SESSION: BOARD OF DIRECTORS' PRACTICES

INTERLOCKED AND FEMALE DIRECTORS IN FINANCIAL DISTRESS COMPANIES

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Abstract

The board of directors acts as the strategic brain of the firm, guiding managerial decisions and shaping business direction. Owing to its central role, a broad body of literature has explored the board from various perspectives and with diverse emphases. Among the most examined streams: gender diversity has attracted growing scholarly and practitioner interest, as women remain underrepresented in boardrooms and are often appointed primarily for compliance reasons (Bianchi et al., 2020; Paoloni et al., 2019; Teigen, 2012); interlocked directors (Mizruchi, 1996) have drawn attention due to the ambiguous role they play in influencing firm outcomes (Ramsawak et al., 2024; Smith & Sarabi, 2021); and boards of distressed firms have been studied for their potential to prevent corporate bankruptcy (Guizani & Abdalkrim, 2023; Morrone et al., 2021; Tron et al., 2023).

Despite the richness of these individual research areas (Bianco et al., 2015; García & Herrero, 2021; Guizani & Abdalkrim, 2023; Santolamazza et al., 2025), the intersections among them remain

underexplored. This study aims to bridge this gap by investigating whether the presence of interlocked and female directors in financially distressed firms influences the choice of legal procedure — namely, going-concern procedure versus liquidation.

The study is grounded in resource dependency theory, which posits that inter-organizational links (e.g., through interlocked directors) and board diversity (e.g., gender representation) can provide firms with access to critical resources and information (Johnson et al., 1996; Pfeffer & Salancik, 1978; Smith & Sarabi, 2021).

Empirically, the analysis relies on a novel and proprietary dataset of Italian firms in financial distress that initiated formal legal procedures (e.g., bankruptcy or debt restructuring). Using logistic regression, the results show that the presence of interlocked directors significantly reduces the likelihood of opting for liquidation procedures. In contrast, the presence of female directors does not exhibit a statistically significant effect.

This study offers several contributions. It addresses a gap in the literature regarding the role of female and interlocked directors in distressed firms, particularly in relation to legal procedure choice. It also provides practical insights for owners, managers, and policymakers involved in corporate governance during financial crises. The research is not without limitations. Its focus on Italian firms raises questions about the generalizability of the findings, particularly in light of the distinctive characteristics of the Italian business crisis framework, including the Business Crisis and Insolvency Code. Future research could extend the analysis to other jurisdictions with comparable legal systems.

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