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Gender Diversity on Corporate Boards



A Strategic Lever for Inclusive and Effective Governance

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Abstract

This study explores the role of board gender diversity as a structural element of effective corporate governance, emphasizing its impact on financial transparency, ethical oversight, and firm performance. Supported by several theoretical frameworks such as agency theory, resource dependence, and institutional theory and supported by multicountry empirical studies, the analysis demonstrates that gender-diverse boards are more likely to constrain earnings management, promote ethical behavior, enhance oversight quality, and improve corporate performance. Moreover, this study reviews how cultural and institutional contexts influence the effectiveness of gender-inclusive

governance structures. The findings support the view that gender diversity is not merely a normative goal but a strategic governance mechanism essential to long-term corporate sustainability and legitimacy. Policy implications include the importance of quota laws, inclusive nomination practices, and culturally sensitive regulatory approaches to advance meaningful representation and governance effectiveness.

Keywords

Diversity · Inclusion · Empathy · Corporate governance · Social justice · Leadership

Introduction

Corporate governance comprises the group of internal and external control systems through which organizations are directed and managed to ensure alignment between managerial actions and value-maximizing objectives (Denis and McConnell 2003). Jensen (1993) builds a governance framework that encompasses three primary forces: capital markets, legal, political, and regulatory systems product and factor markets, and internal control mechanisms, particularly the board of directors. These forces work together to monitor and guide corporate behavior, especially in times of change and economic disruption (Brown et al. 2011). In this context, therefore,

governance is not merely a matter of formal structure. It is fundamentally about decision-making, accountability, and the ability to adapt. This perspective provides a foundation for integrating broader dimensions as demanded by recent literature (Zeineb et al. 2020), such as diversity, equity, and inclusion, by framing governance as a superior dynamic process of aligning organizational values with societal expectations and sustainable performance and not just shareholders' interests.

The importance of these governance mechanisms becomes particularly clear in moments of institutional crisis, where the failure of internal oversight can have far-reaching economic and systemic consequences: for instance, the collapse of Silicon Valley Bank (SVB) in March 2023, the second-largest US bank failure since 2008, offers a contemporary example of why robust corporate governance is essential in today's financial landscape. Its downfall was in part the result of poor strategic oversight, risk management decisions, and control infrastructures, challenges that exemplify how ineffective governance can lead to systemic organizational vulnerabilities (Aman and Nguyen 2008).

According to Vo and Ellis (2017), SVB had a high concentration of assets in long-duration securities that were highly sensitive to interest rate fluctuations, a risk exacerbated by inadequate board-level financial expertise, and a lack of proactive risk oversight. The bank's misalignment between strategy and governance practices significantly contributed to its vulnerability. Further, as Akhtaruzzaman et al. (2023) demonstrate, SVB's collapse created a spillover effect across global banking systems, affecting major institutions in Europe, North America, and parts of the BRICS economies. The crisis illustrated how governance failures at a single institution can rapidly erode trust and destabilize markets internationally. These events, as addressed by Gompers et al. (2003), reinforce that effective corporate governance is not merely an internal mechanism for control and efficiency but a vital safeguard for global financial resilience and systemic stability.

These systemic failures also highlight the need to examine not only the presence of governance

structures but their composition, particularly the role that board of directors and specifically its gender diversity can play in strengthening oversight and enhancing decision-making quality. Board gender diversity has emerged as a critical mechanism of effective corporate governance, with growing empirical evidence supporting its role in enhancing board oversight and reducing managerial opportunism (see, for instance, de Cabo et al. (2012), Zeineb et al. (2020), and Saona et al. (2019), among others). Research shows that gender-diverse boards contribute to more ethical decision-making (Pandey et al. 2023), stronger monitoring (Gul et al. 2011), and a reduction in earnings management practices (Orazalin 2019). Drawing from a multicountry European sample, Saona et al. (2019) found that a more balanced representation of women on boards significantly constrained earnings manipulation, highlighting the value of gender diversity not only as a matter of justice and representation but also as a governance asset. Women on boards tend to bring more risk-averse, conservative, and ethics-driven perspectives, which in turn lead to greater scrutiny over financial disclosures and managerial behavior (García-Sánchez et al. 2017). Moreover, national regulatory frameworks that enforce or encourage female board participation, such as quota laws, were shown to amplify this governance benefit (Marquez-Cardenas et al. 2022). These findings position board gender diversity not as an inclusion goal but as a structural element of sound, accountable, and sustainable corporate governance.

