

1.7. WOMEN IN THE BOARDROOM AND THEIR IMPACT ON FINANCIAL PERFORMANCE AND RISK-TAKING: A BIBLIOMETRIC ANALYSIS

Michalis Bekiaris^{*}, Pantelis Papanastasiou^{*}

^{*} Department of Business Administration, University of the Aegean, Greece

How to cite: Bekiaris, M., & Papanastasiou, P. (2020). **Received:** 01.03.2020
Women in the boardroom and their impact on financial performance and risk-taking: A bibliometric analysis. In **Accepted:** 05.03.2020
A. Kostyuk, M. J. C. Guedes, & D. Govorun (Eds.), **Keywords:** Board
Corporate Governance: Examining Key Challenges and Perspectives (pp. 57-59). Sumy, Ukraine: Virtus Interpress. **Corporate Performance,**
Bibliometric Analysis,
Citation Network,
Literature Review, Web
of Science

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JEL Classification:
G30, G34, J16

Abstract

In recent years, corporate governance has received increased attention in academic research and business due to several corporate failures. Within this context, there is an ongoing debate on the crucial role of the board of directors in the corporate governance of firms, as it affects financial performance and the organization's strategy. Firms have to make risky investments, both over-investment (i.e., excessive risk-taking) and under-investment (i.e., excessive risk avoidance) that may damage firm value and endanger their survival. Efficient risk-taking along with managing uncertainty is essential parts of doing business and a key responsibility of the board. The literature highlights the importance of the board of directors as supervising executive management in the representation of the shareholders and providing business resources and assessment (Pucheta-Martínez & Bel-Oms, 2019).

This study aims to identify the current dynamics of gender, a key characteristic in the field of board diversity using bibliometric analysis and visualization tools. Apparently, there has been a decisive trend that has led to women holding board positions while the vast majority of boardrooms are still made up of male directors (Torchia, Calabrò, & Huse, 2011). This recent increase of board gender diversity has been mainly stimulated by the action of some countries which have lately enacted guidelines and/ or mandatory laws with the aim of increasing the

presence of women on the boards of the listed companies (Pucheta-Martínez & Bel-Oms, 2019). We use the ISI web of science (WOS) database as a primary search engine to identify the most influential articles, authors, and journals in this topic between 2006 and early 2020. Similar to Baker, Pandey, Kumar, and Haldar (2020), we devised a WOS database and conduct a topic search during February 2020. To the best of our knowledge, this study is one of a few that combine a bibliometric analysis and literature review on board diversity.

The bibliometric methodology highlights the multi-disciplinary nature of research on board diversity and its impact on financial performance and risk-taking, covering the fields of accounting and finance, business, economics auditing, and management, as well as strategy. Bibliometric analysis is fundamentally classified as a quantitative method that provides a different analysis of the literature based on the related statistical data (Ellegaard & Wallin, 2015). Through a bibliometric analysis, we aim to provide a quantitative analysis of literature based on the related statistical data and transform scientific quality into a manageable entity (Wallin, 2005). Our goal is to construct systematic knowledge regarding patterns, trends and impact of relevant publications through a visual approach (Ellegaard & Wallin, 2015; Van Eck & Waltman, 2014). Furthermore, citation network analysis, co-citation analysis, co-authorship analysis, and keyword co-occurrence analysis helps reveal the core theoretical and conceptual articles by mapping out the intellectual structure of the knowledge base in this context. The analysis of collaborating networks is important to explore the centrality of authors and institutions in the production of research output (Andrikopoulos & Kostaris, 2017).

Employing diverse theoretical perspectives and reviewing a wide range of prior studies on ownership structure and corporate governance, this study provides the foundation for high-quality research on corporate governance and the important role of boards of directors. Our findings aim to provide useful guidance to other researchers in the area by exploring the interrelatedness between key articles and authors that have been cited most frequently.

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CONFERENCE FORUM DISCUSSION

Lindrianasari: Good morning to all my colleagues, I want to introduce myself; I'm Prof. Lindrianasari from The University of Lampung, Indonesia. Related to research on women in the boardroom and their impact on financial performance, can you explain what variables are used, how the variables are measured, and what are the results of this research? Thank you.

