

# ITALIAN LESSON ABOUT GETTING WOMEN ON THE BOARD FIVE YEARS AFTER THE IMPLEMENTATION OF THE GENDER QUOTA LAW

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## Abstract

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The gender quota Law No.120 of 12 July 2011 is the first example of affirmative gender action in Italian company law. This revolutionary Act has shown its effectiveness as well as its direct and indirect effects. In the first five years of its enforcement, Italy has achieved better results than expected: the number of board seats held by women has increased so significantly as to allow Italy to exceed the European average and to posit itself among the best European practices. However, the gender quotas imposed by law led to an excessive concentration of positions on a few women (similarly to male colleagues): that is, the expected increase in the number of women who have access to boards has not been registered, since the same women are nominated in multiple positions. This circumstance requires shifting attention from simple numbers (how many women on boards) to merit (which women on boards) and the possibility of giving visibility and opportunities to excellent and prepared women, able to express added value in terms of skills, style of leadership, management culture and relationship. Moreover, reasonably, for a more reliable assessment of the Italian gender quota Law, and its impact in terms of corporate governance quality and financial performance, an appropriate period of implementation is needed to assess its long-term effectiveness, when the compulsory gender quotas have ceased and to verify whether they actually led the companies to proceed spontaneously and with conviction in this direction, and not to avoid penalties provided for by the law. In view of this assessment, this paper aims to contribute to the research on women in corporate governance by highlighting some of open issues about female representation on boards as well as the challenges for the future of the corporate governance in the Italian context.

**Keywords:** Board Gender Diversity, Gender Quotas, Italian Corporate Governance, Multiple Board Directorship, Women Directors

## 1. INTRODUCTION

The board of directors is the most important decision-making body in a corporation. Its correct composition is considered one of the profiles of effectiveness of corporate governance systems (Zahra & Pearce, 1989; Walsh & Seward, 1990; Johnson et al., 1996; O'Neal & Thomas, 1996; Westphal, 1999; Kang et al., 2010, p.889), and its

effects on the strategic decision-making process, on the company control system and on the economic and financial performance of the companies have always fuelled an intense academic and professional debate.

Theoretical perspectives of the literature on governance assign heterogeneous roles to the board of directors (Decastri, 2009, pp. 83-91): strategy formulation (stewardship theory: Donaldson & Davis, 1991; Muth & Donaldson, 1998); monitoring

and control (agency theory: Jensen & Meckling, 1976; Fama, 1980; Eisehardt, 1989); connection between the company and the external environment and the resources on which it depends (resource dependence theory: Pfeffer & Salancik, 1978; Zahra & Pearce, 1989); management support (managerial hegemony theory: Lorsh & MacIver, 1989); coordination and mediation (stakeholder theory: Doaldson & Preston, 1995).

In the Italian context, typically characterized by small companies and high ownership concentration (Melis et al., 2012; Belcredi & Enriques, 2013; Jaggi et al., 2016; Moscariello et al., 2018), members of the board of directors represent controlling shareholders, and the problems of agency between controlling shareholders and minority shareholders are more frequent than between managers and controlling shareholders (Bianco et al., 2015).

Business economy literature and, specifically, studies on corporate governance have always underlined how diversity (in terms of: age, gender, geographic origin, socio-cultural and educational backgrounds) and the heterogeneity of skills and competences, professional profiles and knowledge, perspectives and visions, and personalities and gender:

- increases the independence of collegial corporate bodies;
- ensures the best possible representation and protection of all shareholders (Van der Walt & Ingley, 2003; Rose, 2007; Hoogendoorn et al., 2013);
- makes the decision-making process more effective and improves both executive control and problem-solving processes;
- creates the conditions for a higher competitiveness of a company on the markets, a lower capital cost, and a greater corporate value.

Since the board of directors has the responsibility for economic governance and business results, the ability to perform control effectively over the work of management and equally effectively to support strategic decision-making, is strictly determined by its composition (Hermalin & Weisbach, 2003; Minichilli et al., 2009; Agrawal, 2012), with particular reference to personal characteristics and expertise of the members (Perry & Peyer, 2005).

In the last few years, the increasingly extensive literature on gender diversity and corporate governance has suggested that companies with a higher proportion of women on their boards are characterized by:

1. Best corporate governance practices (and their transparency) and better organizational performance (Adams & Ferreira, 2009; Nielsen & Huse, 2010; Kakabadse et al., 2015);
2. A higher number of the board and control committee meetings (Gallego et al., 2010; Fitzsimmons, 2012) and a generally higher attendance at board meetings than men (regarded as a proxy of the quality of firm governance, which in turn reduces the absenteeism rate of male members leading to the best possible strategic decisions);
3. Economic value creation for the company (Francoeur et al., 2008; Miller & Triana, 2009; Terjesen et al., 2009, 2015; Davies, 2011);
4. A better company reputation (Bernardi et al., 2006, 2009, Brammer et al., 2009);
5. A greater consideration for the employees welfare, a stronger orientation towards all stakeholders (Van der Walt & Ingley, 2003; Rose,

2007; Hoogendoorn et al., 2013) and towards social responsibility (Hafsi & Turgut 2013).

However, some researches have pointed out the possible negative effects of diversity (Rose, 2007; Baranchuk & Dybvig, 2009; Ferreira, 2010). According to these scholars, a higher percentage of women on boards generate longer board meetings to share different points of view and resolve disputes and this has a negative impact on operative performance of the board and on the monitoring results (Pastore et al., 2017, p. 67, pp. 80-81). The heterogeneity of interests represented within the board may increase the conflict, the difficulty of communication and the possible emergence of factions within the group which can lessen the board cohesion and negatively affect companies' performance (Dobbin & Jung, 2011, p. 816).

In recent years, the potential benefits of gender diversity have also drawn the attention of European market players and Regulators (promoting gender equality is one of the fundamental values espoused by the European Union and a core activity for it) who have started to recommend and/or to require of listed companies a heterogeneous gender composition both in top management and boards and to encourage the participation of women in decision-making processes, which is considered essential for the competitiveness and sustainability of the EU.

In this respect, the EU 2010-2015 Strategy for Equality between Women and Men, the European Pact for Gender Equality 2011 -2020 and the Strategic Engagement for Gender Equality for the period 2016-2019 have set out a target of 30% of women in senior and middle management of both companies listed on stock exchanges and government owned companies by 2015 and a (at least) 40% target by the end of 2019.

This European Strategy has been decisive in bringing gender policies into the political agenda of several Member States and in encouraging them to impose upon listed companies and the state-owned ones-either through law (as it happened, for example, in Norway in 2003, France in 2010, Belgium and Italy in 2011, and Germany in 2015) or through self-regulatory and corporate governance codes (as in the case of United Kingdom, Luxemburg, Poland, Sweden, Finland) - the balanced presence of women and men in the overall membership of their corporate and management bodies, in order to accelerate the process towards economic gender equality, to promote women's empowerment, to achieve a greater heterogeneity in these boards and an improved decision-making quality.

In Italy, the State Law No.120/2011 requires that public companies (from 12 August 2012 onwards)<sup>14</sup> as well as those majority-owned by a government entity (for which the rule was enforced

<sup>14</sup> It is the Act 12 July 2011, No. 120 (Known as "Golfo-Mosca" Law, after the names of the two authors), on Amendments to the Unified Text on finance-related intermediation under Legislative Decree 24 February 1998, No. 58, concerning equal access to the administrative and oversight bodies of quoted companies" (in Italian, Legge 12 luglio 2011, n. 120, Modifiche al testo unico delle disposizioni in materia di intermediazione finanziaria, di cui al decreto legislativo 24 febbraio 1998, n. 58, concernenti la parità di accesso agli organi di amministrazione e di controllo delle società quotate in mercati regolamentati\*). It was approved on July 12, 2011 and entered into force on August 12, 2012 (one year after, i.e., there was a phase-in period between approval and implementation).

from 12 of February 2013)<sup>15</sup> must renew/appoint their boards by reserving a quota to women (the under-represented gender) on corporate management and supervisory boards (boards of statutory auditors in the Italian companies), to be applied to the first renewal of these bodies (at least one-fifth of board seats) and for three consecutive mandates (from the second and third renewal of the corporate bodies, women must be at least one-third). Hence, Italian pink quotas on corporate management boards (applying to board nominations following August 2012) are temporary and gradual.

