

REGULATION ON GENDER QUOTAS: GAUGING THE IMPACT ON CORPORATE BOARD

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Abstract

This research explores how increased gender diversity on corporate boards in Iceland, driven by applying a “hard” public policy, i.e., board gender quota legislation, has affected post-quota board directors’ perceptions of board functioning. Directors’ opinions towards board decision-making and monitoring activities are researched, as well as their effect on corporate governance practices. Results show that the initial attitude towards gender quotas was more negative among male directors than female directors but became more similar and positive over time. Strong support is found for increased female board participation leading to different viewpoints being discussed at the board table in addition to better decision-making. A similar picture emerges regarding the behavior of holding chief executive officers (CEOs) accountable and being more focused on corporate governance practices. These results were significantly the view of female directors and director’s chairing the assessed board. Male directors are more negative than their female counterparts about the short-term effect of increased female participation on board dynamics. This research indicates that

a gender quota has led to increased female board participation in addition to impacting decision-making and corporate norms, according to directors, as policymakers intended.

The study contributes to the dialogue on the policy consequences of hard law on gender equality for board dynamics by deepening the recent stream of literature on board gender diversity. An additional contribution is by analyzing the less researched individual-level data through a mixed method approach of quantitative survey methodology and qualitative semi-structured interviews. The research's dual approach enables assessment of how board directors perceive board functioning after the quota legislation was implemented and assesses their initial and later view toward corporate gender quota legislation. Policymakers who are interested in promoting commitment to governance changes and improved board dynamics should encourage the formulation of an intervention described in our findings. Practitioners should consider the positive impact on board dynamics and the benefits of greater diversity to ensuring long-term corporate governance.

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