

# More women on board leads to better company performance – but only if the socio-cultural context allows

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Firms with higher female board representation exhibit higher overall performance according to new research from Professors Samia Belaounia, Ran Tao, and Hong Zhao from NEOMA Business School.

The researchers found that this is even stronger in countries with greater gender equality, such as those in Scandinavia, where female directors' presence significantly improves board efficiency. In contrast, they found that in countries with lower gender equality such as China, India, and Japan, female directors do not appear to have any real impact on firm performance.

Furthermore, a higher female representation goes with less earnings management and less excessive risk taking, only in the most egalitarian societies.

"Female directors in more gender equal societies possess greater skills and exert more influence due to better access to educational and professional opportunities and more amicable boardroom dynamics," argue Professors Belaounia, Tao and Tao.

As a result, women in countries with lower gender equality may lack the educational and professional background and the social capital necessary for being effective on-board positions. As well as this, for female directors to exert influence in a male-dominated boardroom, their voices must be heard and considered seriously.

"If a society in general holds a biased attitude toward women, it is difficult to believe that female directors will have a voice among their male counterparts," express Professors Belaounia, Tao and Zhao.

In recent years, there have been growing legislative efforts from countries to encourage female board representation through quota laws or recommendations in the codes of governance. These laws have provided women with more opportunities to participate in top-tier business activities, which can have a positive long-run effect on both gender equality and firm outcomes.

However, it is just as important that these laws should be accompanied by substantive measures aiming to provide women with an equal access to education and socio-economic opportunities, the researchers argue. Benefits of female directors in the boardroom may only be fully realized in a socio-cultural context with a high level of gender equality and a supporting institutional system.

This study used a multi-national panel comprising of 1986 public firms from 24 countries or areas spanning from 2007 to 2016, and is published in *International Business Review* as part of the research paper 'Gender equality's impact on female directors' efficacy: A multi-country study'.

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