Given these empirical results, it becomes necessary to deepen our understanding of how and why board gender diversity functions as a core driver of governance quality and organizational performance. For doing so, we intend to explore and critically examine the role of board gender diversity as a fundamental mechanism within the broader framework of corporate governance. Building on established governance theories and empirical findings, this review seeks to demonstrate how the presence of women on corporate boards influences key organizational outcomes, particularly in relation to financial transparency, ethical oversight, and the mitigation of aggressive

accounting practices. By situating gender diversity within the context of board effectiveness, this research aims to provide evidence-based insights that highlight diversity not only as a social or regulatory objective but as a strategic governance tool that strengthens accountability and long-term value creation. This work contributes to the evolving understanding of how inclusive board structures enhance governance quality.

Theoretical and Ethical Foundations

Understanding the relevance of board gender diversity within corporate governance requires grounding in established theoretical frameworks that explain how board gender diversity influences organizational behavior and outcomes. Several complementary theories offer insights into the mechanisms through which gender-diverse boards enhance governance effectiveness:

Agency theory (Jensen and Meckling 1976) emphasizes the monitoring function of the board and suggests that diverse perspectives can improve oversight and reduce managerial opportunism. Resource dependence theory (Pfeffer and Salancik 1978) highlights the strategic value of diverse networks and experiences that female directors can bring to board deliberations. Stakeholder theory (Freeman 1984) positions gender diversity as a signal of corporate commitment to fairness and inclusion, aligning governance with broader social expectations. Social role theory (Eagly 1987) explains behavioral differences shaped by gender norms, which may influence how women engage in decision-making and ethical judgment. Finally, institutional theory (DiMaggio and Powell 1983) underscores how legal, cultural, and normative pressures shape board composition, reinforcing the adoption of gender diversity practices. These theories provide a multidimensional rationale for why gender diversity is not only desirable but functionally beneficial to corporate governance (Table 1).

Collectively, these theories illustrate that board gender diversity operates at the intersection of ethical imperatives, strategic advantage, and institutional legitimacy (Al-Shaer and Zaman 2016; Saeed et al. 2021). By integrating insights from

economic, sociological, and behavioral frameworks, we see that gender diverse boards are not only more aligned to stakeholder concerns and societal norms but also more capable of fostering ethical judgment, innovation, and accountability. Gender diversity should therefore not be viewed merely as a normative goal or a compliance exercise but as an essential structural dimension of modern corporate governance, one that enhances board functionality and aligns organizational practices with evolving expectations of inclusivity, transparency, and long-term value creation.

State of Board Diversity: Progress and Gaps

Despite ongoing global discourse and policy initiatives aimed at enhancing gender equity, progress in achieving board-level gender diversity remains uneven and constrained by structural limitations. The *Global Gender Gap Report 2024* documents a marginal improvement in overall gender parity, with 68.5% of the global gender gap closed. However, disparities in economic participation and political empowerment persist, with projections estimating that full parity will not be realized for another 134 years under current trajectories (Zahidi et al. 2024).

At the organizational level, data from MSCI's *Women on Boards and Beyond 2024 Progress Report* indicates that women held 27.3% of board seats across large and mid-cap companies globally as of October 2024, reflecting a modest year-on-year increase. Notably, 46.2% of companies reached the 30% representation threshold often cited as the minimum critical mass necessary to influence board dynamics and decision-making processes. Nonetheless, regional disparities remain significant: while all-male boards have become rare in developed markets, they continue to constitute 16.1% of boards in emerging markets (Milhomen and Porter 2024).