With regard to the first issue, the Law is temporary and it is aimed at promoting the involvement of women in corporate activities as well as achieving positive actions for a period of time sufficient to generate processes of cultural change. It is valid for three mandates, from August 2012 until 2022 (i.e. 9 years for each company: boards of companies listed on the Italian stock exchange are elected every three years). The corporate bodies renewed for the first time after the Law in 2014 will remain in office up to a maximum of 2023.

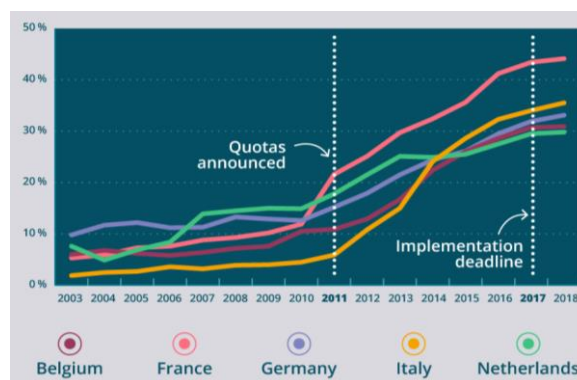
With reference to the second issue, the measure is implemented gradually and remains in place only for three consecutive board elections. The required target of representation of either gender is set at least one-fifth (amounting to 20%) of the members of the Boards for the first election following one year of the coming into force of Law no.120/2011 (that is after August 2012), to be increased to one-third of the members of the boards (amounting to 30%) for the following two board elections, from 2015 up to 2022, when the Golfo-Mosca law will cease.

Since the end of 2014 the board composition registered a female component beyond 20% and today company boards respect the 30% gender quota. In these first five years of implementation of the legislative quotas, Italy has achieved results higher than expected: the number of women in top positions has increased and the increases recorded have been so significant (Italy has already achieved the 33.5% target) as to allow Italy to exceed the EU-28 average (of 25.3% of women in corporate boardrooms at the end of 2017) and to position itself among the best European practices, since has recorded the greatest progress in gender-balanced boardrooms (Figure 1).

However, these progress made over the last five years (since the entry into force of Law No. 120/2011) are still too recent to determine and assess the impact on the quality of corporate governance and financial performance of companies and even the small number of women who hold the

position of CEO does not contribute to decisively influence corporate governance and performance. But, by considering the results achieved so far, certainly legislative "pink quotas" applicable to corporate boardrooms have proven to be a necessary tool for breaking with the past. This measure has initiated a cultural and managerial change and has given rise to an acceleration towards equal opportunities which otherwise would have required much more dilated construction times.

**Figure 1.** Share of women on corporate boards 2003-2018



Source: European Institute for Gender Equality 2018

In the light of the above, the present study initially describes in brief the board governance model in Italy (Section 2) and the recorded progress towards a better gender balance on the Italian corporate boards five years from the application of Law 120/2011 (Section 3). Subsequently, main direct and indirect effects of the temporary binding quotas on gender board diversity in Italian context are identified and explained (Section 4). Furthermore, by adopting the business economy approach, some outstanding issues on this improved participation of women in the corporate governance boards of the Italian listed companies are raised and some positive action measures and effective good practices which companies can take to improve the gender balance across their entire workforce, in particular to ensure a pipeline of diverse talent for future board appointments are outlined (Section 5). Finally, after providing some concluding remarks (Section 6), the limitations of the paper and suggestions for future researches are presented (Section 7).

## 2. THE CORPORATE GOVERNANCE MODEL IN ITALY

The regulatory framework on corporate governance in Italy is set out in the: 1) Italian Civil Code, that sets forth the main rules for the Italian companies; 2) Legislative Decree No.58/1998 (Testo Unico della Finanza); 3) Regulatory provisions issued by the National Commission for Companies and the Stock Exchange (Commissione Nazionale per le Società e la Borsa: CONSOB) or by Borsa Italiana SpA (the company managing the Italian Stock Exchange), and related secondary regulation.

The 2003 Italian Corporate Law Reform (provided by legislative decree 17 January 2003, No.6) has introduced alternative corporate governance systems in a single legal system (Ghezzi, Malberti, 2008), and the freedom to choose among

<sup>15</sup> The Law no.120/2011 also applies to State-owned companies (i.e. public companies under the control of the government) after the entry into force of Italian Presidential Decree on equal access to the Board of State-owned companies, the DPR no. 251 of 30/11/2012 implementing Law 120/2011), on 12 February 2013. The provisions of law establish a legal dual-track: for publicly-listed companies, the discipline stem from the Act under reference, and in detail by a subsequent Regulation of CONSOB (Italian Stock Exchange Authority); for State-owned companies, the discipline is governed by a subsequent Regulation, the above-mentioned D.P.R., dated November 30, 2012. As for the latter, the oversight is attributed to the President of Council of Ministers or to delegated Minister for Equal Opportunities. See: Ministry of Foreign Affairs and International Cooperation, Inter-Ministerial Committee for Human Rights (2016), "Italy's Reply to UNWGDRAW", September 15, 2016.2.

them represents an innovative approach to the corporate governance for both listed and unlisted joint stock companies (Coffee, 1999; Hopt & Leyens, 2004; Bellavite Pellegrini et al., 2010, p. 4).

Besides the Italian traditional model of corporate governance (ICC, art.2380), that is characterized by three different corporate bodies which govern companies (the shareholders' meetings, the board of directors and the statutory audit committee, both of which are appointed by shareholders in general meeting), two alternative corporate governance systems have been introduced: the (one-tier) monistic model (ruled by Articles 2409-sexiesdecies and following of the Italian Civil Code), based on the Anglo-American tradition, and the (two-tier) dualistic model (ruled by articles 2409-octies and following of the Italian Civil Code), derived from the German tradition.

The Italian corporate governance model envisages that listed companies are managed by the management body, which may have a number of different structures and operate in different ways:

1. *The traditional system*: the company is managed by a sole director or a board of directors (appointed by the shareholders' meeting)<sup>16</sup>, while the control is carried out by the board of statutory auditors (collegio sindacale). If certain conditions are met, the panel of statutory auditors may also be required to carry out accounting control activities. Otherwise, the shareholders' meeting must also appoint an external auditing body (article 2409-bis, Italian Civil Code), which checks compliance with accounting procedures (Bellavite Pellegrini et al., 2010, p. 5). In this system direction and control are two separate activities, the shareholders' meeting elects the direction and the control bodies separately, and the independence requirements are disciplined by clear and precise rules;

2. *The monistic board system*: the company is managed by a board of directors (executive directors) appointed by the shareholders' meeting (at least 1/3 of the members of the board of directors must be independent). The board of directors, in turn, appoints some of its members to a supervisory committee (Comitato per il Controllo sulla Gestione) of non-executive independent directors (that is, without relationship to other directors or shareholders of the company, and without other important professional tasks for the company or the definition of shareholder in the same company), which is delegated with monitoring functions, involving an internal auditing control on truthfulness and fairness of management (this supervisory committee must be comprised of at least three members). The most important feature of this corporate governance system is the unification of the monitoring and the managing bodies of the company (it is a one-tier structure). Similarly to the traditional model, there is the presence of an external auditor or auditing body;

3. *The dualistic board system*: the shareholders' meeting appoints a supervisory board (consiglio di sorveglianza), which is responsible for ensuring that the company is managed in compliance with the law, company by-laws and standards of proper

management. The supervisory body must appoint the management board (Consiglio di Gestione), which is responsible for the company's day-by-day management. The shareholders' meeting must also appoint an external auditing body. This two-tier model provides an important role for the supervisory board, with controlling functions and the power to perform duties entrusted to the board of directors or to the shareholders' meeting in the traditional model (Bellavite Pellegrini et al., 2010, p. 6)<sup>17</sup>.