Pantelis Papanastasiou: Good morning to all, I'm Pantelis Papanastasiou the author of this research from the University of Aegean in Greece. This is a working paper and the methodology that we used is bibliometric analysis with data from the ISI Web of Science (WOS) database. Our goal was to contribute in board gender diversity research by showing the state of the art of research on board gender diversity, identifying the annual evolution of publications on the topic, the most prolific journals, countries, authors, and institutions supporting research, as well as identifying the main trends and pointing to potential future lines of research and topics.

Alex Kostyuk: Hi Pantelis, referring to Table 1 of the presentation it is possible to conclude that the female representation on the boards is lower in those countries where the shareholder dominance in corporate governance is more evident (the USA, Australia, Canada) and higher in the countries with a stronger role of employees (Sweden, the Netherlands, France, Germany). Do not you think that under the stakeholder concept of corporate governance women are considered as a very good mediator of possible conflicts between various stakeholders including shareholders and employees? Do not you think the dominant role of shareholders in the country (if any) does not allow female representation on the corporate board growing and under such circumstances the role of other stakeholders starts playing a key role to move the female representation forward?

Vikash Ramiah: Following Alex's comment, I must add the behavioral literature that argues females tend to be less risk-averse than

males. Hence in economic conditions becomes a factor whereby females will deliver best in crisis period as they are better with risk management.

Alex Kostyuk: Yes, this is the case Vikash has just fixed. In particular, this issue is important for financial companies including banks.

H A R P Madushanka: Hi Pantelis, would you mind elaborating on any specific characteristics of women that impact an organizations' financial performance that you have come across so far?

Mbako Mbo: Hi, it is important also to reflect on the process by which merit and gender are balanced in constructing an effective board.

Alex Kostyuk: That is right, Mbo. The only issue is who should be responsible for balancing merit and gender on the boards. Should it be a task of the whole board or just a nomination committee? What is the role of the outside director search agencies? I see that to get all the above balanced we should expect to have an effective system inside and outside the company (in the country too).

Pantelis Papanastasiou: Alex, I agree with your comments and also we see from the research that women still remain significantly underrepresented.

Vikash Ramiah: This issue has come up a lot. In some areas, it is hard to find a female with the same expertise as the male. Males have an unfair advantage in that they do not go on maternity leave. In those situations, it is important to make it right by looking at output versus opportunities to ensure there is the right balance.

Mbako Mbo: At a country level, the Institution of Directors (or equivalent) should ideally have selection criteria, based on some scoring approach that achieves a good balance on expertise, stakeholder and gender. However, the approach for state-owned enterprises would typically be carried.

Alex Kostyuk: IoDs could assume such responsibility, Mbo. Logically, IoDs should do it, but in practice? Do we have data around the world how many countries' IoDs do it?

Pantelis Papanastasiou: I agree with Vikash Ramiah that females tend to be less risk-averse than males and also they have great monitoring and strategy involvement characteristics that impact an organizations' financial performance.

Iliana Haro: Good morning to everybody, first I would like to introduce myself. My name is Iliana Haro and I am a Ph.D. candidate at California Southern University in the USA and the Hochschule Furtwangen University in Germany. So now, regarding the moment of Vikash Ramiah in Germany men do go on maternity leave and they can take up to one year, and it is my understanding that that is the case in most northwestern European countries, so that may not be the issue here.

Vikash Ramiah: This is good progress, Iliana. Unfortunately, this is usually not the case in countries like Australia, etc.

Iliana Haro: Alex, it is indeed a relevant factor to have to different systems the shareholder and stakeholder orientated, being the latter the one that applies in Europe, which is why we have Sweden, Netherlands, France, and Germany. However, we should not forget the influence that the cultural context surrounding the system plays, and which therefore affects the personal expectations and behavior of shareholders, members of the board, and other stakeholders. Everything works as a whole, like an onion system one aspect affecting the other ones.

Mbako Mbo: Alex, data from practice is sparse; more worrying is that IoDs in developing economies are largely ineffective.

Mehtap Eklund: Then, if the women have risk-averse and stakeholder approach, then the countries that suggest the female BOD quota should have lower firm risk and higher sustainable growth. Is it the case, Sari Lindrianasari?

