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## The gender composition of corporate boards: A review and research agenda

Anja Kirsch

School of Economics and Business, Freie Universität Berlin, Boltzmannstr. 20, 14195 Berlin, Germany

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## ABSTRACT

In recent years, the composition of boards and, particularly, the inclusion of women on boards has attracted significant scholarly interest and public debate. In this article, I comprehensively review the academic literature on board gender composition. Using the systematic review method, I ask whether women directors really are different from men on boards, what factors shape board gender composition, how board gender composition affects organizational outcomes, and finally, why board gender quotas and other forms of regulation are introduced and what outcomes can be expected. Based on my findings, I develop a conceptual framework that clarifies the causal processes underlying both women's access to boards and the effects of women's presence on boards. Finally, I offer a research agenda designed to enrich our understanding of board gender composition.

## Introduction

The composition of corporate boards has long been an important issue in corporate governance research. Since the mid-2000s, the gender of directors has garnered significant interest and scholars have inquired into how gender affects both board appointments and board effectiveness. Although there is now a large body of research on the gender composition of boards, the literature does not provide clear answers to the fundamental questions of how women's access to boards can be improved and what effects can be expected from a more gender-balanced board composition. This comprehensive review of the literature on the gender composition of boards tackles these questions by building on and extending earlier reviews of research on corporate boards. Specifically, these reviews have shown that numerous demographic, human capital, and social capital attributes of directors have been subject to research on board composition (Johnson, Schnatterly, & Hill, 2013) and that board composition is the outcome of director selection processes. These, in turn, are determined by the monitoring and resource needs of a firm as well as by social processes arising from human interaction (Withers, Hillman, & Cannella, 2012). Appointing women directors tends to make the composition of boards more diverse, which is thought to affect the nature of board processes and outcomes, and by extension, firm outcomes (Terjesen, Sealy, & Singh, 2009). However, the determinants and effects of board composition are intertwined (Adams, Hermalin, & Weisbach, 2010), making it very difficult to convincingly link the characteristics of directors, including their gender, to firm outcomes (Johnson, Ellstrand, & Daily, 1996; Withers et al., 2012).

In this review, I systematically analyse 310 articles published in 135 journals during the period 1981 to 2016. In doing so, I discover four distinct streams of research (see the timeline shown in Fig. 3) and trace their development since the first journal articles on the gender composition of boards were published in the 1980s:

- *Stream 1:* Scholars have sought to establish *whether women directors really are different* from men on boards. They have shown that there are some sex differences in the demographic, human capital and social capital characteristics and in values and traits of directors.
- *Stream 2:* Scholars have sought to understand *what factors shape board gender composition*. They have shown that women's access to boards is influenced by institutional factors and that women directors are not equally present across different types of boards, firms and industries. They have highlighted that both rational-economic and social factors play a role in director appointment processes, which can disadvantage women.
- *Stream 3:* Looking at *how board gender composition affects organizational outcomes*, scholars have uncovered a negligible effect on firm financial performance and a positive effect on social and ethical aspects of firm behaviour and on gender diversity below board level. However, there are problems with measurement and causality.
- *Stream 4:* Investigations of *regulation on board gender composition* show that the introduction of regulation at national level is influenced by a country's unique institutional and cultural context, developments at international level and the interests of key actors. Outcomes can be expected regarding firm behaviour, firm financial outcomes and outcomes for women.

E-mail address: [anja.kirsch@fu-berlin.de](mailto:anja.kirsch@fu-berlin.de).

URL: <http://www.wiwiss.fu-berlin.de/fachbereich/bwl/management/jackson/team/akirsch/index.html>.

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I argue that existing research has three main limitations: it does little to uncover the causal mechanisms linking board gender composition to firm outcomes, often relies on assumptions about women directors' behaviour on boards, and largely ignores the effects of board gender composition on gender equality within firms. Based on these insights, I develop an analytic framework for understanding board gender composition (Fig. 4) and a five-point research agenda to overcome these limitations. In my view, future research should (1) take an institutional and strategic perspective on board composition, (2) uncover male and female directors' similarities and differences, (3) consider boards as decision-making groups, (4) understand how stakeholders evaluate board gender composition, and (5) illuminate the relevance of board gender composition for women.

The **second section** of this paper outlines developments in women's representation on boards as well as the introduction of regulation for gender diversity on boards internationally. The **third section** describes the selection and analysis of the studies included in this review and provides an overview of their publication details, research focus, methodology, and geographical scope. The **fourth section** reviews the literature, considering both theoretical approaches and empirical results. Beginning with an analysis of women directors as individuals, it progresses to the influencing factors and the effects of board gender composition, and closes with research on regulation. The **fifth section** distils the findings of extant research and points to research gaps and issues of debate before developing an analytic framework for understanding board gender composition and outlining an agenda for future research.

