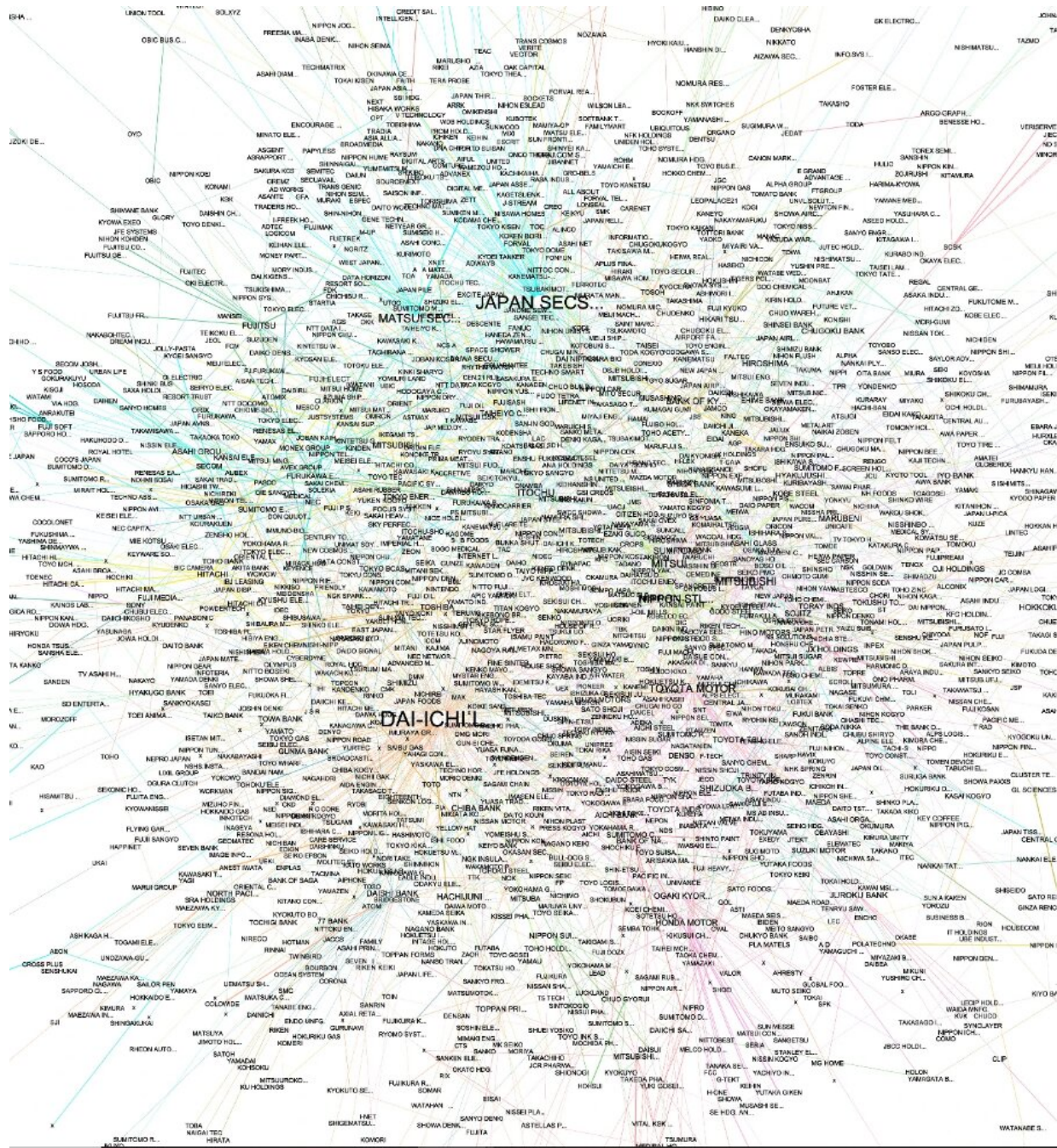


Want to improve the company's performance? Get more women in the boardroom

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This visualization shows the ownership network of 4.000 Japanese firms in 2013. Credit: Raddant, M., Takahashi, H.

A recent study out of the Complexity Science Hub Vienna (CSH) found

that companies with female board members tend to perform better. The analysis examined the relationship between female board appointments and corporations' financial performance, based on data from about 4,000 Japanese firms collected between 2004 and 2013.

"This is one of the first large-scale analyses of female board members in Japan, and it's one of the largest samples ever analyzed for developed economies," says CSH researcher Matthias Raddant, the study's lead author.

Matthias and his colleagues studied the evolution of a group of female board members and their professional networks. "We assessed which companies appoint them and we looked into what determines the slow but steady increase in female board members during that period," explains Matthias.

Slight increase

Women made up approximately 2 percent of Japanese boards, with a slight increase over the study's 10-year span. "Even in 2022, the share of female board members in Japan is only 8 percent," adds Matthias. These numbers are far below those in western economies. As of 2022, 29 percent of corporate board seats were held by women at North American and European companies, according to Moody's Investors Service.

"Our study shows that even if the number of female board members in Japan is still low, they have started to change their position in the networks of executives. Relatively many female board members have multiple mandates, which made them become more central," points out Matthias.

Financial results

When it comes to the profitability of an organization, firms with at least one female board member do perform better than those without any female board members, according to the analysis.

"This result is only significant in the last three years. However, since some previous studies have also found cases where companies with female board members were less profitable than the average, this is still a good result, since our sample size is very large and we can basically rule out negative influences from female board members," explains Matthias.

As the effects and mechanisms of more gender diversity on board composition are not entirely clear yet, this finding is surprising, states Matthias. But he underlines that the discovery might be related to the quality of corporate governance. "Companies that have good governance are more profitable and might also be better at facilitating the hiring of female board members."

'Birds of a feather stick together'

Furthermore, the study reveals that women tend to connect with each other and support one another. It's the concept of homophily, or the idea that "birds of a feather stick together," or that people are more likely to interact when they are of similar backgrounds.

The data showed that enterprises with ties to other companies with female board members were more likely to appoint female board members.

Dataset

The scientists examined information about the composition of corporate

boards, including age, gender, and if they were outside board members or auditors. Financial information was also collected. "In particular, we used information on [market value](#), income, total assets, [business sector](#), largest shareholders, and shareholder composition," details Matthias, who is also a research fellow at University for Continuing Education Krems.

The article was published in the journal *Empirical Economics*.

More information: Matthias Raddant et al, Corporate boards, interorganizational ties and profitability: the case of Japan, *Empirical Economics* (2021). [DOI: 10.1007/s00181-021-02062-y](https://doi.org/10.1007/s00181-021-02062-y)

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