Iliana Haro: This is a great question, however, don't you think we should try to understand first what merit is and what would be better for the organization meaning what it is its strategy. Are we searching for merit, gender, or talent? I give you an example without gender, let's assume there is a start-up where you need to appoint the president of the company, there is an executive who has been in a company for 25 years and holds now a top management position, we also have a board candidate who has never been working at any company but has been working in the industry for more than 25 years and we have a young entrepreneur with no more of 6 months in the company, who is actually the one who created the company. So, who has the merit? Who has the talent? Who is the best for the company?

Iliana Haro: That would be a difficult question to answer in broad terms. First, what kind of company and strategy of the company are we talking about? With women and men, there is not a specific set of competencies that could work in all contexts.

Mehtap Eklund: Yes, Iliana, I totally agree with you. Merit should be the key decision criteria. On the other hand, for the countries which ask for minimum female BOD quota, then the most talented and experienced female leader should be selected. Some scholars found the positive impact of the female BODs on firm performance and firm culture and corporate environment. Diversity is good, of course, based on merit.

Iliana Haro: Hi Mehtap, thanks for your kind comment. But my point here is it is merit enough or should we try to find talent. See, the simple definition of merit is a work well done that deserves praise. But who evaluates if that work is well done? Other men? Other women? Other colleagues, who have the same level of responsibility as you? Who decides what merit is? On the other hand if select people, not only women but people, without regard to gender, color, religion, physical handicaps, etc., only on the basis of their talent which are their natural and acquired skills, wouldn't be the organization benefiting even better? But

then we should not generalize, as researchers, we have the obligation to recognize when there are no general contexts.

Juliet Wakaisuka: The presence of women on any corporate board should focus on what they will be able to bring to the performance of the board and not be a sign of tokenism; implying that these women must have the skills and competence to deliver.

Maria Guedes: Women bring the same and new things to the board. We have passed the tokens argument. It is a matter of social justice, equity, not focus what it is different only. They can bring the same and are totally entitled to be on the board.

Pantelis Papanastasiou: Thank you all for the comments and your distribution on board gender diversity. Do you have any comments on the research methodology that we used?

Maha Radwan: Good research, however, I would like to ask you after analyzing the current literature regarding women in the board and their impact on performance, what is still missing in your view to be studied or need to be more deeply investigated?

Pantelis Papanastasiou: Maha, I think it would be useful to examine other demographic characteristics such as age, education, ethnicity, and professional background.

Maria Guedes: I think we should move from studying the impact of gender. Men or women does not matter, both are competent or incompetent. So, focus on thinks that may be changed and improved. The question can also be: lots of diversity (age, ethnicity, etc.) is manageable? How do we incorporate the benefits of diversity in companies?

Dilvin Taskin: I think the inclusion of other controlling factors, like the experience, education is of crucial importance. I believe if you consider those factors, the outcomes of the paper will be more striking. Still, a very good paper.

Alfredo Celentano: I agree with your consideration, Pantelis. Actually, also I wrote a research project where the aim is to investigate the relationship between board diversity and CSR; specifically, my idea is to construct a Diversity Complex Index, which can represent diversity through a unique and encompassing perspective of all its characteristics (gender, age, background, independence, etc.) and do it by a structure literature review examining the prevailing literature on the diversity subject, so as to understand how this has been treated by different authors and studies, using tools such as WoS for articles' research and bibliometrix for bibliometric analysis.

Pantelis Papanastasiou: Dilvin, I have the same opinion about this. Thank you for your comments.

Pantelis Papanastasiou: Alfredo, great idea! In my research actually, I wanted to examine the literature review of gender diversity using bibliometric analysis and I think I got useful insights.

Pedro Agua: It could be interesting to bring in the subject of family firms and national culture into the subject and investigate if there are

cultures with better governance performance within the context of this subject, Japan, for example.

Pantelis Papanastasiou: Pedro, I think culture nowadays matters more than everything and it would be interesting to examine the variables that affect it. Great idea, Pedro, thank you! Also, we know that family businesses are the backbone of the economy and incubators for entrepreneurship.

