

The Market Reaction to the Appointment of Women on Corporate Boards: Evidence from the Italian Listed Companies

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Although this study is the result of joint reflections and collaboration, for academic reasons Sections 1, 3, 4 are to be attributed to Patrizia Pastore, Sections 2, 5 are to be attributed to Silvia Tommaso and Section 6 is to be attributed to Antonio Ricciardi.

Abstract

During the 2012-2016 period, a large number of Italian companies appointed women directors in their boards, an unusual and unpredictable fact in the Italian industrial system. This paper investigates if any significant reaction has consequently occurred in the Italian stock market. It assumes that a significant market reaction would indicate the investors view the female board members as a strategic value added at the decision making level. To achieve the objective, it was collected a database consisting of 76 appointments of women directors in 67 Italian listed companies over the period 2012-2016 and then it was investigated the stock price performance of those companies in that five years span. The research hypothesis is examined empirically through the event study methodology in order to check the existence of abnormal returns on the appointment of women directors. Findings suggest that investors do not strongly believe that the simple appointment of women directors would have a positive effect on the future performance of firms.

Keywords: Abnormal returns, board composition, corporate boards, event study, female directorship, gender diversity, market reaction, stock price reaction, women on boards

1. Introduction

Gender equality on board of directors is quite a hot topic worldwide.

Women scored a markable progress in education and presence in labour market, but they still have to face a large number of difficulties to advance into boardrooms. In fact, they are still under-represented worldwide with wide variations across countries.

Many international studies stated that women directors are able to improve corporate governance (Carter, Simkins, & Simpson, 2003) and boards' monitoring roles (Zaltman, 1997; Bradshaw & Wicks, 2000) and influence company's financial and social performances (Erhardt, Werbel, & Shrader, 2003; Singh, Vinnicombe, & Johnson, 2001). The relevance of this topic has been well reflected in the political decision of some European countries that have imposed compulsory quotas to promote a broader presence of women in the boardrooms of companies (the leading example: Norway in 2003). At the same time many companies reacted by spontaneously modifying corporate governance rules so to promote gender diversity policies. In Italy, government introduced by law (No.120 of 12 July 2011) the so called "pink quotas" to increase the number of women in the management and supervisory boards of listed companies as well as those majority-owned by a government entity (for which the rule was enforced, respectively, from August 2012 and from February 2013). As a consequence of this law the representation of women in Italian corporate boards has crossed the line of 30% in year 2016 up from 11.6% in year 2012. However, progress recorded mainly affects non executive positions: women are independent directors in the 68.6% of cases. Therefore, the Italian executive women are not strictly related to the company owners. Probably, the presence of women imposed by law cannot be considered the most appropriate choice. But, it constituted a useful break with the past and it could affect positively the future performance of the Italian companies.

Although many studies investigated the relationship between the increased presence of women on the boards and

companies operational and financial performance (ROA, ROE, ROI, ROS, Tobin's Q), an under-explored field is the stock markets' reactions to women's appointments to the boards (Bonnier & Bruner, 1988; Charitou, Patis, & Vlittis, 2010; Dobbin & Jung, 2011; Dunn, 2012; Fredericks, 2014; Ku Ismail & Manaf, 2016). To our knowledge, positive abnormal returns have been scored following the appointment of women directors in Singapore (Kang, Din, & Charoenwong, 2010; Ding & Charoenwong, 2013) and in Spain (Campbell & Mínguez-Vera, 2010).

Leaving aside the quantitative growth of female presence on Board of Directors (BODs) as well as the direct relations with the ownership, no studies or empirical researches on market reactions to women being in charge of top positions have been developed in Italy. So, we decided to focus this study on share price movement around the appointment days (21 days span, ten before and ten after the appointment days and the date of the appointment itself). It assumes that a significant market reaction would indicate the investors view the presence of women as a strategic value added, by offering new ideas and different perspectives at the decision making level (Pastore & Tommaso, 2016).

To achieve the objective, once we collected the useful information in a specific database, it was investigated the stock price performance of 67 Italian listed companies appointing 76 women directors over the period 2012-2016, by using an event study methodology.

At the current evaluation step of the study, we believe that the investors have not been influenced by the gender itself but skills, capabilities and reputation of the new (male or female) directors are the main keys factors, agreeing with the conclusion of Ku Ismail and Manaf (2016).

