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Gennaro Bernile , Vineet Bhagwat , Scott Yonker

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# Board Diversity, Firm Risk, and Corporate Policies

**GENNARO BERNILE**

School of Business Administration, University of Miami, 512-C Jenkins Building, Coral Gables, FL 33146 USA; Email: g.bernile@miami.edu

**VINEET BHAGWAT**

George Washington University School of Business, George Washington University, Fonger Hall 508, 2201 G Street, NW Washington, D.C. 20052; Email: vineetb@gwu.edu

**SCOTT YONKER\***

Dyson School of Applied Economics and Management, Cornell University, 201J Warren Hall, Ithaca, NY 14853, USA; Email: syonker@cornell.edu

## Abstract

We examine the effects of diversity in the board of directors on corporate policies and risk. Using a multidimensional measure, we find that greater board diversity leads to lower volatility and better performance. The lower risk levels are largely due to diverse boards adopting more persistent and less risky financial policies. However, consistent with diversity fostering more efficient (real) risk-taking, firms with greater board diversity also invest persistently more in research and development (R&D) and have more efficient innovation processes. Instrumental

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