

WOMEN ON CORPORATE BOARDS: A COMPARATIVE STUDY OF GENDER INCLUSIVENESS UNDER CORPORATE GOVERNANCE IN THE UNITED KINGDOM AND NIGERIA

Oluwakemi Job Oluwatimilehin*

Abstract

This paper compares the gender inclusivity of corporate boards in the United Kingdom and Nigeria. Women now hold more than 40% of board seats in FTSE 100 businesses in the UK due to the Corporate Governance Code and voluntary targets like the Hampton-Alexander Review. Nigeria, on the other hand, has made less progress, with women holding around 19% of board seats, mostly in the finance industry. The corporate governance frameworks in the two countries differ in their level of development; Nigeria's continues to be challenged by cultural norms while the UK's is strengthened by the law. The study's conclusion highlights how Nigeria might learn from the UK's improved corporate accountability and clear diversity targets.

Keywords: Gender Inclusiveness, Corporate Governance, Corporate Boards, Women on Boards, Board diversity, United Kingdom, Nigeria

1.0 Introduction

In corporate governance, gender equality relates to the fair representation and active involvement of women in managerial and decision-making roles on corporate boards.¹ This pertains to not just the number of women but also their impact, leadership roles, and the elimination of structural barriers to their progress.

* LL.B (Hons) BL, LL.M (RGU, UK). Email: joboluwakemi2015@gmail.com

¹ López-Cabarcos, M. Á., Vizcaíno-González, M., & López-Pérez, M. L. (2023). "Gender diversity on boards: Determinants that underlie the proposals for female directors". *Technological forecasting and social change* 190(122417). Available at: <https://doi.org/10.1016/j.techfore.2023.122417>.

In addition to the implementation of gender diversity on boards being fair and ethically right, integrating gender equality into board leadership and corporate governance helps businesses to succeed.² Diversity in the workplace gives top managers fresh insights and insightful counsel that help them make better decisions about problem-solving³ and boost company performance.⁴ According to studies, having women on boards may improve company performance, innovation, investment, and ESG concerns while providing a variety of perspectives, experiences, and knowledge that help with risk management and decision-making.⁵ Second, having women in leadership roles encourages more women to seek leadership roles, challenges long-standing gender stereotypes, and advances gender equality within organisations.⁶ Because it is thought that women are better able to understand the requirements and expectations of shareholders, shareholders have emphasised the value of having women on the board.⁷ Women are also more likely to be risk-averse and extremely cautious.⁸ Due to their inclination to seek more control mechanisms from leadership team members and their tendency

² International Labour Organization. (2019). "The Business Case for Change". [Report No. WCMS_700953]. Available at: <https://www.ilo.org/publications/women-business-and-management-business-case-change> (Accessed: October 14, 2024). p.2.

³ García-Meca, E., García-Sánchez, I. M., & Martínez-Ferrero, J. (2015). "Board diversity and its effects on bank performance: An international analysis". *Journal of banking & finance* 53, 202-214. Available at: <https://doi.org/10.1016/j.jbankfin.2014.12.002>.

⁴ Amin, A. et al. (2022) "Female presence in corporate governance, firm performance, and the moderating role of family ownership," *Economic Research-Ekonomska Istraživanja*, 35(1), pp. 929–948. Available at: <https://doi.org/10.1080/1331677x.2021.1952086>.

⁵ Darmawan, K.A. (2024) "The effect of board gender diversity on the company: A literature review," *Journal La Sociale*, 5(2), pp. 437–449. Available at: <https://doi.org/10.37899/journal-la-sociale.v5i2.1122>.

⁶ ResoPro Training Services (2023) The role of women in leadership positions: Breaking the glass ceiling, LinkedIn.com. Available at: <https://www.linkedin.com/pulse/role-women-leadership-positions-breaking-glass-ceiling-resopro/> (Accessed: October 14, 2024).

⁷ Aguir, I., Boubakri, N., Marra, M., & Zhu, L. (2023). Gender diversity in leadership: Empirical evidence on firm credit risk. *Journal of Financial Stability*, 69.