The paper is organized as follows. Section 2 presents the hypotheses and the research methodology. Section 3 provides the international literature and empirical studies regarding women's representation in BoDs and its influences on the decision-making process and companies' performances. Section 4 shows the data of improved presence of the women on the Italian corporate boards of the largest publicly listed companies four years after the new Law. Section 5 shows the results of event study. Section 6 is for closing remarks and suggestion for research next steps.

2. Hypotheses and Research Methodology

Research main assumption:

H1: Investors react to the appointment of women on boards of directors

In this paper, the research hypothesis is examined empirically through the event study methodology. Particularly, we used the market model method (Campbell, Lo, & MacKinlay, 1997; Brown & Warner, 1980) to check the existence of an abnormal returns on the appointment of women directors.

The sample is composed of firms listed in FTSE Italia All-Share Index (217 firms) covering a five-year period, from 2012 (year of entry into force of Law 120/2011) to 2016. During this period, we identified 76 female director appointments in 67 listed companies. Information about number and gender of people in BODs have been obtained from Consob (the public authority regulating the Italian financial markets); the dates of appointment of women directors have been collected by consulting the press releases issued by the companies. Stock prices and market returns (we considered the Ftse Italia All Share Index) have been retrieved from Datastream.

The market model is based on the assumption of a constant and linear relation between actual stock return ($R_{i,t}$) and the return of a market index ($R_{m,t}$):

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t} \quad (1)$$

where:

$R_{m,t}$ = return of the market (estimated on the basis of Ftse Italia All Share Index) on day t;

α_i = constant component of the stock price for firm i, stable throughout the period;

β_i = systematic risk measure of firm i, stable throughout the period;

$\varepsilon_{i,t}$ = random error term.

To apply the market model, an estimation window was preliminarily defined: according to Ku Ismail and Manaf (2016) and Kang et al. (2010), the expected returns $E(R_{i,t})$ are estimated in an estimation windows covering days -200 to -11. The appointment day of women directors is fixed to day 0.

The abnormal return ($AR_{i,t}$) from an appointment is the actual return ($R_{i,t}$) on the stock price of a firm minus the

expected return $E(R_{i,t})$ over an event window:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \quad (2)$$

The abnormal return on a distinct day within the event window (we examine a 21-day event window: from day -10 to day 10) represents the difference between the actual stock return ($R_{i,t}$) on that day and the normal/expected return, which is predicted based on two inputs: 1) the typical relationship between the firm's stock and its reference index (expressed by the α and β parameters); 2) the actual reference market's return ($R_{m,t}$):

$$AR_{i,t} = R_{i,t} - (\alpha_i + \beta_i R_{m,t}) \quad (3)$$

Where $t = -10, \dots, +10$

Average abnormal return is determined as follow:

$$AAR_t = \frac{1}{N} \sum_{i=1}^N AR_{i,t} \quad (4)$$

To assess the effects of the newly-appointed female director we add up individual abnormal returns to create a Cumulative Abnormal Return (CAR):

$$CAR(t_1, t_2) = \sum_{t=t_1}^{t_2} AAR_t \quad (5)$$

To test for the significance of average abnormal return and cumulative abnormal returns over the event period, we used three parametric and a non-parametric test statistics:

- Crude Dependence Adjustment Test (Brown & Warner, 1985) that estimates the standard deviation using the time series of sample mean returns from the estimation period;
- Patell's test (Patell, 1976) where the event period abnormal returns are standardized by the standard deviation of the estimation period abnormal returns;
- Standardized cross-sectional test developed by Boehmer, Musumeci and Poulsen (1991) that incorporates the information from both estimation and the event period;
- Rank test (Corrado, 1989) that considers the combined estimation period and event period as a single set of returns, and assigns a rank based on return to each daily for each firm.

3. Women on Boards, Companies' Performance and Stock Price Reaction around Appointment of Women to Bods: A Literature Review

To the best of our knowledge, there is no single theory directly explaining the relationship between women's designation to the boards and company performance, market reaction, and stock returns. However, there are quite a bunch of theoretical and empirical studies on the impact of women on boards on the quality of corporate governance and on how governance devices could influence performance and stock market reaction. Therefore, this section presents a two-stage brief state of the art. First, it reviews some theories and studies on the effect of gender-diversity on corporate governance. Then, in the second part, a brief review of the empirical studies on the link between women on boards, companies' performance and stock price reaction is presented.