Dean Blomson: Putting aside skills and experience, required by each company (depending on its unique context and strategic challenges), the only kind of diversity that matters is cognitive diversity. Ultimately a board is there to ensure that the right decisions are made. Appropriate knowledge, skills and experience are vital. But if you want to insure the oversight of decisions is effective you need independent thinkers who have the ability to bring different lenses/vantage points to bear. Gender diversity is a noble cause – no doubt – but that is a side issue when it comes to having a board that is able to think critically, divergently, and in a challenging way. Those skills exist independently of gender, race, culture, religion. Let's not just zero in on gender diversity because it feels right, and it's easier to measure than cognitive diversity.

Pedro Agua: Don't disagree... in fact, boards shall not fall under the trap of "groupthink" as well. Good point.

Pantelis Papanastasiou: Dean, completely agree with you. According to Baker (2020), researchers should examine cognitive diversity because studies of how cognition affects strategic decision-making are scarce (Kilduff et al., 2000; Parayitam & Papenhausen, 2016).

Pedro Agua: We shall also take care of how do we define cognition, and in particular "intelligence", as there are many of them and their relevance depends on the situation the board has at hands (Gardner's theory of multiple intelligences).

Iliana Haro: This is, in my opinion, the most relevant point. We need to clarify our discourse: are we "fighting" for gender equality just for the sake of gender presence, or are we aiming for talent in the benefit of the organizations and their stakeholders not only the shareholders' interests? I think the case here is not how many women are on the board, as far as the board, its committees and any other bodies be integrated by the talent they need.

Alex Kostyuk: Pedro has just addressed an issue of the leadership of the board. A board of conformists is a disaster for a company. It should be a board of leaders. So, it means that "a one leader concept" like Chairman or CEO is not enough now. Certainly, we are talking about not formal leadership. Leadership that is based on decision-making. Under such a concept of "a group leadership" women are considered very naturally even by the absolutely traditional, male-driven concept of corporate governance.

Pantelis Papanastasiou: Thank you all for your suggestions! I think the decision-making process and what are the most important variables that affect is our goal. Pedro, I will examine Gardner's theory of multiple intelligences, thank you again.

Iliana Haro: But then what is a leader? And more important which is the right leader for the organization? Should he-she display a static and stable behavior? Or should he-she be flexible and behave according to the context of the organization and the followers? If we think about the context and the followers, then we should pay more attention to the process of leadership, and probably it should not be static which is what happens with traditional boards and their interaction of CEO. We may have come to a historic point that we need to accept that the traditional formula of governance is not working anymore or at least may not work for a long time. The Coronavirus crisis is leaving a lot of lessons to be learned on this regard.

Alex Kostyuk: Iliana, formally the leadership reins should belong to the board chairman. This leadership is based on the issue of responsibility on behalf of the whole board. Informally, during the process of decision making, this concept should be behind the concept of "a group leadership" where the board is a team of leaders. this will let the board become more far from the bed nickname "a rubber stamp".

Pantelis Papanastasiou: Iliana, I totally agree with you. Alex, I find a very interesting initiative the special COVID-issue of *Corporate Governance and Sustainability Review* and more specific the topic "board behavior and practices".

Alex Kostyuk: I expect, Pantelis that any unexpected issue, like COVID in this case, is able to give birth to a new stream in research of corporate governance.

Ahmed El-Masry: I totally agree; a special issue on COVID-19 effect is needed especially with a focus on women's role.

Pantelis Papanastasiou: So, the decision-making process and leadership in the age of COVID-19 would be very interesting and also insightful according to our matter.

Iliana Haro: Alex, if I understand correctly this only partially answers my second "which is the right leader for the organization". In a public company that has been your focus so far, as you say, "Yes", the board is the unquestionable leader by law, but not necessary by competence. But in non-public companies where having a board of directors is not a requirement, the need for their leadership is arguable and we need to accept this fact and analyze it because just in countries like Germany, the "Mittlestand" companies (SMEs and non-public) who generate more than one out of every two euros and provide well over half of all jobs in Germany, so we cannot overlook this. CG is not only for public companies, and even though they are big enough, economies are not sustained by them.

Guadalupe Briano: I would like to suggest some ideas to extend this research:

1. Institutional context: developed vs emerging countries
2. Imposed quotas. For instance, in Nordic countries is mandatory the gender equality.
3. Cultural dimensions.
4. Independence of women on boards.
5. Stakeholders' role in corporate decisions.

Pantelis Papanastasiou: Thank you all again for your comments and your suggestions. It will be very useful and insightful.