⁸ Darmawan, Kadek Agus. "The Effect of Board Gender Diversity on the Company: A Literature Review." *Journal La Sociale* 5, no. 2 (2024). p.2.

to make decisions that benefit shareholders, women can improve the potential for dividend distribution.⁹

A firm's commitment to and decision-making quality on social and environmental issues is improved by having female directors, who often demonstrate a greater sensitivity to these issues.¹⁰ This improves the firm's reputation among stakeholders. Women are inherently different from men in that they are more tolerant, caring, and interdependent.¹¹ This tendency facilitates the acquisition of insights and perspectives and encourages teamwork.¹² Men and women have complementary skills and capacities when it comes to leadership.¹³ According to research¹⁴, women prefer a cooperative approach to decision-making, which helps them make equitable choices when conflicting interests are involved. In sectors that are becoming more consumer-centric, the experience women have in their daily roles such as shopping for the home and meeting general consumer needs is becoming more and more significant.¹⁵ The expertise and life experiences of female directors provide distinct perspectives on customer decision-making, contributing significantly to the company's strategy.¹⁶

This paper specifically aims to assess the progress made in the United Kingdom and Nigeria in relation to the inclusion of women on corporate boards. Drawing on the experiences of each country, it will also analyse

⁹ Ibid.

¹⁰ Chang, Y., Wu, K. T., Lin, S. H., & et al. (2024). Board gender diversity and corporate social responsibility. *International Journal of Corporate Social Responsibility* 9(7), 7. Available at: <https://doi.org/10.1186/s40991-024-00095-x>.

¹¹ Adams, R. B., & Funk, P. (2012). Beyond the glass ceiling: does gender matter? *Management Science*, 58, 219–235.

¹² Chang, Y., Wu, K. T., Lin, S. H., & et al. (2024). Board gender diversity and corporate social responsibility. *International Journal of Corporate Social Responsibility* 9(7), 7. Available at: <https://doi.org/10.1186/s40991-024-00095-x>.

¹³ Ibid.

¹⁴ Bart, C., McQueen, G. (2013). Why women make better decisions. *International Journal of Business Governance and Ethics*, 8, 93-99.

¹⁵ Op cit. Chang et al., 2024.

¹⁶ Ibid.

the barriers to gender inclusivity in each context and suggest recommendations that may increase women's involvement in corporate governance.

2.0 Overview of Corporate Governance and Board Diversity

Globally, corporate governance is important because it helps businesses accomplish their objectives, manage risks, and ensure compliance.¹⁷ Organisation for Economic Cooperation and Development (OECD) defined corporate governance as the structure that defines the relationship between a company's shareholders, management teams, board of directors, and other important stakeholders¹⁸ Strong, successful, and efficient corporate governance helps shape the company's culture, which leads to positive outcomes, a competitive advantage, and long-term business success.¹⁹ The board functions as an organ that decides the company's strategy and the company's performance and sound corporate governance are largely dependent on having an efficient board.²⁰ Although there isn't a single, accepted definition of board diversity, it has been suggested that to encourage diversity on the board, factors including age, gender, colour, and professional and educational backgrounds should be considered.²¹ Gender diversity on a company's board is a major concern in corporate governance as businesses are urged to nominate women to boards globally.²² The presence of female directors on a company's board of

¹⁷ B.C. Madu, *Gender Diversity in the Boardroom and Firms Effectiveness: A Comparative Analysis between the Nigerian and Canadian Corporate Governance Framework* (MA thesis, University of Windsor 2021).

¹⁸ Ibid

¹⁹ SpriggHr, "The Importance of Corporate Governance" (2020), online: <https://sprigghr.com/blog/boardmanagement/the-importance-of-corporate-governance/>.

²⁰ A. Lincoln and O. Adedoyin, "Corporate Governance and Gender Diversity in Nigerian Boardrooms" (2012) 6:11 *International Journal of Humanities and Social Sciences*.