Sectoral analysis reveals further heterogeneity. The healthcare sector leads in gender representation on boards, with 57.1% of firms surpassing the 30% threshold, while sectors such as information technology and materials remain significantly below parity. In executive leadership,

Gender Diversity on Corporate Boards, Table 1 Summary of theoretical perspectives on gender diversity and corporate governance. This table outlines key organizational theories and their core ideas, highlighting

how each perspective informs the implications of gender diversity on board effectiveness and corporate governance practices

Theory	Core idea	Implications for GD	Implications for governance
Agency theory (Jensen and Meckling 1976)	Boards monitor management to align with shareholders' interests.	Female directors strengthen oversight and reduce managerial opportunism.	Improved monitoring and reduced earnings management
Resource dependence theory (Pfeffer and Salancik 1978)	Boards provide access to critical external resources.	Diverse boards bring varied experiences and external connections.	Enhanced strategic advice and stakeholder relations
Stakeholder theory (Freeman 1984)	Firms must consider the interests of all stakeholders.	Gender diversity reflects commitment to inclusivity and fairness.	Greater legitimacy and stakeholder trust
Social role theory (Eagly 1987)	Gender roles influence behavior in organizational settings.	Women may contribute more collaborative and ethical decision-making styles.	Improved board dynamics and reduced groupthink
Institutional theory (DiMaggio and Powell 1983)	Organizations are shaped by institutional norms and pressures.	Gender diversity aligns with societal and regulatory expectations.	Better alignment with legal and social standards

representation is markedly lower: only 7.9% of CEOs and 18.3% of CFOs are women, with the latter showing a concerning decline over the previous year in both developed and emerging markets.

Committee composition offers an additional lens into structural gender gaps. Nomination committees, critical for shaping board membership, are the least likely to be chaired by women, and companies with all-male nomination committees consistently report lower female representation on boards. Conversely, female-led nomination committees correlate with higher overall gender diversity, suggesting that inclusion in leadership roles within governance structures is a crucial determinant of broader representational outcomes.

These findings collectively underscore that while incremental gains in female board representation are evident, they often lack the structural depth needed for sustainable change. Advancing board diversity requires not only increased representation but also substantive integration of women into influential governance roles. The empirical association between board gender diversity and improved organizational outcomes, such as enhanced oversight and superior financial

performance, strengthens the argument for transitioning from tokenistic inclusion to meaningful reform (Post and Byron 2015). The evidence in this respect is revealing. For instance, men and women take different approaches to money and investment (Barber and Odean 2001). Female executives are more conservative in their financial decisions than male executives, which contributes to less aggressive accounting practices (García-Sánchez et al. 2017). Similarly, gender inequality in leading corporate positions results in poor corporate governance (García-Izquierdo et al. 2018). According to Saeed et al., a gender-balanced board of directors benefits from the skills, experiences, and backgrounds of its varied members and engages in a high-quality decision-making process that promotes effective monitoring.

Gender Diversity and Governance Outcomes

Board Gender Diversity and Corporate Financial Transparency

The relationship between board gender diversity and financial information quality has become a

central theme in corporate governance research. Drawing from large samples of European firms, our research “Board of Directors Gender Diversity and its Impact on Earnings Management: and Empirical Analysis for Select European Firms,” published in 2019 in *Technological and Economic Development of Economy Journal*, empirically demonstrates that gender-diverse boards play a crucial role in constraining earnings management and enhancing the reliability of financial reporting (Saona et al. 2019). It examines firms from ten European countries over a decade (2006–2016), showing that a more balanced gender composition on corporate boards significantly reduces discretionary accruals, a key proxy for earnings manipulation. This effect is particularly strong in countries with statutory gender quota laws, indicating that institutional frameworks amplify the governance benefits of diversity.

Building on this foundation, our research *Do Board Gender Diversity and Remuneration Impact Earnings Quality? Evidence from Spanish Firms*, published in 2024 in *Gender in Management: An International Journal*, deepens the analysis by exploring not only the presence of women on boards but also their roles on key committees, such as audit committees. The findings reaffirm that women directors tend to be more risk-averse, ethically sensitive, and financially conservative, traits that translate into more stringent monitoring and ethical oversight (Saona et al. 2024). These behaviors are linked to lower levels of managerial opportunism and higher earnings quality. Across both studies, board gender diversity emerges not only as a question of representation but as a structural governance mechanism that enhances board effectiveness, strengthens financial transparency, and supports long-term firm sustainability.

