

Gender Equality in the Boardroom: Can it happen on its own?

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A board member is an elected participant on a company's board of directors or on an organization's supervisory board. A company's board of directors is defined as the governing body tasked with decisions relating to the heading of the company. The key decisions for the whole company body come from the board's agreement.

Boards must work on ensuring that there is diversity in the Board in terms of age, gender, skills and race. This kind of diversity ensures that the Board has diversity in opinions. Research has shown that more diverse boards tend to perform better than the less diversified boards.

Increased diversity leads to smarter decision-making, adds to the bottom line of an enterprise and, among other advantages, stimulates creativity.

Women are still predominantly under-represented on global corporate boards, and progress toward changing that trend appears to be slow. That is the key finding in the boardroom report of the sixth edition of Deloitte Global's Women, which found that women hold only 16.9% of board seats worldwide.

This number is an increase of 1.9% since 2017, but if this rate of progress holds steady, it will take more than three decades to achieve gender equality in the boardroom. Even then, actual equality is likely to be concentrated in the few countries that are making concentrated efforts to address this issue. For instance, the report by Harvard Business Review found that Germany and Finland are among the countries who have driven the fastest growth in board diversity since 2017. Germany saw a 6.7% increase which is likely linked to recent gender quota legislation passed in 2015. And Finland, which issued corporate governance code recommendations and encouraged more career development programs for women, saw a 7.2% increase.

While the business case for gender diversity in the boardroom is clear, driving greater board diversity will not happen on its own. Based on our research and experience, as well as our work with boards in Zimbabwe, we believe it will take concerted efforts to address the cultural barriers that prevent many women from reaching senior leadership roles and the boardroom.

One of the key barriers to global board diversity noted by Harvard Business Review is inconsistent efforts across countries. Their report “Women in the Boardroom” report shows that there is no one size fits all solution — progress can be driven through different approaches. In some markets, gender quotas have driven greater board diversity, while other countries like Australia, New Zealand, and the UK have driven change through setting targets and corporate governance recommendations. The countries that seem to lag behind, though, with less than 10% of board seats occupied by women, do not have any targets or quotas in place.

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

A research by Harvard Business Review shows that organisations with women in top leadership positions have almost double the number of board seats held by women. The inverse is also true, as gender-diverse boards are more likely to appoint women to leadership positions, like CEO and board chair. This suggests that some diversity spurs more diversity. But it also implies that homogeneity spurs homogeneity — and that without intensive efforts to provide women with more opportunities to climb the ranks within their own organizations, women will continue to be underrepresented in the C-suite and boardroom.

Any initiative to address diversity in the boardroom must go hand in hand with efforts to address diversity more broadly throughout an organization. One without the other isn't just inconsistent and insincere — it's also ineffective.

Human Resources people already know what's preventing women from progressing, so we know where to target our solutions. As Deloitte research has shown, organizations must aim to reduce bias in recruitment and development processes and roll out mentorship and sponsorship initiatives to support women. To encourage the retention and ascension of more women in the workplace, organisations should also implement programs to increase flexibility for working parents returning from parental leave, and establish programs to smoothly transition those reentering the workforce from a career gap.

Additionally, organisations should focus on the critical “middle management” level, where women can stall in their careers. Research suggests that providing women with elevated responsibilities and the opportunity to manage high-value assignments may actually be the greatest predictor of success and advancement. Organisations should feel empowered to challenge women in the workplace while supporting a modernized and flexible working environment where everyone can thrive, be themselves, and balance a successful career with their lives outside of work.

From Deloitte, we have seen that it is possible to speed up the rate of change through these types of efforts. Women's representation on Deloitte Global's board jumped to 30% in 2019 from 16% the previous year. This is a result of structural changes, such as reducing the overall size of the board and a rigorous effort to ensure women replaced men, and that talented women are given more leadership opportunities.

The workforce should reflect the diverse world we live in. Business leaders are responsible for executing this vision. Leaders should change the tone at the top when it comes to diversity — and thus render gender parity a priority across an enterprise as a whole.

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