²¹ Ibid

²² JP Cornerstone, "What's keeping women off the board? (2012) Online: <https://jpcornerstone.com/2012/03/23/whats-keeping-women-off-the-board/>.

directors is referred to as gender diversity.²³ It has been shown that having women on the board results in a comprehensive and successful board via appropriate screening of concepts, rules, and strategies, as well as making sound choices while handling a wide variety of challenges.²⁴ Women seem to have the special ability to make strategic choices that favourably impact a company's development and expansion.²⁵ Nevertheless, despite these findings, women are frequently excluded from the company's board of directors and senior and key managerial roles.²⁶

2.1 Theoretical Frameworks on Gender Diversity in Corporate Governance

Gender diversity in the workplace is supported by several theories, such as feminist theory, human capital theory, and agency theory.²⁷ Women's continual exclusion from corporate boardrooms is explained by the human capital theory, and resource dependence theory, providing a foundation for understanding inequality.²⁸ This concept is also related to resource dependence theory, which holds that boards should be made up of people who can give access to a variety of resources because of an increasingly unpredictable economic environment.²⁹ Therefore, the focus of human capital theory is on how an individual's investments in education, knowledge, skills, and experiences improve cognitive and

²³ S. Terjesen, E.B. Couto and P.M. Francisco, 'Does the presence of independent and female directors impact firm performance? A multi-country study of board diversity' (2016) 20 *Journal of Management & Governance* 447.

²⁴ Anthony Garcia, "Director Skills: Diversity of Thought and Experience in the Boardroom", (10 October 2018), online: Harvard Law School Forum on Corporate Governance and Financial Regulation <https://corpgov.law.harvard.edu/2018/10/10/director-skills-diversity-of-thought-and-experience-in-theboardroom/>.

²⁵ Op cit. SpriggHr 2020.

²⁶ Ibid

²⁷ Simon Marginson, 'Limitations of human capital theory' (2019) 44 *Studies in Higher Education* 287.

²⁸ Ibid

²⁹ A.J. Nyberg, T.P. Moliterno, D. Hale Jr and D.P. Lepak, 'Resource-based perspectives on unit-level human capital: A review and integration' (2014) 40 *Journal of Management* 316.

productive capacities for the benefit of both individuals and businesses.³⁰ According to social identity theory, people's communication styles are founded on how they classify their own unique identities.³¹ According to Mathisen *et al.*,³² a board made up of people who represent several distinct identity groups would behave differently than one made up of only one type. There is less likelihood of making poor judgements and more possibility that decisions will be made more thoroughly when diverse people are involved in the decision-making process.³³

Over time, feminist theory has encompassed important themes and issues such as liberty, equality, difference, domination, globalisation, and diversity.³⁴ Feminist legal academics acknowledge how patriarchy and masculinity affect corporate boardrooms and question how to embrace diversity in the legal system without becoming stereotypical.³⁵ The feminist legal philosophy theory upholds the concept that a diverse group of people ought to govern a corporation's boardroom instead of just males.³⁶ Agency theory explains the relationship between the company's directors and shareholders.³⁷ Research indicates that female directors have a positive impact on the board and its role in monitoring management, and agency theory states that board attributes like size and composition result in greater board monitoring capacities.³⁸ Compared to their male counterparts, women are more likely to participate actively on boards, have higher attendance records, and arrive at meetings

³⁰ Ibid

³¹ Op cit. B.C Madu 2021.

³² Gro Ellen Mathisen et al, "Women in the Boardroom: How do Female Directors of Corporate Boards Perceive Boardroom Dynamics?" (2013) *J Bus Ethics* 116:1 87.

³³ Ibid.

³⁴ Adewunmi Eyitayo et al, "Legal Appaisal of Corporate Governance and Gender Diversity on Nigeria's Corporate Board" (2020) *IJL* 6:2 186.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Panda B, Brahmadev N M L, 'Agency theory: Review of theory and evidence on problems and perspectives' (2017) 10 *Indian J Corp Gov* 74.

