**Gender diversity and critical mass in the boardroom**

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**Abstract:**

Many countries across the globe are responding to exacerbating pressure from governments, investors and corporations to achieve gender equality within the boardroom. Quotas and guidelines have been established in line with sanctions, and enforcement thereof, or through ‘comply or explain’ principles. Legislation has resulted in significant impact and changes to board composition. This paper aims to explore the impact of gender diversification in the boardroom, and how the achievement of female ‘critical mass’ can galvanize and harness performance. This review is the foundational precursor to an empirical study that will seek to contribute to gender parity and critical mass assessment of board directors in African and Asian contexts, where limited studies have been established within this realm.

**Keywords:** Gender diversity, Board of Directors, critical mass

**1 Introduction**

**Board of Director Diversity**

Corporate governance is fundamentally linked to judgement, responsibility and accountability. A company’s Board of Directors is inherently responsible and accountable not only for the effective monitor of management, but also acting as agents to shareholders, through the development of operational and strategic imperatives. This can be achieved through critical analysis and effective problem solving. Consequently, the BOD forms a critical element of a robust corporate governance framework. A mechanism to enhance corporate governance, is through the diversification of the board. This can be defined as the varied combination of attributes, characteristics and expertise contributed by individual board members.

BOD regulation includes the role of non-directors and board independence, board skill and experience and recently board diversification. Within this definition, a primary distinction is between surface-level diversity and deep-level diversity. Surface-level diversity is defined as differences in demographic characteristics among team members such characteristics, including age, sex, and race, are often reflected in physical features. Deep-level diversity refers to differences among team members’ psychological characteristics, including personalities, values, and attitudes (Harrison et al., 1998; Milliken and Martins, 1996)

Thus, the goal and purpose of diversity is to incorporate and cultivate a broad spectrum of demographic traits and attributes in the boardroom the realization of achieving board diversity is through improved utilization of the talent pool. This has an impact on more effective decision making, where ‘groupthink’ can be minimized, and consequently better management and control of risks can be implemented through multiple-perspective contributions, problem solving and information sharing.

Diversification of board members can further be reflected through intangible factors such as life experience and personal attitude. These characteristics result in varied leadership abilities process thinking, emotionality, behaviors and propensity to manage risk. These factors all create opportunity in varying solution development, as well as comprehensive ability to fulfill responsibilities and duties.

Globalization has further impacted the need for board diversity in the response to navigating dynamic, complex environments, competitors, suppliers and customers. A more balanced board creates opportunity to respond to these challenges. A heterogeneous board can be an indicator to stakeholders, reflecting the inclusion of minorities, as well as the diversity reflected in the communities and environments in which the organization operates, engendering trust and reputational value. The diversification of boards can be achieved by quotas, ‘comply or explain’ approaches or voluntary processes. The latter often favored by companies on a needs or skills requirement basis, as opposed to legislative undertaking.

'The best boards are composed of individuals with different skills, knowledge, information, power, and time to contribute. Given the diversity of expertise, information, and availability that is needed to understand and govern today’s complex businesses, it is unrealistic to expect an individual director to be knowledgeable and informed about all phases of business. It is also unrealistic to expect individual directors to be available at all times and to influence all decisions. Thus, in staffing most boards, it is best to think of individuals contributing different pieces to the total picture that it takes to create an effective board. (Conger and Lawler, 2001)

Board diversity has garnered substantial interest, as an important consideration within corporate governance (Kang et al., 2007; Mahadeo et al., 2012; Bear et al., 2010). As a consequence, board heterogeneity and diversity have gained significant interest relative to firm strategy. These attributes have been included constructive cognitive competencies (Deutsch, 2005; Goodstein et al., 1994; Miller and Triana, 2009).

Board’s that are diverse, position themselves with advantages such as increased creativity, market understanding, problem solving efficiencies and enhanced competencies. A consequence being increased firm competitive advantage, and long term opportunities. From a resource dependency perspective, theorists suggest that the inclusion of diverse members into the board supports the firm in the acquisition of crucial resources (Pfeffer, 1972; Pfeffer and Salancik, 1978). These individuals are able to contribute to board strategic decision making, through the limitation of board proposal myopia (Eisenhardt and Bourgeois, 1988; Kosnik, 1990;).

The constructive benefits of board diversity, such as human and social capital resources; support innovation, of which R&D investment is a key imperative (Miller and Triana, 2009). These core elements support firms to advance their competitive advantage, expand market share and increase their performance (Morbey, 1988).

**Gender diversity and critical mass**

‘Glass ceilings, broken windows, golden skirts and critical mass’, are metaphors that have become highly popularized, researched and argued amongst, government officials, academics and industry professionals. Corporate governance through quotas and guidelines, coupled by feminist movements have actively sought to address challenges associated with gender equality, seeking solution to ultimately address the gender disparities reflected in corporate board composition.

Critical mass theory is the foundational work of Rosabeth Kanter, (1977; 1987), her seminal research suggests that “as the percentage of women in a group increases, the women can, first of all, form coalitions, support one another and affect the culture of the group.” and it centers on gender diversity amongst groups. Groups are categorized according to composition:

Uniform groups include identical members. Skewed groups – one dominant type exerts control. Tilted groups are characterized according to skill and abilities. Balanced groups focus on different abilities and skills of all members

Critical mass theory proposes that until a threshold or of women in a group is reached, female skill and ability will not be the central focus. A resultant significance is that there will be decreased performance by skewed groups relative to uniform, tilted and balanced groups. Tilted groups—(20–40 % women)—will outperform uniform and skewed groups (Kanter, 1977).

Furthermore, research suggests that achieving critical mass from token board members to a consistent minority (30% female representation) contribution to board strategic requirements. (Mariateresa, Calabrò, Huse, Brogi, 2010).

Building on this theory, a “magic number” of 3 was proposed, which suggest that achieving gender equality of at least 3 female board members will result in increased performance (Joecks et al, 2012). Moreover, Kanter’s critical mass theory was applied to corporate boardrooms, where Konrad, Kramer, Erkut, (2008) proposed that the “critical mass of 3 or more women can cause a fundamental change to corporate boardrooms and enhance corporate governance”

In contrast to their male colleagues, female directors intrinsically possess alternative values (Selby, 2000) specific viewpoints, knowledge and skills (Hillman and Dalziel, 2003). Consequently, this range of attributes and perspectives support the recognition of innovative opportunities (Miller and Triana, 2009; Torchia et al., 2011). Additionally, this expertise further stimulates contribution to expanding the firms competitive products, through alternative cognitive competences such as innovative ideas and thinking processes (Millikens and Martins, 1996; Ostergaard et al, 2011).

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