
WOMEN'S BOARD PRESENCE AND FIRM PERFORMANCE: EVIDENCE FROM A SAMPLE OF ITALIAN LISTED COMPANIES

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Abstract

This study analyzes the relationship between the presence of women on the board of directors and the performance results achieved by a sample of listed companies on the Italian stock market. Although many studies have investigated the relationship between women on board and corporate governance effectiveness, research results are inconclusive regarding their impact on corporate performance. The article analyzes a set of board attributes in relation to the presence of women on the board for 47 Italian listed companies for the years 2018 and 2019. Preliminary results show a positive correlation between the participation of women on the board of directors and sampled companies' performance. Therefore, the results confirm the importance of women's presence on the board of directors in influencing the financial performance of companies.

1. INTRODUCTION

Over the past 40 years, gender equality and equal opportunity issues in the workplace have become more prominent.

In Italy, the Gender Quotas Law was passed in 2011, which required publicly traded and publicly held companies to adjust their boards of directors so that one-third are composed of women.

In more recent years, many studies have shown that gender diversity creates value for the business. Specifically, women on boards appear to have positive effects on the level of corporate organization, the percentage of attendance at board meetings, and the monitoring of board performance (Carter et al., 2002; Adams & Ferreira, 2008; Huse et al., 2009).

However, despite the fact that the latest Finance Notebook "*Boardroom gender diversity and performance of listed companies in Italy*" published by Consob in 2018, showed that the presence of women on boards of directors increases companies' profitability when the percentage of women exceeds a threshold ranging from 17% to 20% of the board, empirical research shows inconclusive results on the relationship between women directors and corporate performance, identifying positive, negative, or zero effects (Kirsch, 2018; Pletzer et al., 2017; Post & Byron, 2015; Joecks et al., 2012).

While agency theory suggests that gender diversity in the board of directors can contribute to better firm performance (Jensen & Meckling, 1976), theories of role incongruence (Eagly & Karau, 2002) and gender stereotyping by investors (Haslam et al., 2010) suggest a negative relationship between the presence of women directors and market-based firm performance.

In the Italian landscape, characterized by the presence of small to medium-sized firms with concentrated ownership in which the roles of owner, manager and top management tend to coincide, the board of directors has the important role of mitigating agency problems.

In fact, according to agency theory, managers tend to pursue their personal interests to the detriment of investors, and this is even more evident in small-to-medium family-owned firms where the manager acquires power through family status rather than knowledge or experience (Roffia et al., 2022).

In these cases, the presence of women on board is a relevant factor in having gender-balanced and more controlled governance in terms of management and decision-making.

In fact, when the number of women on board exceeds the critical threshold of 30%, there are positive effects on the management of the company, which makes it possible, on the one hand, to reduce agency problems arising from the dominant role of the family manager and, on the other hand, to protect minorities (Bannò et al., 2021). The objective of the study is to analyze whether the positive effect of women on the performance.

2. DESCRIPTIVE SAMPLE ANALYSIS

This research investigates the relationship between the presence of women on the board of directors and corporate performance. A linear regression model will be used for this purpose.

In the model, the dependent variable y is represented by the return on assets (*ROA*) ratio, which is frequently used in analyses of corporate profitability and, therefore, considered adequate to describe the performance of the firms in the sample.

The figure, for each enterprise in the sample, was collected through the use of AIDA software.

In addition, a set of independent variables x related to women directors of the sampled firms was selected such as level of education, expertise, understood as the percentage of women directors with the title of certified public accountant, average tenure, independence, and compensation committee membership.

These variables were identified by observing the recommendations of the Codes of Corporate Governance.

Finally, a number of control variables describing the characteristics of the companies under analysis were considered such as total assets, net worth, net income, and industry, distinguishing between financial and non-financial.

In this first part of the work, the descriptive analysis of the sample was carried out (for data for 2019) from which it was found that the dependent variable *ROA* has a pronounced asymmetry to the right (mean > median) a sign that more than 50% of the analyzed firms have a value below the mean.

The *education* variable has a mean value of 2.344 and is almost symmetrical, which indicates that on average women on the board of directors have a Bachelor's degree.

The *expertise* variable has a mean value of 68.29% and the distribution shows a slight skew to the right, i.e., more than 50% of women directors are also accountants, however, the variable is not normally distributed.

In addition, the mean value of occupational positions is 4.

The *independence* variable has left skewness (mean < median) and indicates that more than 50% of women in the collective are independent.

The variable related to the *presence of the compensation committee* shows a slight asymmetry to the right, indicating that more than 50% of the companies in the sample have a value slightly below the mean.

Finally, 69.44% of the firms belong to the non-financial sector.

Considering the results that emerged in this first stage of the analysis, we intend to develop a linear regression model.

Table 1. Descriptive analysis of variables related to the year 2019

> summary (dataset2019\$ROA)					
Min.	1st. Qu.	Median	Mean	3rd Qu.	Max.
-12.460	0.735	2.635	5.072	6.885	29.880
> summary (dataset2019\$Education)					
Min.	1st. Qu.	Median	Mean	3rd Qu.	Max.
1.750	2.150	2.333	2.344	2.500	3.000
> summary (dataset2019\$Expertise)					
Min.	1st. Qu.	Median	Mean	3rd Qu.	Max.
0.1429	0.5000	0.6667	0.6829	0.8750	1.000
> summary (dataset2019\$Tenure)					
Min.	1st. Qu.	Median	Mean	3rd Qu.	Max.
1.000	3.000	3.845	4.053	4.750	9.000
> summary (dataset2019\$Industry)					
0	1				
25	11				
> summary (dataset2019\$Independence)					
Min.	1st. Qu.	Median	Mean	3rd Qu.	Max.
0.5000	0.7500	1.0000	0.9042	1.000	1.000
> summary (dataset2019\$Compensation Committee)					
Min.	1st. Qu.	Median	Mean	3rd Qu.	Max.
0.0000	0.2500	0.3333	0.4156	0.6667	1.0000

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