Research on corporate board composition attracts great attention as the corporate boards play a pivotal role in defining strategic guidelines and subsequent operational performances of companies (Zahra & Pearce, 1989; Walsh & Seward, 1990; O'Neal & Thomas, 1996; Westphal, 1999; Kang et al., 2010, p. 889). It is cristal clear that all the stakeholders (and particularly private and public investors as well as investment funds) are deeply interested in knowing all the aspects regarding to board structure and compositions, board governance regimes and members' reputations and behavior (Dobbin & Jung, 2011, p. 817). Several theoretical researches highlight that heterogeneity among the members of BoDs and more gender-diverse boards (by appointing more women directors) is associated with the companies' success and image. A lot of researches focused on gender diversity in BoDs well highlight this interest and they are mainly based on the theoretical frameworks of the Agency Theory, the Resource Dependence Theory and Stakeholder Theory.

Firstly, the *Agency Theory* suggests that a higher qualified representation of women on corporate boards can contribute to enhance problem solving and improve strategic decision-making processes (Kesner, 1988; Daily, Certo, & Dalton, 1999; Van der Walt & Ingley, 2003; Triana, Miller, & Trezebiatowski, 2014) because the diversity in terms of mentality and different professional and human backgrounds is able to generate a different perspective and a wider spectrum of viewpoints, different ideas, experiences and skill set (Hillman, Cannella, & Paetzold, 2000; Singh, Terjesen, & Vinnicombe, 2008) to the board oversight, to the debate and to the decisions

(Watson, Kumar, & Michaelsen, 1993; Gilbert, Stead, & Ivancevich, 1999; Baranchuk & Dybvig, 2009; Bart & McQueen, 2013). Moreover, as women on boards are largely outside directors since they are generally excluded from “old-boys clubs” (Jensen & Meckling, 1976; Yang & Konrad, 2011), they can increase the independence of the board (Daily et al., 1999) and better represent all the shareholders’ interests, by ensuring transparency in corporate governance practices (Van der Walt & Ingley, 2003; Adams & Ferreira, 2007, 2009; Terjesen, Sealy, & Singh, 2009; Nielsen & Huse, 2010) and exercising to the best their board’s monitoring roles (Bradshaw & Wicks, 2000; Stephenson, 2004; Zaltman, 1997). When these conditions are met, it is possible to observe a positive impact on the whole companies’ value-chain (Carter et al., 2003; Nguyen & Faff, 2006; Ferreira, 2010; Luckerath-Rovers, 2013); shareholder returns (Fama, 1980; Freeman, 1984; Clarkson, 1995; Ntim, 2015), and also an improved stakeholder engagement in sustaining company growth (Balasubramanian, 2013, p. 21).

Also the *Resource Dependence Theory* (Pfeffer, 1973; Pfeffer & Salancik, 1978) bolsters this aspect and confirm with strength that companies with a more balanced gender composition: improve the quality of corporate governance (and its outcomes) and the functioning of the boards and committees; achieve better results in terms of attendance at board meetings (by reducing the absenteeism rate of male members and leading to the best possible strategic decisions) (Note 1), boost innovation (Nielsen & Huse, 2010; Østergaard, Timmermans, & Kristinsson, 2011; Galia & Zenou, 2012; Diaz-Garcia, Gonzalez-Moreno, & Saez-Martinez, 2013); provide the company with prestige and legitimacy (Bernardi, Bean, & Weippert, 2002; Brammer, Millington, & Pavelin, 2009; Fernandez-Feijoo, Romero, & Ruiz, 2012; Luckerath-Rovers, 2013) with regard to several groups of stakeholders such as employees (Note 2), customers and investors (reputational effect) that can consequently contribute to better corporate performance. These effects are particularly due to the typically female leadership styles and managerial skills: flexibility, attention to people, ability to manage relationships, negotiation skills and conflict management within the organization – encouraging feedback and dialogue, willingness to share power and decision-making, collaborative leadership style, tendency to give others responsibilities, a greater risk-aversion (Rosener, 1997; Adams, Hermalin, & Weisbach, 2008). The companies that meet these conditions could boost corporate reputation and both financial and social performances (Francoeur, Labelle, & Sinclair-Desgagne, 2008; Boulouta, 2013; Solakoglu, 2013). Some studies highlight that markets, by considering women as an element of good governance, reward the companies that appoint women on their boards with a higher market valuation, a lower market risk (Olson & Currie, 1992; N. Smith, V. Smith, & Verner, 2006) and a lower cost of capital (Gul, Min, & Srinidhi, 2010). Other significant researches reported a positive association between the visible presence of women in boardrooms and social performance indicators of the organization (Siciliano, 1996; Singh et al., 2001; Miller & Triana, 2009; Huse, Hoskisson, Zattoni, & Viganò, 2011), which in turn attain profitability and superior financial performance (Waddock & Graves, 1997). In terms of social performance, Bear, Rahman and Post (2010) and Boulouta (2013) have found a positive effect on corporate social responsibility: some of firms with higher percentage of women on BoDs are in the (Fortune 500) “World's Most Ethical Companies’ list”.