³⁸ Vitolla F, Raimo N, Rubino M, 'Board characteristics and integrated reporting quality: An agency theory perspective' (2020) 27 *Corp Soc Resp Environ Mgmt* 1152.

prepared.³⁹ Research has shown that boards with more women have more board development assessments and programs, stronger monitoring of management reporting that improves earning quality, and a higher degree of public transparency.⁴⁰ Some studies investigate the relationship between gender diversity on a board and business value using agency theory, and they discover a positive correlation between gender diversity and business success.⁴¹

2.2 Overview of Corporate Governance Frameworks in the United Kingdom

The UK Corporate Governance Code is a framework that outlines the principles that the board of directors should follow to advance the company's goals, core values, and prospects for success.⁴² Regarding issues such as board leadership and the company's mission, responsibility allocation, structure, succession and evaluation, audit, risk and internal control, and compensation, the Code lays out expected standards of best practices.⁴³ The significance of diversity on corporate boards has been emphasised in recent versions of the UK Corporate Governance Code. The 2018 revision updated the guidelines on board diversity, emphasising that diversity should receive the attention it is due when it comes to board membership.⁴⁴ Although gender diversity is not the only aspect of diversity, it has received special attention because of its significant impact on corporate governance and board performance.

In 2016, the Hampton-Alexander Review was introduced as a business-driven framework for enhancing gender diversity. To increase representation, it was expected that by 2020, at least 33% of the FTSE

³⁹ Op cit. B.C. Madu 2021.

⁴⁰ Ibid.

⁴¹ Miriam Schwartz-Ziv, "Gender and Board Effectiveness: The Role of Critical Mass" (2017) *J Financ Quant Anal* 52.

⁴² Deloitte (2018). UK Corporate Governance Code. [Online]. Available at: <https://www.iasplus.com/en-gb/standards/corporate-governance/uk-corporate-governance-code>

⁴³ Ibid.

⁴⁴ Ibid.

350 boards would be made up of women and that the pipeline of under-represented executives would see significant progress⁴⁵. Although quotas are not required by the UK Corporate Governance Code, many businesses have adopted voluntary objectives to increase gender diversity as a result of the Hampton-Alexander Review. The Equality Act of 2010 is another essential framework for promoting gender inclusivity in corporate governance as it prohibits discrimination in the workplace and ensures women equal opportunity to rise to positions of leadership. In addition, it upholds the equal compensation for equal labour principle, tackling one of the financial obstacles that may prevent women from advancing to board-level roles.

The case *Allonby v. Accrington & Rossendale College* (C-256/01)⁴⁶ involved the European Union's Article 141, which ensures men and women the right to equal compensation for labour of equal worth. The contracts of part-time instructors at Rossendale College and Accrington College were not extended. They were rehired under the new setup as "self-employed independent contractors" through an agency called ELS and were not allowed to participate in the Teachers Superannuation Scheme. Compared to the employees who continued to have permanent contracts with the institution, it was evident that a greater proportion of the part-time instructors were female. They filed a lawsuit alleging sex discrimination and wrongful dismissal. The Tribunal determined that there was an unjust dismissal even if there was no sex discrimination. Even while corporate boards are not specifically affected by this case, the verdict highlighted how crucial it is to ensure equality in representation and opportunity, establishing a standard for resolving gender disparities in the workplace. *Kalanke v. Freie Hansestadt Bremen* (1995)⁴⁷ C-450/93 is a case pertaining to affirmative action in German and EU labour law. Two candidates were selected for a managerial post in the city's parks department: Mr. Kalanke and a lady.

⁴⁵ "The Hampton-Alexander Review: Defining progress for women in leadership" (2021). [Government website]. Available at: <https://www.governmentevents.co.uk/the-hampton-alexander-review-defining-progress-for-women-in-leadership/> (Accessed: October 14, 2024).

⁴⁶ *Allonby v Accrington and Rossendale College* [2001] EWCA Civ 529.

⁴⁷ *Kalanke v Freie Hansestadt Bremen*, Case C-450/93 [1995] IRLR 660.

The qualifications of both were equal. Women in under-represented industries were automatically given preference under the council's guidelines if two candidates were equally qualified. For whatever salary level, that meant less than half. Mr Kalanke argued that it violated Articles 2(1) and 2(4) of Directive 76/207/EC, which prohibit discrimination. The court determined that this gave women total and unconditional primacy, which was against the equal treatment principle. The ruling stated that rather than ensuring equal opportunity to compete fairly, the automatic preference for women sought outcome-based equality. Thus, the Directive discourages quota-driven equality while welcoming measures that foster fair competitiveness for women in the workforce.