The alternative corporate governance systems and the traditional ones differ significantly in some aspects. On one hand, the one-tier model looks like to be simpler and more flexible model than the other ones. On the other hand, in the two-tier model the separation between ownership and control is then remarkable, because the members of the management body are not directly appointed by the shareholders' meeting but their appointment is a supervisory board duty (Bellavite Pellegrini et al., 2010, pp.5-6).

Within the Italian traditional model, that is still the most used model of corporate governance in Italy, the corporate governance system guarantees a clear separation of roles and responsibilities of the governing bodies: 1) strategic supervision is assigned to the board of directors, which decides on the company's strategic policies and verifies their continued implementation; 2) management of operations is handled by the executive committee and the chief executive officer, who are responsible for implementing strategic policies and managing the company; 3) the statutory audit committee is responsible for supervising control activities. Thus, the traditional corporate governance system seems the best suited to combining operating efficiency with effective controls.

The shareholders' meeting decides the system to be adopted. If the company's bye-laws do not specify the system, the traditional system applies. Among the listed companies, the traditional corporate governance system is still largely prevalent in Italy. According to the 2017 Report on corporate governance of Italian listed companies by Consob (2017, p.15), at the end of 2016, the traditional system is in place in 225 (out of a total of 230) listed firms, while only 5 companies have chosen an alternative model, i.e., either the single-tier system (2 cases) or the dual-tier model.

Moreover, listed companies may voluntarily adopt the self-regulation Corporate Governance Code, a non-mandatory Code issued by the Corporate Governance Committee of Borsa Italiana SpA. The Code contains a number of recommendations constituting the best-practice model to the organization and the functioning of listed companies. It provides guidance on: the composition of the board of directors; the appointment of the members of the boards, committees and board of statutory auditors; the presence of independent directors; the compensation of directors, the relationship with the shareholders, and so on. The operability of the Code is founded on a "comply or explain" principle.

<sup>16</sup> Non-listed joint stock companies (Società per azioni, S.p.a.), in addition to the systems described above, may also opt for a sole director. Limited liability companies (Società a responsabilità limitata, S.r.l.) may be managed by a board of directors or by a sole director.

<sup>17</sup> The supervisory board must be comprised of at least three members; at least one of them must be an auditor. The management board must be comprised of at least two members. The member of the one board may not be members of the other.

Therefore, it is allowed to listed companies to totally or partially misapply its recommendations as long as the choice is motivated and made public on the company's corporate governance report (that must be issued every year) for the benefit of shareholders, investors and the market.

The previous edition of the Code (2015) has been amended by the Corporate Governance Committee on July 16th 2018 in order to safeguard the positive effects of the Law No. 120/2011 on the gender diversity balance in the composition of listed companies' corporate bodies, even after the law will be no longer effective starting from 2020. The amended Code, considering the evolution of international best practices, now, recommends listed companies to apply diversity criteria, including by gender, in the composition of both the board of directors and the board of statutory auditors (new principle) and to adopt measures to promote equal treatment and opportunities regardless of gender within the company structure, monitoring their concrete implementation. Moreover, it envisages that the relevant criterion, in achieving the objective of gender diversity balance, now asks for at least a "one-third quota" of the less represented gender in the board of directors and statutory auditors, so promoting the preservation, on a voluntary basis, of the gender-quotas Law effects. The Committee has pointed out that diversity criteria, including by gender, are to be adopted consistently with the primary objective to ensure that any board member has adequate competence and professional skills.

### 3. PARTICIPATION OF WOMEN ON ITALIAN CORPORATE BOARDS FIVE YEARS AFTER THE APPLICATION OF THE GENDER QUOTA LAW

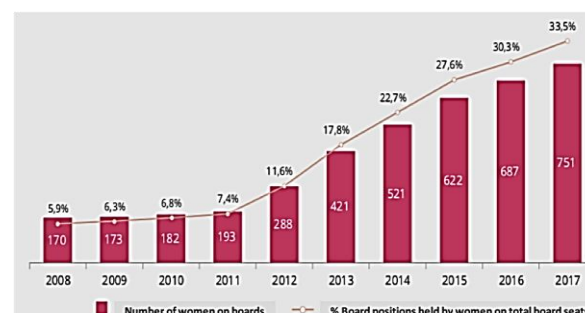
The State Law No.120/2011 is the first example of "affirmative gender action" in Italian company Law and has shown its effectiveness. The objective has been achieved: the effects of this reform took place and the presence of women on boards of directors and boards of statutory auditors has increased. Italy is now aligned with both the standards and the other European countries; many companies have opened their boards to women even before the 'quotas Law' was effective.

According to data processed by Cerved<sup>18</sup>, Consob<sup>19</sup> and Department for Equal Opportunities-Presidency of the Council of Ministers<sup>20</sup>, at the end of 2017, 100% of listed companies and 63% of unlisted publicly controlled companies respect gender equality. In line with the threshold imposed by law, and the complicity of the renewal of the boards of 64 companies in 2017, women represent 33.5% of the directors of the 237 listed companies.

Particularly, over the period 2012-2017 female representation on the board of directors grew

significantly. The rise was 9.3% as compared to 2016: female directors rose from 5.9% in 2008 (corresponding to 170 directors), to 11.6% in 2012 (288 directors), and to 33.5% in 2017 (corresponding to 751 directors out of a total of 2,244 members), marking the highest figure ever recorded and in line with the gender quota mandated by the Law in 2011 (Figure 2)<sup>21</sup>.

**Figure 2.** Female representation on corporate boards of Italian listed companies 2008-2017



Source: Cerved (2018), *Elaborations on Consob and Cerved Data*

However, while on the one hand, the female presence on corporate boards has almost quadrupled compared to 2011, when the rules on gender representation had not yet started to produce effects (193 women on boards, equal to 7.4%), on the other hand, not all the positions taken up have increased proportionally.

Currently, women predominantly take on independent and non-executive roles: 69% (471 women; they were 244 women - equal to 59.8% - in 2013) are independent directors in 205 companies, which overall represent 98% of the market value.

While, contrary to the objective set by Law No. 120/2011, these women have no real possibility of exercising power. In this respect, the percentage of women with the roles of CEO has remained substantially stable since 2014: only 7.9% of Italian listed companies are managed by a female CEO, and this is of minor companies, which account for less than 2% of the capitalization of the Italian Stock Exchange. At the end of 2017, only 18 women hold the office of CEO (Figure 3) while 23 women (10.1% of the companies) hold the office of Chairman of the Board of Directors (Figure 4).

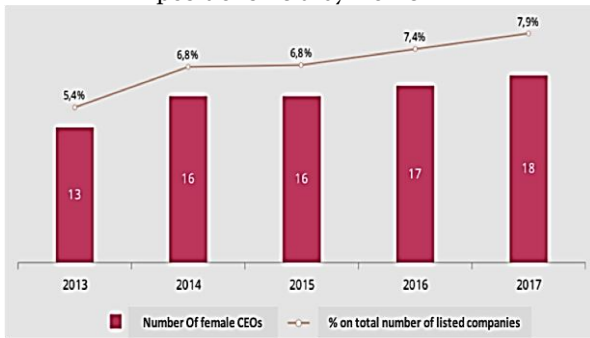
<sup>18</sup> Cerved is the leading credit information provider in Italy, serving primarily corporations and financial institutions, and one of the major credit rating agencies in Europe.