Board Gender Diversity and Firm Performance in Cultural Contexts

Extending the inquiry into how gender diversity influences corporate outcomes, the study *Board Gender Diversity and Firm Performance: New Evidence from Cultural Diversity in the Boardroom*, published in the *LBS Journal of Management & Research* in 2023, examines the intersection of board gender composition and

national cultural dimensions across 19 European countries. The analysis, which spans 2010–2020, shows that while gender-diverse boards are generally associated with better financial performance—measured through return on assets (ROA) and return on equity (ROE)—this relationship is significantly shaped by cultural factors such as power distance and masculinity (Kabir et al. 2023). Specifically, in environments characterized by high power distance and masculine values, the beneficial effects of gender diversity are attenuated, suggesting that cultural context can either support or hinder the realization of board diversity benefits.

Complementing these findings, the paper *Gender Diversity on Corporate Boards, Firm Performance, and Risk-Taking: New Evidence from Spain*, provides a more nuanced perspective on the interplay between gender diversity and firm-level outcomes in the context of Spain, the first European country to enact a Gender Equality Act. Using firm-level data, the study confirms that greater female board representation correlates positively with accounting-based performance measures (such as ROA and BEP), while the association with market-based measures remains negative or insignificant, suggesting investor skepticism or structural bias (Safiullah et al. 2022). Interestingly, the study challenges the common narrative that women are inherently risk-averse by showing that gender-diverse boards are actually linked with higher operational and insolvency risk, thereby aligning with a more dynamic view of female directors as assertive and strategic contributors in governance settings. These complementary findings reinforce the idea that board gender diversity, while broadly beneficial, operates within and is shaped by wider cultural, institutional, and perceptual contexts.

Policy and Practice Recommendations

Based on the insights and synthesis provided by the paper *Gender Diversity in Corporate Governance: a bibliometric analysis and research agenda* by Mumu et al. (2022), here are policy implications and practical recommendations

relevant to corporate governance and board gender diversity.

Regarding policy implications, most of the literature has suggested that gender diversity is not just an ethical mandate but a structural imperative for effective corporate governance. Policymakers should consider mandating or strengthening gender quota laws to ensure a critical mass of women on corporate boards (Terjesen et al. 2015), as evidence indicates this threshold amplifies positive effects on firm oversight, social responsibility, and transparency (Terjesen and Sealy 2016). Regulatory bodies might also adopt nuanced, country-specific frameworks that account for cultural and institutional contexts affecting the impact of board diversity.

In addition, Mumu et al. (2022) suggest that the association between gender diversity and key governance outcomes—like risk mitigation, CSR engagement, firm performance, and financial transparency—should guide the development of integrated disclosure requirements. Requiring firms to report on board composition alongside nonfinancial reporting could drive alignment between governance practice and stakeholder expectations. For corporate leaders and boards, the study recommends proactive efforts to not only appoint more women but also integrate them into influential roles within key committees such as audit, remuneration, and strategy. Companies should view gender diversity not as a symbolic gesture but as a means to enrich decision-making and strengthen accountability mechanisms. Further, the study encourages organizations to foster inclusive board cultures that leverage diverse perspectives, thereby moving beyond tokenism. Training programs for board members and succession planning processes should be gender-sensitive, aiming to cultivate leadership pipelines that reflect broader societal demographics.

Finally, firms operating in culturally resistant environments should take steps to model best practices, using internal metrics and performance evidence to build the case for sustained gender-inclusive governance strategies. This can enhance corporate legitimacy, investor confidence, and long-term resilience.

Conclusion

This study highlights the critical importance of board gender diversity as an integral component of effective corporate governance. Far from being a mere ethical or regulatory concern, the presence of women in boardrooms enhances oversight, financial transparency, and long-term firm performance. Drawing on robust empirical evidence and grounded in multidisciplinary theoretical frameworks, this review emphasizes that inclusive leadership contributes not only to more ethical and risk-aware decision-making but also to greater organizational legitimacy and resilience. Ultimately, advancing gender diversity on boards is not just a matter of representation; it is a strategic imperative that reinforces the governance structures essential for sustainable value creation in increasingly complex and socially accountable corporate environments.

Competing Interest Declaration The author(s) has no competing interests to declare that are relevant to the content of this manuscript.

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