The *Stakeholder Theory* (Freeman, 1984; Clarkson, 1995) stated that commercial and financial success of a company could also depend on appreciating and focusing on stakeholders’ communities interests. Based on that, companies’ capacity to develop and maintain positive multiple relationships is a strategic key success factor. Women on boards are generally more stakeholder oriented than male directors and, consequently, they can improve stakeholder relationships (Hillman, Keim, & Luce, 2001). Therefore, the presence of women is essential. Firstly of all, it would raise the confidence of investors, by guaranteeing transparency and ethical conduct, with as strong benefit on social responsiveness (Arfken, Bellar, & Helms, 2004). Secondly, it would allow beneficial relationships with a broad stakeholder base, even if stakeholders have different and conflicting sentiments and demands (Freeman, 1984; Donaldson & Preston, 1995). In this respect, women are more able to handle conflicts of interests and to solve problems (D.A. Brown, D.L. Brown, & Anastasopoulos, 2002); they are very skilled at dealing with complexity and strategic change (Haynes & Hillman, 2010; Nielsen & Huse, 2010) and have a strong orientation towards maintaining and strengthening relationships (Rosener, 1997) and excel in performing collaborative works (Ku Ismail & Manaf, 2016, p. 78).

The effects of (rising) female participation in the boards on corporate economic and financial performance are yet not well understood. The empirical evidence suggests inconclusive results. The review of the literature suggests that gender diversity in corporate boards by naming more women directors leads to changes in the efficacy or monitoring capabilities of boards. According to Dobbin and Jung (2011, p. 836), “these changes are expected to affect profits directly and stock performance indirectly”. Several empirical studies suggest that companies with more women on boards achieve greater profitability and higher stock market values (Smith et al., 2006; Carter, D’Souza, Simkins, & Simpson, 2010; Erhardt et al., 2003; Catalyst, 2007; Hoogendoorn,

Oosterbeek, & Van Praag, 2013). Other empirical studies, on the other hand, reveal that women on boards are associated with modest (Ujunwa, 2012; Dale-Olsen, Schøne, & Verner, 2013) or even negative accounting performance and lower market valuation (Shrader, Blackburn, & Iles, 1997; Carter et al., 2003, 2010; Farrell & Hersch, 2005; Westphal & Bednar, 2005; Rose, 2007; Hillman, Shropshire, & Cannella, 2007).

3.1 The Appointment of Women on Boards and Company Performance

Several empirical studies reveal positive firm performance in companies where more women have been appointed. Some studies, using Tobin's Q and other performance indicators (ROA, ROE, ROI and ROS), give strong evidence that more women on board would generate enhanced company value (Note 3). Whereas other studies yield opposite results revealing a negative association between women on boards and company performance (Van der Walt & Ingley, 2003; Van der Walt, Ingley, Shergill, & Townsend, 2006; Rose, 2007; Francoeur et al., 2008; Campbell & Minguez-Vera, 2008) (Note 4). This evidence would suggest that in many cases women are appointed for "cosmetic" reasons and that tokenism is quite widespread (Huse, 2007). For instance, Huse and Solberg (2006) found that the contribution of women directors in Scandinavia depends on the women directors' ability and willingness to make alliances with influential board members and take leadership roles, among other factors.