<sup>19</sup> The Commissione Nazionale per le Società e la Borsa (CONSOB) is the public authority responsible for regulating the Italian securities market. Its activity is aimed at the protection of the investing public. The regulatory body for the Italian Stock Exchange (CONSOB).

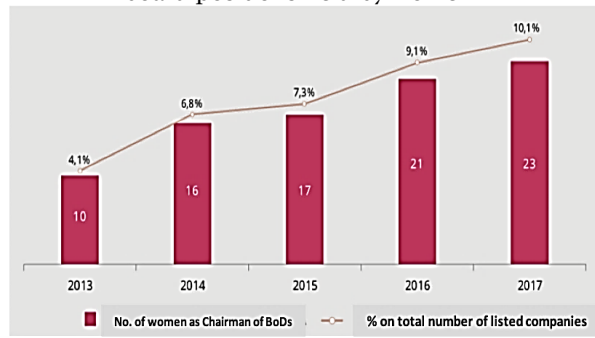
<sup>20</sup> The Department for Equal Opportunities is the national authority in charge of coordinating and promoting action for equal opportunities and for surveil its implementation.

<sup>21</sup> The situation has also changed in the public companies: women's presence at the top of the controlled public companies has increased significantly and today women represent approximately 20% of the total 24.000 members of the board of directors of more than 4.000 unlisted public companies. Cerved data processed for the Italian Department for Equal Opportunities indicate that since the entry into force of the Regulation no. 251, the presence of women in top management bodies of publicly controlled companies has also strongly increased. Particularly, over the period 2014 - 2017, the number of women on Boards of Directors and Boards of Statutory Auditors (the bodies subject to regulations) increased by 660 units, passing, in relative terms, from 18.3% to 30.9%. More specifically, the number of women is 26.2% on the public subsidiaries' boards (14.8% in 2014), 32.1% on the board of statutory auditors (18.2%) and 40.5% in the substitute auditors (24.7%) (Cerved, 2018, p.7).

**Figure 3.** Female CEOs and female chairs on boards of Italian listed companies 2013-2017: Ceo board positions held by women

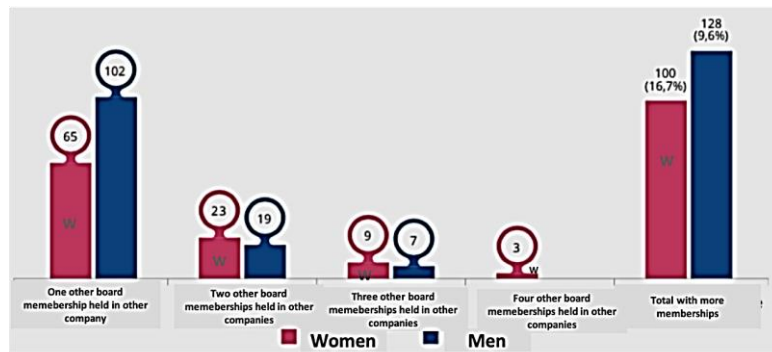


**Figure 4.** Female CEOs and female chairs on boards of Italian listed companies 2013-2017: Chair board positions held by women



Source: Consob (2018), Elaborations on Consob and Cerved Data

**Figure 5.** Multi-board memberships in Italian listed companies



Source: Consob (2018), Elaborations on Consob Data

In the eight companies that have already carried out the third renewal of the offices (which represent 1.5% of the market value), the women present on the board represent 37% of the directors and are on average 3.8, although it is possible to observe a certain degree of variation in consideration of the type of company. These figures not only show how the configuration of the boards of directors in Italy is changing, but even place Italy as one of the best European practitioners, behind only Norway (a pioneer country in the application of gender quotas and where over 40% of boards of directors is made up of women), France (41%) and Sweden (36%).

Therefore, they would have exceeded the threshold of the *critical mass* (Kanter, 1977, 1987; Granovetter, 1978; Konrad et al., 2008; Erkut et al., 2009), that allows them to play a more active role and thus influence the functioning and decision-making processes of the boards of directors (Huse et al., 2011; Torchia et al., 2011; Lückerath-Rovers, 2013; Triana et al., 2014; Amore et al., 2014) and reduces the token effect (Elstad & Ladegard, 2010).

However, as is happening internationally, mandated quotas are raising the female presence on corporate boards and sparking a cultural push for gender equality, but entrenched networks are getting in the way of achieving true boardroom diversity. The increased presence of women was not matched by the expected increase in the number of women who have access to boards since frequently (and more often than men) the same women are appointed to hold multiple temporary offices at the same time in different listed companies. The “golden skirts” is a label that has been used internationally

to characterize women becoming members of several boards as a result of the gender balance regulations (Huse, 2012).

In Italy, gender quotas have in fact determined an excessive concentration of board positions on just a few women (similarly to male colleagues). According to the latest Consob data available of the 599 female administrators<sup>22</sup> who hold positions in listed companies, 100 sit at least on another board, proportionately more than their male counterparts (16.7% against 9.6%). Consob estimated that the average number of corporate seats held by each woman rose from 1.26 in 2013 (men: 1.40) to 1.45 in 2016 (men: 1.32). The share of women with three or more directorship is also relatively higher (Figure 5).

More specifically, in Italy the first seven women who add up more offices hold 37 seats on the boards of directors or in the existing boards of statutory auditors. The first 26 female board members concentrate 113 directorships in other listed companies. The first 51 women hold 188 offices such as board member. And the first 188 women hold 462 seats on boardrooms of Italian listed companies. Next to these new female elite (188 women) who takes this striking concentration of board positions assumed and that is replacing the “old boys network” (Jensen & Meckling, 1976; Yang & Konrad, 2011), there are 845 other women who have only one corporate office: therefore, in total there are a thousand of these women. If this overlapping of positions did not occur (if their behaviour were

<sup>22</sup> The number differs from the 751 women mentioned above because, in this case, the persons who have tasks on multiple boards are counted only once (Cerved 2018:5).

different from that of their male counterparts), even at the cost of not being able to do them well, women in the top positions of the companies would suddenly increase by at least 30% (Fubini, 2017). In fact, it would take about three hundred more to fill the seats now occupied by those who have more than one. In this regards, to investigate the reasons for this oligarchic tendency it would be appropriate, because there is no assumption that it is determined by the women themselves. It is not women who recruit themselves, but they are often coopted by men already at the top of the companies. In some cases, this phenomenon could be justified by the practice of appointing on boards women who are anyway excluded from operational roles and who, being a minority, “do not bother”.

Despite these distortions, a virtuous path has been started. Findings provide the proof of substantial progress of women’s participation in the corporate decision-making and top management.

#### **4. MAIN DIRECT AND INDIRECT EFFECTS OF THE MANDATORY QUOTA SYSTEM ON ITALIAN BOARD DIVERSITY, DECISION-MAKING EFFICIENCY AND COMPANY PERFORMANCE**

In the Italian context, the glass ceiling (Morrison et al., 1987; Powell & Butterfield, 1994) appears to have been at least partially scratched (although not yet shattered), whatever the extent of the female presence on boards is considered: number of seats held by women in the board, the number of companies with a critical mass of female advisors, number of directorships held by each of the women executives.