### Women on corporate boards: Representation and regulation

Data published by various public and private sources unequivocally show that around the world, men hold the vast majority of corporate directorships and women are starkly underrepresented. It must be noted, however, when comparing women's representation on boards across countries, that national differences in corporate governance influence the extent to which women are able to access board directorships. Key distinctions are whether board structures are monistic or dualistic, whether boards are composed largely of insiders or outsiders, and whether employees are represented. On the boards of large listed companies in 2015, about 21% of directors were women in the European Union, about 20% in the United States, and about 3% in Japan (Bloomberg, 2016; Catalyst, 2016; European Commission, 2017).

The desirability and efficacy of state regulation as a measure to increase women's representation on boards is discussed controversially. Nevertheless, many countries have followed the well-known example of Norway, where a quota mandating that about 40% of board seats in listed firms are held by the under-represented sex was first introduced in 2003 and took full effect in 2008. France, Belgium, Italy and Germany have introduced quota legislation which, like in Norway, includes sanctions for non-compliance. Such sanctions vary from warnings, fines, the suspension of benefits for directors, the nullification of board elections and the forfeiture of offices to the dissolution of companies by court order (European Commission, 2012). The Netherlands, Spain, Iceland, India, Malaysia and Israel have introduced quotas without sanctions, while Denmark, Finland, Greece, Austria, Poland, Ireland, Slovenia and Kenya have regulations for state-owned companies. Some countries have introduced disclosure requirements for listed firms and obligations for firms to set their own targets. Pledges have also been made by firms voluntarily. In addition, there are soft-law measures in some countries, in particular the inclusion of provisions encouraging gender diversity on boards in corporate governance codes (Terjesen, Aguilera, & Lorenz, 2015). At the supranational level, the European Commission proposed a Directive on women on company boards in November 2012, setting a 40% objective of the under-represented sex in non-executive board-member positions in publicly listed companies (European Commission, 2015). However, as the

Council of Ministers has been unable to reach an agreement on the Directive, European regulation on women on company boards has been halted for the time being (Council of the European Union, 2015). Internationally, women's representation on boards has increased most in countries that have either introduced regulation or intensely debated the issue of women's underrepresentation (European Commission, 2015; Sojo, Wood, Wood, & Wheeler, 2016).

### Scope of the review

Using the systematic review method (Tranfield, Denyer, & Smart, 2003), I searched the electronic databases Social Sciences Citation Index, Business Source Premier and Scopus with combinations of the keywords “women”, “gender”, “female”, “corporate board\*”, “board\* of directors”, “supervisory board\*”, “women directors”, “female director\*”, “board composition”, “board diversity”, “regulation” and “quota\*” in order to identify empirical studies published in academic journals before January 1, 2017 in the English language. I also located studies through cross-referencing, recommendations from experts, and hand-searching individual journals. I excluded studies if their methodology was clearly of poor quality or if they were about boards of non-profit or state-owned enterprises. Articles about women in management and leadership more generally or about women CEOs, articles without empirical data (such as editorials or conceptual pieces), and chapters in edited books (see Burke & Mattis, 2000; De Vos & Culliford, 2014; Engelstad & Teigen, 2012; Fagan, González Menéndez, & Gómez Ansón, 2012; Gröschl & Takagi, 2012; Machold, Huse, Hansen, & Brogi, 2013; Vinnicombe, Singh, Burke, Bilimoria, & Huse, 2008) were not included when mapping the research field, but supplemented the analysis reported in the findings section.<sup>1</sup> Applying these inclusion and exclusion criteria, I analysed 310 articles, coding them using NVivo software according to publication details (authors, journal subject field, year), main research interest (focus), the theoretical approaches used, methodology, geographical scope, and the empirical results.

### Mapping the field of research

The number of journal articles published annually on the gender composition of corporate boards has increased considerably in recent years, signifying growing academic interest in the topic (see Fig. 1).<sup>2</sup> Around 60% of the articles were published in journals in the fields of corporate governance, gender and diversity in organizations, business ethics, and finance and accounting. Around 25% appeared in general management and other business journals, and 15% in law, economics, and other social science journals. Very few studies have been published in employment relations, human resource management, international business, leadership, strategy, organizational behaviour and organization studies journals, indicating that research on women on boards is scarce in these fields. Fig. 2 shows the distribution of the articles by journal subject field, and a breakdown by journals is provided in the Appendix. 550 different scholars, 50% of whom are women, authored the papers. Those who have co-authored three or more of the articles included in the review are listed in Table 1.

More than a third of the studies (192) are concerned with the effects of board gender composition, and within this group, the effects on firm financial performance and on social and ethical aspects of firm behaviour are most commonly examined (see Table 2). Fewer studies deal with effects on business strategy, diversity in the firm, firm reputation, or board processes. 86 studies investigate the factors shaping board gender composition, and among these, most focus on the meso-level,

<sup>1</sup> Some book chapters were similar to articles that were included in the analysis, others had no empirical data and others again were opaque about the methodology used.

<sup>2</sup> It should be noted that the increase shown in Fig. 1 is partially due to a general increase over time in the volume of academic research published in a journal format and indexed in electronic databases.

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