Women Do the Job: The Reasons to Make Women Sit on Boards

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Abstract

In the last years many European countries have introduced quota to increase the number of women on corporate boards. We focus on a country where the formal and informal institutions are not supporting the women to take managerial positions and thus being appointed on corporate boards. We study the effect of gender diversity, enforced by regulation on quota, on board processes that enhance board tasks: (1) firm monitoring; (2) firm strategy; and (3) management advising. Based on the unique qualitative data on board activities of the top listed companies in from 2008 to 2015, we find introducing regulation on quota in Italy matters for the firm monitoring and strategy related-tasks, but decreases the company's management commitment to follow best practice corporate governance principles related to competitive and proportionate executive compensation. All of the evidence suggests that diversified boards after introducing quota are indeed stronger monitors and more involved in the strategy-related tasks due to improved board decision making culture and board development activities as well as board independence.