Main changes were observed in such parameters as average age, level of education and professional background, heterogeneity within boards, also expressed in terms of incidence and distribution of directors with family ties to the controlling shareholder (so-called family directors), and assiduous presence in the board meeting, mainly in comparison to male newly appointed colleagues, so giving an impression of better quality governance. In this respect, the introduction of mandatory quotas contributed:

- to lower the average age (now 56.7 years) of the boards; women are appreciably younger than male members: they have an average of 50.9 years versus 58.9 of men);
- to raise the average education level: 86% of directors are graduated and 21% hold a post-graduate degree. Women have a higher profile in terms of education: 88.5% of them have a first degree (84.5% for males) and 29.7% have a post-graduate degree (16.7% for males). As for the professional background (with the percentage of managers declining from about 76.0 to 70.0% and the proportion of consultant/professional rising from around 15 to 21%), the newly-appointed female directors are predominantly professionals or consultants (33.2% versus 16.6%) and academics (12.2% versus 6.4%);
- to reduce the familyism ratio at the top of companies: women on today’s boards are less likely to be connected to the companies’ owners and management. Among women only 13% (26% in 2012) sit on boards by virtue of family ties with the

controlling shareholder or owner, while among men the same happens in 17% of cases. Typically, they play the role of professional and independent board members.

The quota system, in other words, is producing an appreciable positive impact in terms of renewal of corporate governance bodies. It has not only increased the number of executive women but has produced a series of positive effects regarding the selection of directors, as companies replaced lower-skilled men with more competent women and triggers the virtuous circle of a more objective ex-ante selection (for merit and competences) and ex-post (for contribution and performance), where all the talents and skills, male and female, have equal opportunities to emerge (Pastore & Tommaso, 2016, p.140) and receive equal assessment and remuneration (Adams et al., 2007). Better qualified people presumably will act more effectively and may push and determine better operational and financial results (Terjesen et al., 2009, 2015; Adams et al., 2010; Soares et al., 2010; Fitzsimmons, 2012; Adams, 2016).

The impact in terms of corporate governance quality and (long-term and short-term) performance remains to be clarified. It is certainly too early to assess these effects fully. For a more reliable assessment of them, an appropriate period of implementation of mandatory gender quotas is needed to assess their long-term effectiveness, when they cease and to verify whether they actually led the companies to proceed spontaneously and with conviction in this direction and not in order to avoid penalties provided for by the Law.

As stated by the literature, it will be expected that the increased presence of women in corporate governance bodies makes wider functional talent and skills available, and improves the effectiveness of boards (Hillman et al., 2002; Kim & Stark, 2016; Kirsh, 2018). The consequent greater heterogeneity in the composition of the boards:

- should increase their independence (Ferreira, 2010; Lückerath-Rovers, 2013);
- should favor the plurality of strategic approaches to the business (Huse & Solberg, 2006; Sheridan et al., 2014) as well as broader perspectives in the analysis of problems and in the taking of decisions (Hillman et al., 2007; Bart & Quinn, 2013);
- could enhance the efficacy and monitoring capabilities of boards (Kesner, 1988; Van der Walt & Ingley, 2003; Triana et al., 2014);
- could strengthen the representation of all shareholders (Ntim, 2015) and, above all, by combining the action of different styles of leadership, could influence positively the corporate reputation and image (Pfeffer, 1981; Bear et al., 2010; Dang et al., 2014), improving, consequently, the longer-term sustainable growth potential for the company (Balasubramanian, 2013, p. 21).

The further challenge is to demonstrate how and how much the gender mix can positively influence company performance and market results.

According to Dobbin and Jung (2011) “these changes are expected to affect profits directly and stock performance indirectly” (p. 836). The relationship between female presence on boards of directors and company’s (long term and short-term) performance and financial value launched a fruitful academic and scientific debate. Several empirical

studies suggest that companies with more women on boards achieve greater profitability and higher stock market values (Smith et al., 2006; Carter et al., 2010; Erhardt et al., 2003; Hoogendoorn et al., 2013; Catalyst, 2016). Other empirical studies, on the other hand, reveal that women on boards are associated with modest (Ujunwa, 2012; Dale-Olsen et al., 2013) or even negative accounting performance and lower market valuation (Carter et al., 2003, 2010; Farrell & Hersch, 2005; Westphal & Bednar, 2005; Rose, 2007; Hillman et al., 2007).

A large body of theoretical and empirical literature carried out in this field internationally (also outside the context of the gender quotas) has not been conclusive, delivering mixed and controversial results, whatever indicators chosen (both market-based measure, such as Tobins Q, and accounting-based measure, such as ROA, ROE and so on) to support (Campbell & Minguez-Vera, 2008; Schwartz-Ziv, 2017) or contradict (Van der Walt & Ingley, 2003; Van der Walt et al., 2006; Rose, 2007; Francoeur et al., 2008; Dobbin & Jung, 2011; Gagliarducci & Paserman, 2014) the impact of increasing proportion of women directors involved in the board on company's financial performance and outcomes.

Non-conclusive results also emerge when looking at the relationship between women's empowerment and stock market performance and returns (Adams & Ferreira, 2003; Campbell & Minguez-Vera, 2010; Charitou et al., 2010; Dobbin & Jung, 2011; Dunn, 2012; Fredericks, 2014; Ku Ismail & Manaf, 2016; Giannetti & Zhao, 2018). Wolfers (2010) found no differences in stock price performance between female-headed companies and other companies. Dobbin and Jung (2011) argued that women on corporate boards are more likely to adversely affect stock prices. Ryan and Haslam (2005) found a significant increase in share price following the appointment of a female director.

With specific reference to the Italian market, Ferrari et al. (2018) found that the renewal of the board associated with the (introduction of) gender quotas has had positive effects on the stock market returns. In this respect, companies with a smaller share of women in the pre-reform board composition (i.e., farther from the quota target) have experienced better stock market results at the date of the first board election after the approval of Law No. 120/2011, with respect to companies that were closer to the target.

Although the short time period after the introduction of gender quotas does not allow us to assess the long-term effects when we consider the stock market performance, a recent event-study analysis (Pastore et al., 2017, 2018) carried out on the stock markets' reactions to women's appointments to the boards of (76) Italian companies (immediately previous to and following the appointments) found that the female appointments do not influence, to a statistically significant extent, the size of tradings nor the returns and the share prices volatility for the analysed companies, neither prior nor after these appointments. Since the appointments have mainly concerned the role of independent directors, it is plausible that, in the case of positive reactions, the market has favorably received this information in line with the agency's theory which emphasizes the

guarantee function of independent directors (they guarantee the control over managers and help to realign the interests of the latter with those of the shareholders). It is possible, however, to exclude any negative impact of the forced entry of women onto boards.

## 5. BEYOND GENDER QUOTAS ON CORPORATE BOARDS: SOME OUTSTANDING ISSUES IN ITALY

Increased participation of women on the boards of directors and supervisory bodies of companies is a significant discontinuity in the Italian corporate governance system. The Law on gender quotas is working well. The numbers say it: the female presence on boards of both listed companies and those state-controlled ones exceeded 33%. It would have been impossible to achieve this result without a legislative forcing such as quotas.

It would be useful to examine whether the significant progress noted in the last five years are only a numerical result or if they represent a substantial change with regard to the composition of the decision-making bodies, the selection of members of the boards, and the role of appointed women (chairs, CEOs).

As stated above, Italian gender quotas have a time-limited nature that is consistent with the idea that pink quotas are a measure to shock the system and thus break up the male-dominated power, and to lead the market to a new, more gender-balanced, equilibrium.

This is the pitfall but also the most important challenge, since it will be necessary to verify whether this evolution will proceed spontaneously and strongly and whether further cascading effects will be generated, even when the compulsory gender quotas have expired.

In this respects, a new challenge opens up in terms of the efficiency of this positive action, since it is not enough to increase the numerical presence of women on company boards but it is necessary that women be involved in executive roles, and analyze the quality of such leadership positions/of the appointed women.