2.3 Overview of Corporate Governance Frameworks in Nigeria

The Financial Reporting Council of Nigeria (FRCN) published the Nigerian Code of Corporate Governance, which is the main framework that regulates corporate governance processes for Nigerian publicly listed corporations. For companies to equitably and successfully carry out their governance roles, the code mandates that the board maintain a proper balance of knowledge, skills, experience, diversity, and independence.⁴⁸ Companies must have a governance policy that is tailored to increasing diversity on the board, including gender.⁴⁹

Although a broad foundation for diversity is provided by the Nigerian Code of Corporate Governance, recent initiatives have attempted to improve gender inclusivity in corporate governance. Several Nigerian companies have instituted internal initiatives to train women for leadership positions within the company, and some have set up diversity

⁴⁸ Ozili, P.K., Uadiale, O.M. and Edeigba, J., 2023. The 2018 Revised Nigerian Code of Corporate Governance: An Academic Response and Lessons for Africa. In *Addressing Corporate Scandals and Transgressions Through Governance and Social Responsibility* (pp. 104-124). IGI Global.

⁴⁹ KPMG Nigeria (2019). The 2018 Nigerian Code of Corporate Governance. [Online]. Available at: <https://assets.kpmg.com/content/dam/kpmg/ng/pdf/advisory/2018-Nigerian-Code-of-Corporate-Governance.pdf> (Accessed: October 14, 2024). Page 7.

and inclusion committees to encourage equal representation of women on executive teams and boards⁵⁰.

2.4 Progress Made in The United Kingdom in Recent Years with Regard to Representation of Women on Corporate Boards

The number of women on corporate boards has increased significantly in the UK, especially in major publicly listed corporations. The number of women on the boards of the FTSE 100, has increased to remarkable levels as of 2023. There are now more women in senior roles within the FTSE as of 2023, with significant improvements occurring at the Executive Committee level⁵¹. Considering that the difficult economic climate has resulted in a nationwide decline in the number of Executive Committee & Direct Reports, this is impressive⁵². The percentage of all board seats occupied by women has increased gradually over the last five years, from 28% to 40%.⁵³ Compared to 12.5% in 2011, when initiatives aimed at increasing gender diversity in leadership started to pick up steam, this is a significant improvement. However, only a small proportion of women are CEOs, notwithstanding these advancements.⁵⁴ Although there is a strong gender balance among non-executives (46 per cent female), just 16 per cent of executive directors are female.⁵⁵ The UK has relied on voluntary targets rather than imposing mandated quotas for female board inclusivity.⁵⁶ A significant milestone that demonstrates the continuous advancements in businesses is the fact that women currently occupy one-third of all leadership positions in FTSE

⁵⁰ Adejugbe, B.T., 2024. Proliferation of gender diversity in corporate governance in nigeria: breaking the glass ceiling. *African Journal of Law and Human Rights*, 8(1).

⁵¹ WISE. (2024). "The current state of gender balance in the UK's biggest organisations". [Online]. Available at: <https://www.wisecampaign.org.uk/gender-balance-uk-organisations/> (Accessed: October 14, 2024).

⁵² Ibid.

⁵³ Spencer Stuart. (2023). "Diversity 2023: UK Spencer Stuart Board Index". [On Spencer Stuart website]. Available at: <https://www.spencerstuart.com/research-and-insight/uk-board-index/diversity> (Accessed: October 14, 2024).

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Dobson, John, & Rastad, Mahdi. (2018). "Women on Boards: EU Board Gender Quotas, and Why the US Should Avoid Them". *Business & Professional Ethics Journal*, 37(1), 1-12. [JSTOR].

