Chapter 39
Corporate Female Leadership Effects Considering PSI20 and IBEX35 Companies' Performance

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ABSTRACT

Using a sample of 47 Portuguese and Spanish firms for the period 2010 to 2017, the authors study the relationship between female presence on board and firm's accounting (ROA and ROE) and market-based (MTB and Tobin's Q) performance. They find that women on the board of directors is positively related to firm's performance, as well as the gender of the CFO and the proportion of women on the listed key professionals, when we consider the market measures of performance, not being so consistent for accounting performance measures. Results were sensitive to the performance measure used. The results reinforce the political options of European Commission gender established quotas, revealing that in the Iberian countries these quotas are not being effectively implemented, even if results suggest that women on board in fact exert positive influence over market performance. This also led us to think that financial markets may also react in a positive way when the CFO of the company is a woman instead of a man, despite the sample limitations both in terms of gender and number of firms.

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INTRODUCTION

The board of directors and chief officers hold a crucial position in firms' corporate governance, being responsible for the strategy and development of companies. In this context, the debate on gender equality in business management is a major issue in contemporary politics. Although the increase of their presence on management worldwide, females are still underrepresented in management (Gondhalekar & Dalmia, 2007; Noland & Moran, 2016; Anderman, 2018). Thus, research to understand why this is the case is still needed.

The European Commission report (EC, 2016) stated that in April 2016, the average share of women on the boards of the largest publicly listed companies registered in the European Union (EU) 28 Member States was of 23.3%. In addition, the report shows that, although this represents a significant rise from the 11.9% in 2010, when the European Commission first put the issue of women in leadership positions on the political agenda, and an increase of 0.6% since October 2015, there is still a very long way to drive in order to reach gender balance. In accordance to the report, there are only ten countries in which women account for at least a quarter of board members, which are Belgium, Denmark, Finland, France, Germany, Italy, Latvia, the Netherlands, Sweden, and the United Kingdom.

The board of directors is a crucial corporate governance control mechanism, and its gender composition can affect its monitoring role, and, consequently, the firms' performance (Campbell & Mínguez-Vera, 2008). If diversity on boards benefits from the women exclusive perspectives, experiences and work styles (Daily, Dalton, & Cannella, 2003), their capacity to improve the firms' image and the positive effect they cause on customers' behavior (Smith, Smith, & Verner, 2006), their communication and listening skills (Julizaerma & Sori, 2012), their higher quality decision-making (Bart & McQueen, 2013) and their better attendance records (Adams & Ferreira, 2007), women on board may increase firms performance and, consequently, firms value.

However, if the presence of women on board increase the conflicts between subordinates and supervisors (Tsui & O'Reilly, 1989; Richard, Barnett, Dwyer, & Chadwick, 2004), reduce cohesion and satisfaction (Pfeffer, 1983; Jackson, Joshi, & Erhardt 2003), and if underqualified women are appointed just because of the societal pressure or gender quotas (Campbell & Mínguez-Vera, 2008; Adams & Ferreira, 2009), it could reduce firms value and performance.

This chapter has several contributions. Firstly, it intends to contribute to the debate of whether financial profits will increase as more diversified boards are. The answers to the empirical research here pursued will serve as a complementary foundation, in the contemporary debate in economic policy, on whether to implement government enforced gender quotas in the corporate boardrooms. Secondly, this chapter will provide further empirical analysis on the effect of corporate female leadership. According to recent studies, there is still limited evidence relating gender and financial performance (Carter, D'Souza, Simkins, & Simpson, 2010; Faccio, Marchica, & Mura, 2016; Martín-Ugedo, Mínguez-Vera, & Palma-Martos, 2018), so, this study intends to extend the evidence in what concerns the impact of the presence of women in management on the firms' performance.

Thirdly, it contributes to a better understanding on how women influences performance in contexts where they are underrepresented in corporate governance structure and where there are no laws that pressure firms to appoint women on corporate governance positions (e.g. Portugal and Spain), contributing to the gender issue debate. Board gender diversity is interesting for relevant stakeholders such as the state (to introduce regulation on board composition), the media, analysts and interest groups (all of whom able to influence public awareness), and also for consumers, managers, employees and inves-