The glass ceiling (that stops women's careers at mid-management level) is still observable: the highest executive offices still show very low female representation. This does not contribute towards a decisive influence on corporate performance. It could be a missed opportunity, because it now seems that companies opened to everyone's contribution in the top positions and corporate governance (which are different by gender, preferences, age, culture) work better and they can be positively received by the market (Baltrunaite et al., 2014; Besley et al., 2013).

Certainly, the appointment of female directors leads to a beneficial restructuring of the board, makes board's composition more diversified (in terms of prospects and visions, styles of leadership, and attitudes of risk aversion) and positively influence the nature of the decision-making processes and the results of the boards and, by extension, companies' performance. However, the greater presence of women on the boards (induced by the need to meet the legal requirements) does not guarantee in itself better performances nor the entry of women with skills, quality and experience



adequate to govern companies. The real change depends to a large extent on the ability to select the right components.

In essence, it is a question of shifting attention from simple numbers (*how many women* should be included on boards) to merit (*which women* should be included on boards) and to the possibility of giving visibility and opportunities to excellent and prepared women, able to express value added in terms of skills, leadership style, management and relational culture.

In this regards, from a purely qualitative point of view, on the basis of study pathways, women are potentially more qualified (there are more graduates and with better results compared to men) and able to contribute with their wealth of knowledge, skills and capacity for image, efficiency and competitiveness of companies.

Allowing women to access top positions and having a greater weight in the choices of companies and enhancing the female talents by virtue of the characteristics of diversity (in attitudes of risk aversion, in the prospects and visions, in styles of leadership) allows the advantages envisaged by the literature (such as: heterogeneity in the composition of the boards and their increased independence to be achieved; the improved quality of the decision-making process thanks to the plurality of strategic approaches to the business; broadened perspectives in problem analysis and decision-making); reinforced representation of all shareholders.

But, fully assessing the quality of new entries on boards of directors seems premature.

*For women it is time to go beyond the boards.*

Promoting equality in decision-making also requires a better gender balance among executive directors of listed companies and in the talent (female) pipeline.

Specifically, what still has to be understood is whether women on boards can represent a role model for other highly-qualified and talented women who aspire to progress to the top of the corporate hierarchy (as key executives) or beyond a certain level of their professional careers (as first line managers).

In order for this greater participation of women to produce lasting effects over time it is necessary to intervene with actions aimed at cultural and structural changes in the organization of work, which the quota system alone is not able to sustain. Success will depend on the ability of women who sit on boards and have decision-making power to put in evidence their value added and, on the one hand, to generate a positive effect on the motivation and commitment of other women (and all their collaborators in general) to all levels of the organization, offering them opportunities for growth and encouraging them to express their full potential and, on the other hand, to trigger a "towing" effect, inspiring and encouraging the inclusion of other women in the processes renewal of the corporate bodies. The increase in reference models and the improvement of women's expectations for career (as indirect effects of women's leadership) could keep in the job market many women who leave it because of distrust and widening the pool of talents from which to choose the best candidate to be admitted on the board of directors.

In the next few years when the Law No. 120/2011 will be in force (since its action will have effects until 2022 and 2023) a commitment will be necessary on this front. In fact, there is a criticality not so much in the number of positions occupied but rather in their nature and quality.

At the national level, several good practices have been developed to promote women's leadership, based on the implementation of training strategies, to allow the inclusion of excellent women on boards of directors or meritocratically co-optating the female component in all decision-making processes up to the top, to enable women to be the drivers for development and progress. This is the case, for example, of some good practices such as: the "Ready for Board Women", an initiative, created by PWA-Professional Women's Association of Milan and Observatory on Diversity Management at SDA Bocconi; the "1000 Curricula Eccellenti" (One Thousand Excellent Curricula), promoted by the Bellisario Foundation; and the project ProRetePA (promoted by the Italian Department for Equal opportunities in collaboration with Friulian University) aimed to promote equal opportunities for women of talent in order to put them in touch with companies who are looking for talented women to enter in the organs of administration and control. Also to mention is the first Italian certification about "gender equality in the workplace", assigned in 2017 by the non-profit Winning Women Institute to those companies deploying the principle of gender equality in their organizations. This "quality brand" is a competitive advantage for companies and it is intended to increase women presence within companies on all levels (employees, managers, executive and board members), to narrow the gender pay gap between men and women, and to monitor and raise awareness among companies, employees and consumers' behaviors about gender diversity.

Enhanced and more visible career prospects (especially for higher grades) could also contribute to facilitate the creation of a "woman-friendly" work environment within the company, which encourages employees' commitment and dedication.

In this regards, the quota system within corporate governance bodies is also acting as a multiplier of initiatives, positive actions and good practices aimed at supporting the competent presence of women at every level in the labor market. These initiatives favor not only female employment but also the regeneration, transformation and innovation of work in Italy and are helping to create an inclusive organizational culture.

The wider presence of women in work, in the economy, in governance produces further benefits, such as: greater contributions to tax and social security, activation of services resulting in job creation and lower risk of economic hardship; less risky management of companies (when entrepreneurs or members of boards) with positive effects in terms of access to credit and financial reliability (Marcucci & Mistrulli, 2013). Regarding this aspect and with particular reference to the banking sector, two recent studies conducted by the Bank of Italy (Del Prete & Stefani, 2013, 2015) argue that risk aversion and greater ability to control events are the two main characteristics that make women suitable for bank administration boards.

Consequently, “the presence of women on the boards of banks is positively correlated with the use of more rigorous control systems that increase the operational efficiency of banks and can reduce their risk” (Del Prete & Stefani, 2013, p.11).

But the gender quotas imposed by law, despite having contributed to increasing the presence of women on the boards, have determined, in Italy, an excessive concentration of memberships on a few women (similarly to their male colleagues). That is, the expected increase in the number of women who have access to boards has not been recorded, since the same women are nominated to hold multiple board directorships at the same time in different companies (and, because of that, they are nicknamed the “golden skirts”), with the risk that these are essentially symbolic or tokenistic presences (Kanter, 1987, Bourez, 2005, Konrad & Kramer, 2006, Konrad et al., 2008). This circumstance occurs especially when the appointed (in accordance with the law) are tied to the owners families, they lack adequate qualification and have not gained sufficient experience in the role, with serious consequences on the performance of the companies involved. Otherwise, within the boards, professional women with great competence and managerial experience gained in companies, even multinationals, and characterized by prestige and authority, acquired after years of leadership positions in companies at the highest levels, can make an important contribution to the strategies, to the corporate governance and its performance.

It would be important to create relationships and networks not to exclude others (men and/or women) but to involve other women in the leading roles of a company, as a vehicle for attracting new talent.

In order to capitalize on the results achieved so far and generate virtuous effects, it would be useful for Italian companies, subject to the gender balance constraint, to firmly commit themselves in achieving the objectives of Law No. 120/2011, beyond the duration of the legal constraint, assuming the inclusion of the less represented gender in its governing bodies as a long-term and permanently long-term commitment, in accordance with the objectives of stabilizing gender balance in corporate governance, which are implicit in the reform adopted at national level and expressly established by the EU-wide strategies, policies and acts. On the one hand, policies should be adopted to support gender diversity in recruiting and selecting, to attract talent in all areas, career paths and opportunities for access to management positions, with the right balance between life and work, so to ensure an adequate representation of women and men at all levels in the future. On the other hand, it is necessary to guarantee a visible commitment, monitoring the gender profile of company’s population (percentage of women hired, promoted, encouraged, comparisons of salaries, etc.) also ensuring the pervasiveness and transparency of these data.

Likewise, the mere presence of women in the administrative and control bodies of the companies is not able, in itself, to produce higher performances. The added value of women on boards of directors and corporate governance depends on the weight they can take in these areas. Regarding

the role, women with executive positions do not influence business performance. The figure is consistent with the small number of women in Italy who hold the position of Chief Executive Officer who, as such, is in line with the evidence produced by Smith et al. (2006), is not likely to influence corporate performance.

