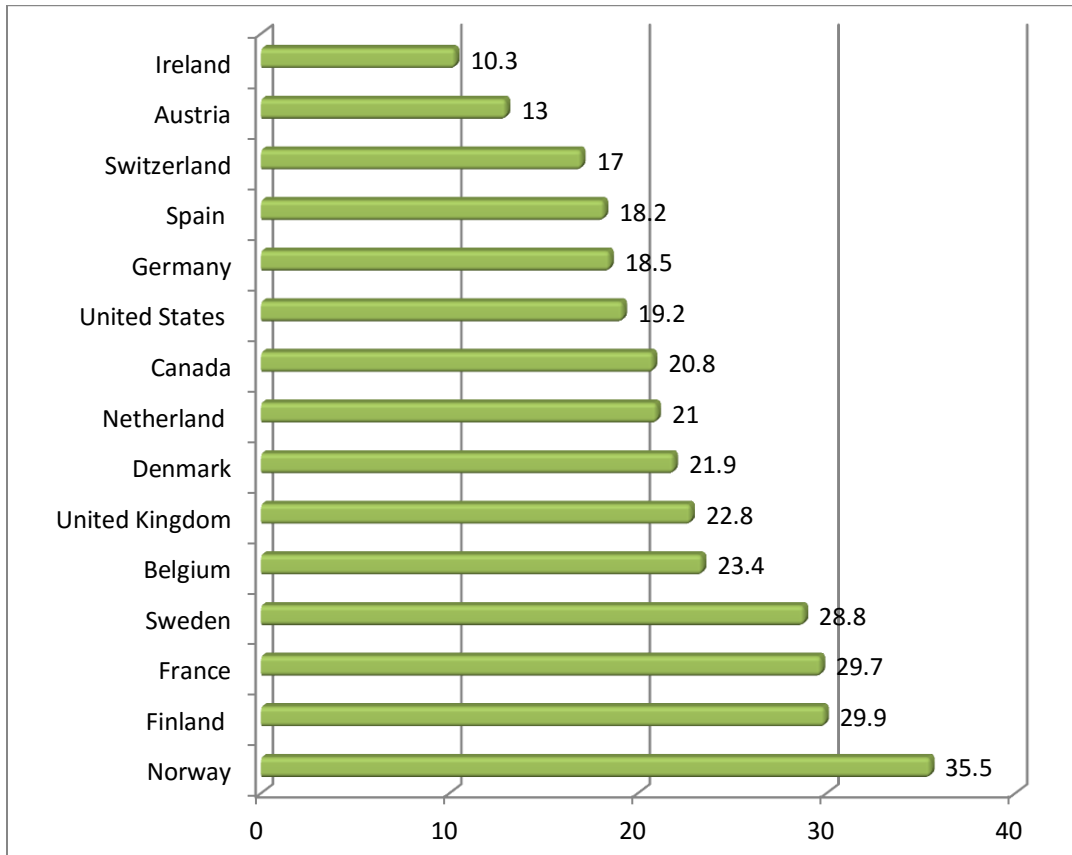
Source: Compiled from NSE and web sites of respective companies as on 7<sup>th</sup> January, 2016

**Table 3: Women Directors in top IT Companies in USA**

Sl. No.	Company	Total no. of Directors	No of women Directors	No of men Directors	% of women Directors
1	Microsoft	11	3	8	27.2
2	IBM	14	3	11	21.4
3	Oracle	13	2	11	15.4
4	Xerox	8	3	5	37.5
5	Cognizant	10	1	9	10.0
6	VMware	8	0	8	0.0
7	Adobe	13	2	11	15.4
8	CSC	9	1	8	11.1
9	Intuit	10	3	7	30.0
10	Apple	8	2	6	25.0

Source: Compiled from web sites of respective companies as on 17<sup>th</sup> February, 2016

**Figure I: Percentage Women Share of Board positions at Stock Exchange Index Companies in USA, Canada and Europe**



Source: Compiled from Catalyst, October 2014 data, <http://www.catalyst.org> (June, 2015)