350 companies.⁵⁷ UK businesses are on course towards achieving the next crucial business goal, which is to have 40% of women on FTSE 350 Leadership teams by 2025.⁵⁸

2.5 Progress Made in Nigeria in Recent Years with Regard to Representation of Women on Corporate Boards

Nigeria has made slower but significant progress towards gender inclusivity on corporate boards in comparison to the UK, and still faces structural and cultural obstacles due to it being a highly patriarchal society. Women are also generally under-represented at the managerial and board levels as a result of culturally driven male dominance. About 19% of board seats in leading publicly traded businesses on the Nigerian Stock Exchange (NSE) are held by women, according to the most recent statistics published in 2020. This is still far lower than in the UK, even if it represents a considerable improvement over the previous years.⁵⁹ Nigerian women's representation varies greatly by industry, with banking and finance having the highest percentage of women on boards. Eight women were Chief Executive Officers (CEOs) of Nigeria's leading banks by the end of 2021 while also having a sizable proportion of female board members.⁶⁰ However, the energy industry is one of the least gender-diverse in the economy, with sectors like oil and gas, which dominate Nigeria's economy, still making up fewer than 22% of employees and just 5% of Boards of Directors (BOD).⁶¹

3.0 Comparative Analysis Of Gender Inclusiveness Under Corporate Governance In The United Kingdom And Nigeria

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ PwC. (2020). *Impact of Women on Nigeria's Economy*. [Report]. PwC Nigeria. Available at: <https://www.pwc.com/ng/en/assets/pdf/impact-of-women-nigeria-economy.pdf>.

⁶⁰ Iwueze, J. and Baumann, M.D. (2022) *Advancing as women leaders in Nigeria's Finance Industry*. Women's World Banking. Available at: <https://www.womensworldbanking.org/wp-content/uploads/2022/11/Advancing-Women-As-Leaders-in-Nigerias-Finance-Industry.pdf>.

⁶¹ Ogunmusire, A., 2023. Women in Energy Sector in Nigeria: A Survey of Gender and Leadership in the Workplace. *AGIDIGBO: ABUAD Journal of the Humanities*, 11(1), pp.1-10.

There is an increased awareness of the advantages of gender diversity in corporate governance as well as initiatives to encourage the inclusion of women on corporate boards and in both countries. There are no strict gender quotas for company boards for both countries, but rely on voluntary measures, which are more regulated and extensively used in the UK. In both countries, companies are strongly encouraged to nominate women to top positions and are often pressured by stakeholders, including investors and advocacy groups, to diversify their board membership. The presence of women in various industries varies significantly in Nigeria and the UK. In the UK, traditionally male-dominated areas like technology and construction continue to fall behind, while others like finance have made significant progress in terms of gender diversity on their corporate boards. Similar to this, Nigeria's financial services industry has made significant progress in promoting women to executive roles, while industries like oil and gas continue to be dominated by males. In both countries, there are more women in advisory or non-executive positions than in senior executive positions.

Affirmative action in the UK is handled cautiously by case law, which highlights striking a balance between fostering diversity and upholding meritocracy. However, such lawsuits are uncommon in Nigerian courts because of several sociocultural factors that deter people, particularly women, from filing discrimination claims in court. Despite Nigeria's laws supporting gender equality, they are rarely effectively enforced. It can be assumed that many women may not believe that workplace discrimination can be legally challenged, or they may not have the resources to do so. This implies that these kinds of issues are not given the attention they deserve or are not sufficiently litigated.

Nigeria can adopt similar frameworks like the UK's Hampton-Alexander Review. Similar to the UK's "comply or explain" approach, which requires businesses to publish their gender diversity procedures and explain any deficits, Nigeria can similarly impose stringent disclosure requirements. Nigeria's corporate governance code would be strengthened as a result, and companies would be held to a higher standard by the public and shareholders.

4.0 Conclusion and Recommendation

The study highlights some similarities and differences between Nigeria's and the UK's approaches to gender inclusivity in corporate governance. Nigeria faces challenges because of cultural norms and underdeveloped governance structures, whereas the UK has made significant progress in increasing the number of women on boards because of its more formalised corporate governance structure and voluntary diversity targets. Nigeria can further improve gender inclusivity in corporate governance by drawing insights from the UK's achievements. The paper strongly suggests that organisations in both countries to keep implementing and improving policies that support gender diversity.