Independent administrators (who represent the majority in the Italian context), on the other hand, are associated with inefficient performances. This datum, read together with the previous one, seems to be in line with the claims of Adams and Ferreira (2009) which associate women and, in particular, independent directors with greater prudence in terms of risk aversion (Bertrand, 2011) and the implementation of more monitoring and control activities that could limit or deny investment projects and therefore can negatively affect the performance of the board, undermining the benefits that women can bring. Finally, unlike what Rose observed (2007), women with a degree have a positive impact on business performance and it seems that the activity carried out within the board can require a high level of educational background to be able to influence on business performance.

The female presence imposed by law is not the most appropriate choice. In this respect, opponents of quotas argue that they violate meritocracy, with costly consequences. By equalizing outcomes rather than opportunities, quotas risk promoting less-qualified individuals, who are likely to perform poorly (Holzer & Neumark, 2006). For instance, if highly qualified women cannot be found, board gender quotas can produce negative effects on the performance of companies and negative stock market reactions (Ahern & Dittmar, 2012).

Increasing diversity and inclusion at board and senior management level is acknowledged as a priority by companies, governments and regulators (Equality and Human Rights Commission, 2016, p. 4).

From a regulatory point of view, by considering the evolution of international best practices, as mentioned above in section 2, the Corporate Governance Committee has recently (July, 2018) amended the self-regulating Code so that it envisages the voluntary application of diversity criteria, including by gender, in the composition of listed companies’ corporate bodies and the monitoring their concrete implementation, even after the law will expire in 2020.

Under the frameworks set out by the Italian Law No. 120/2011, companies can take positive action measures and effective good practices to improve the gender balance of company boards and to ensure that the best candidates for non-executive and executive director roles are appointed on merit, as well as to increase gender diversity across their entire workforce, in particular to ensure a pipeline of diverse talent for future board appointments.

With regard to the board appointments process, the nomination committee should lead the process for board appointments and define the selection criteria (in terms of objective and measurable skills, experience, knowledge and personal qualities needed for the particular role) in order to attract (and against which assess) the widest possible pool of suitably qualified candidates. Identify (and ask for) the demonstrable skills,

specific experience needed for the role (such as relevant knowledge of corporate governance or experience of managing shareholder relationships) or personal qualities required for an effective board member will ensure appointments are based on merit, and will prevent the exclusion of well-qualified candidates or unlawful discriminations against disadvantage groups, such as women and people from ethnic minorities.

Moreover, companies should use a range of recruitment methods and positive action in order to reach the widest possible pool of good candidates, with diverse skills and experience, to assess through a competitive process so they increase the likelihood of finding the best person for the role, especially in the case of senior executive director or chair role. Examples of possible lawful positive actions could include (as mentioned before) companies and/or executive search firms engaged: 1) in creating networks for executive women who aspire to non-executive board positions, and using these to identify potential candidates for specific board roles; 2) in providing development opportunities for under-represented groups to help them build and demonstrate attributes companies look for in board candidates; 3) in looking for potential candidates from other industries or sectors, for example from the professions, such as law or accountancy, or the public, not-for-profit or academic sectors, where, for example, women are well-represented in high-level roles.

Other positive actions can be put in place to improve and ensure future female representation both in the company's senior leadership and in succession planning for appointments to the board and to senior management. In this regards, women could be encouraged to apply for (jobs and) roles of both executive and non-executive directors or could be helped to gain skills which will enable them to compete on merit on an equal footing with others. Just as happened with some Italian companies, these positive actions focused on gender issues could include: a) providing for training courses to prepare women to apply for leadership roles; b) implementing proactive management of female careers and flexibility programmes to facilitate a work-life balance and to help women to handle productively the specific barriers they face; c) promoting role models and putting coaching, tutoring and mentoring actions and other support relationships in place; d) providing opportunities for women to observe board meetings as hearing officers or to join networks that might expose them to board opportunities; e) adopting rules for greater transparency during the recruitment process and implementing a careful monitoring of the assessment and career process. The amount of this information is normally fragmented, scattered and not easily available, very often not easily consulted outside the company itself. The board should have strategic oversight of gender diversity across the company and in its recruitment, development and retention strategy. Companies should regularly monitor and report on progress in meeting gender diversity policy and targets. Monitoring can help in identifying barriers preventing women from progressing to senior roles in the company as well as when and where women at senior levels in the company are being lost.

A further reflection concerns career progressions. In this regards, while gender equity is almost attained at the level of staff, by increasing the number of women, the presence of women decreases with increasing responsibilities. Women who have been appointed as board directors or in key positions (as chief executive officer or general director) are not only playing a considerable leading role in their own companies, but they are also breaking down barriers for the other women. More women are needed in executive roles and senior management, so that their role models can encourage other women climbing the career ladders, as they are more motivated and committed to excel because all see that they can reach the top, and drive the gender equity at all organizational levels. Although it's crucial role, the board of directors is just a body charged with strategic supervision and policy definition whilst responsibility for operations and company performance are vested in the chief executive officer, chief financial officer and, more generally, the top managers. These are actual leading and management positions where, unfortunately, women are still a minority. This situation can only be improved if companies will increase their commitment to promote women with more talent and capacity. To this intent, it would be useful for companies not to focus only on leadership but to increase diversity across their entire workforce, particularly to ensure a pipeline of diverse female talents for future board appointments and an adequate representation of women and men in the future at all levels within their respective organizations.

A further challenge is connected to the fact that the Italian law on gender quotas is temporary (and this is also its strength, since nobody wants women to be elected only by a legislative constraint) and, therefore, it will be important to check whether it will succeed in doing without the law when it expires, without losing the achievements obtained.

## 6. CONCLUSION

Law No. 120/2011 is the first example of 'positive gender action' in Italian company law and has shown its effectiveness. The objective has been achieved: the effects of the reform have emerged and the presence of women on boards of directors and boards of statutory auditors has increased, Italy is now in line with standards and other European countries; many companies have opened their doors to women even before the law about quotas was effective. In 2017, 100% of listed companies and 63% of unlisted publicly controlled companies respect gender equality.

The results of the first five years show that Italy has achieved a result superior to what was required by law as early as the first renewals and, at the same time, shows how the quota system has triggered a change in the selection counsellors undergoing recruitment, with a strong incentive for companies to favour the most competent women, with better curricula and more experience. This phenomenon is evidenced, on the one hand, by the formation of a critical mass of women in decision-making places, which could prove decisive in a wider process of change and improvement of policies, also

towards the three women, and so on, via self-feeding.

In the period 2012-2017 female representation grew on the board of directors: female directors were 31.6% in 2017 (they were 11.6% in 2012 and 5.9% in 2008), but 69% of them (471 women) are independent directors (it was 59.8% - 244 women - in 2013) in 205 companies which overall represent 98% of the market value. While, contrary to the objective established by Law No. 120/2011, the percentage of women with the roles of CEO is only 7% of Italian listed companies, which account for less than 2% of the capitalization of the Italian Stock Exchange. Then, no relevant changes can be noticed on key-decision roles whilst women are always more represented in non-executive functions, and an additional distortion has emerged, relating to the concentration of multiple board memberships in favour of the same appointed women.

Despite these distortions, Italian gender (pink) quotas have a time-limited nature, and this is consistent with the idea that gender quotas are a measure to shock and thus break up the male-dominated power, and to lead the market to a new, more gender-balanced, equilibrium.

Certainly, on the basis of the experiences observed in Italy and in other countries, quota systems have introduced a new selection process for board members (which often are chosen in the context of restricted circles in known environments - the so-called 'old boys clubs'), which changed composition and physiognomy of the Italian boards, in terms of lower average age, raised level of education and professional background of the directors and reduced incidence and distribution of directors with family ties with the controlling shareholder (so-called family directors).

Gender quotas in Italy have opened the competition to a wider audience, with the result that competent, qualified, prepared women have been elected, the less qualified men have been left out and the overall selection process has improved. These changes have created the conditions for broadening perspectives, strengthening the representation of all shareholders, combining the action of the different styles of leadership.

These systems should be supported with appropriate organizational behaviours.

Otherwise, even in the most favourable settings, it will still be difficult for women to remove the glass ceiling, which prevents their vertical mobility. The glass ceiling refers not only to invisible barriers, internal and external to the organization (procedures, structures, power relationships, stereotyped behaviours), which women face when they aim at top positions in every sector but also in the invisible barriers of the discrimination they may have to face after joining the corporate boards (the "second glass ceiling", see Li and Wearing, (2004)), especially if appointed as independent directors, without personal or professional ties with the company, less powerful and therefore perceived as less relevant (Dang et al., 2014; De Anca & Gabaldon 2014; Pastore & Tommaso, 2016). When this lack of representativeness of women on the boards manifests itself, their role in many cases is reduced to a symbolic presence, incapable of expressing real decision-making power.

Even once the glass ceiling is shattered or at least scratched (women reach top positions and

corporate governance, albeit with fatigue and sacrifice), female CEOs or female members of boards are likely to face other new barriers, on which they risk running aground: the so-called "glass cliff" (Ryan & Haslam, 2007). According to some scholars (Ryan et al., 2016), women experience a much more unstable and precarious situation (the place is much easier to lose) than the men of the same level. They often reach managerial or power positions in difficult, risky, and precarious situations or in times of crisis and instability, or following scandals. Such appointments expose women to a higher risk of failure, criticism, and psychological distress, thus a danger of falling off an invisible cliff. This is because, for the same tasks and responsibilities, an error committed by a managerial woman weighs much more than the identical one by the fellow man. The stereotypes and prejudices against the female gender make it easier for women to lose the authority linked to their role and immediately appear less competent and more vulnerable than men.

According to a recent research (Cooke & Glass, 2014) carried out on all CEO transitions in Fortune 500 companies over a 15-year period with an eye toward the leadership tenure of women and racial and ethnic minority CEOs, many companies purposely promote women and minorities to top leadership roles at times of crisis as managers to guide the company in difficulty, then replace them with more "traditional" leaders when things improve. And this happens in full awareness and acceptance by women. According to the authors, companies in crisis prefer women in command because they recognize their greater resistance to stress and a greater ability to react in situations of tension and agitation. The attitude of women is more empathic and transmits to the employees the message of a team that is "on the same boat" and must overcome the negative moment that not a group of people who must execute orders (not questionable) by a boss. The women for their part accept the task (which the men managers refuse to do) despite knowing they have no chance of success and only because they think that this is the only possibility for them to make a career: opportunities that in 'normal' times they could never conquer, unless after years of long and heavy sacrifices. It is a sort of 'compensatory effect'. Although temporary and apparently flattering, it allows women to play an important role and to demonstrate their abilities, even if they are replaced in a short time by men, and even more so if they cannot achieve the desired results and save the company from the 'shipwreck'.

Obviously, more research is needed to isolate the contribution of women directors to the complex decision-making process of the after quotas restructured boards.

How and how much the gender mix within the board can influence company performance and market results remains to be demonstrated. But even this estimate can be made more reliably only in the long term, when the quotas imposed by law have ceased.

In this regards, the relationship between the female presence on the boards and the economic-financial performance of the companies feeds a fruitful academic debate and the empirical evidence produced is not conclusive since different analyses lead to conflicting results showing heterogeneous effects in different contexts. The progress made over

the last five years is a phenomenon that is still too recent to be able to determine the effects on the performance of companies and even the small number of women who hold the position of CEO does not contribute to influence corporate performance decisively. However, empirical studies show positive effects not only on selection but also on stock markets (Ferrari et al., 2016), and estimate that the companies in which there is a greater female component and, in particular, those in which the CEO is a woman have better performance indicators than the average, they obtain greater profitability, and generate high market yields.

The theoretical studies and empirical tests conducted at international level (even outside the context of gender quotas) provide mixed and controversial results, reflecting the complexity of the factors involved and the different methods of sampling and analysis. How the stock market reacts to the appointment of a female administrator is not univocal (Pastore et al., 2017, 2018): this reaction is conditioned, among other variables, by how the investors-shareholders, who find themselves in a situation of informative asymmetry, perceive and interpret such appointment within the corporate governance, also in relation to the appointment assumed (CEO, non-executive director, independent director). However, according to an event study conducted to verify the existence of a possible "gender effect" on the quotation of share prices in Italy (Pastore, 2017), financial markets do not seem, at least until now, to capture in this discontinuity of governance signals impact on performance. The volume of trading on stock markets, the yield and volatility of company stock prices do not seem to be influenced by the type of directors and/or directors appointed. Therefore, a new challenge in terms of the efficiency of this positive action is opened, focused not so much on the numerical presence of women on company boards and on their merit, but on the need to involve in executive roles and/or representation of companies, women able to express added value in terms of skills, style of leadership, management culture and relationship.

## 7. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The recent increased attention to women serving on boardrooms enriches the research fields on gender diversity and women in management studies and presents new challenges to the corporate governance research.

This paper attempted to shed light on the effects of the gender quotas for the composition of the boards of directors of listed companies in Italy, documenting the recorded progresses in Italy and outlining some of open issues, and so to contribute to the recent literature on the corporate governance and board of directors.

However, the paper is affected by some limitations.

First, it was adopted a descriptive approach based on secondary data analysis relating to the board memberships for the Italian listed companies in Italy over the period 2012-2017. Second, this descriptive picture of the evolution of the female participation to the corporate governance of the listed companies neglects to consider the smaller non-listed companies, representing a distinctive

element in the Italian industrial system. Therefore, the observed findings and features as well as the considerations outlined above escape any attempt at generalization.

However, despite these highlighted limitations, the paper opens new potential paths for future research.

Rules such as temporary binding gender quotas can be useful, but not always enough, to remove blocking or distortive factors in organizational ladders.

Then, given the side effects of a mandatory regulation as a mechanism to promote gender diversity at the potential expense of shareholder value, more focused additional studies could be investigate whether companies have incentives to promote better governance through gender diversity without the regulatory intervention, namely to appoint women as directors, because they realize that gender diversity is positive in improving the effectiveness of the board of directors activities and, then, the value creation.

In spite of the reached objectives, data on gender equality show that there is still much to be done. Although it's crucial role, the board of directors is just a body charged with strategic supervision and policy definition whilst responsibility for operations and company performance are vested in the chief executive officer, chief financial officer and, more generally, the top managers. In this context, there are widespread calls for more women in executive roles and senior management, so that their role models can encourage other women climbing the career ladders and drive the gender equity at all organizational levels. On this topic, future development of the research could examine in more depth the differences between male and female top managers, as well as explore how the roles they play and their attributes (e.g. age, expertise skills, educational qualification, occupation, reputation) affect the performance of companies.

This paper does not deal directly with the debate linking gender diversity and company's financial performance. Nevertheless, the lack of strong empirical evidence on the relationship between gender diversity and companies' performance does not make gender diversity any more or less desirable. Keeping this in mind, more empirical and theoretical work is needed to understand and assess the causal relationship (if any) between female directors on boards and corporate performance, both economic-financial performance and stock prices ones. In the event that performance and/or market reaction to the appointment of female directors is positive, companies should be encourage to appoint more women in their boardrooms. Thus, mandating gender quotas regulations would not be necessary. In this regards, how do markets react for female directors versus male directors represents one of the most interesting further development of this study as well as a comparative study between countries could significantly also contribute to get a clearer view on how gender diversity impact firms financial performance in each context.

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