3.2 The Appointment of Women on Boards and Market Reactions

Normally, investors rely on data and official papers provided by the companies to make investment decisions (Kang, 2008; Sanders & Boivie, 2004). By adopting a diverse perspective linking board diversity to company performance, some studies have examined the market reactions to the appointment of women to the boards. Generally, the selection (and succession) and the appointment of members of a board of directors (as well as the chief executive officer) are important events for any company and create performance improvements fulfilling the expectations as a result, as directors have a key role in determining company's strategies and performances. In an efficient market (Fama, 1970), stock price performance is a potential source of useful information on managers' and directors' efficiency (Warner, Watts, & Wruck, 1988, p. 462). As such, shareholders and investors view the appointment of the members of the boards as a signal for the company's future success or future failure (Denis & Denis, 1995; Davidson, Nemec, Worrel, & Lin, 2002; Friedman & Singh, 1989). Similarly, as women on boards have become one feature of effective governance, and corporate governance is a reliable signal for investors facing asymmetric information (Ajina & Lakhali, 2010; Karmani, Ajina, & Boussaada, 2015; Sougné, Ajina, & Lakhali, 2015), the appointment of women to the boards is viewed as a positive signal as investors believe women directors would bring future prospect to firms. In this perspective, stock price reaction at announcement of a woman appointed could indicate whether the capital market considers the event significant (Warner et al., 1988, p. 466).

However, the stock market reaction to the appointment of CEOs or board members is an open empirical question (Charitou et al., 2010, p. 273). There is considerable research exploring the relationship between management succession events (and their announcements) and reactions by the stock market (Lubatkin & Shrieves, 1986; Beatty & Zajac, 1987; Worrell & Davidson, 1987). Some studies have examined market reactions to the appointment of women to the corporate boards providing (in this case as well) mixed results.

First of all, in the main (Fortune) 500 US firms, Catalyst in 2004 found that companies with a high representation of women top executives score higher returns on equity and returns to shareholders compared to similar companies with a lower representation. Likewise, positive market reactions to the appointment of women as directors were observed in Spain (Campbell & Minguez-Vera, 2010), in Singapore (Ding & Charoenwong, 2013) and in Malaysia where, particularly, Ku Ismail and Manaf (2016) observed how women's attributes and the role they play in monitoring affect company value (Note 5).

Conversely, other empirical studies found negative correlation between female appointment to the boards and stock price, as in the study by Farrell and Hersch (2005) regarding large U.S. firms during the 1990s. Haslam, Ryan, Kulich, Trojanowski and Atkins (2010), using British data for FTSE 100 companies, suggested that women on corporate boards have negative effects on stock price but not on profitability. In this regard, Lee and James (2007), using a sample of top executive announcements from 1990 to 2000, found that investor reactions to the appointments of female CEOs are significantly negative compared with the positive effects when women are appointed to non-CEO positions (and more negative than those of their male counterparts). Furthermore, women who have been promoted from within a firm are viewed more positively than women who come from outside.

Following the example of these studies, this paper assumes that if stock markets react to a CEO or board member appointment, there could be a possible gender effect in the stock market reactions to the appointment of women

directors. Thus, it hypothesizes the following

H1: Investors react to the appointment of women on boards of directors

4. Women's Participation in Boardrooms of Italian Listed Companies in 2016

This section of the paper describes female presence on corporate boards of Italian companies listed on the Mta Stock Exchange organized and managed by Borsa Italiana Spa (excluding companies in liquidation) over the period 2012-2016 (that is, four years after Law 120/2011). We collected a large amount of data by using the *Reports on corporate governance of Italian listed companies* published by Consob.

Overall results are quite encouraging. Indeed, by analysing the companies that have appointed the board of directors after the 2012 Law, you can note that 100% of listed companies fulfilled the conditions and the principles of gender equality. But, not every Italian firm has implemented the new rules of the law, some of them voluntarily not introducing women on boards, when renewing while others still with the former board.

By looking at the figures, the presence of women on BoDs of listed companies (and their weight on these) has risen dramatically. As compared to the 2012 records (on the eve of the adoption of compulsory quotas), the percentage of directorships held by women has nearly tripled, from 11.6% to 30.5% (Consob, 2016, p. 24) while almost every company changed its board, up to 99.0% of the total, compared to 67.0% in 2012 (Table 1).

Table 1. Female representation on corporate boards of Italian listed companies

Year	Listed companies	Listed companies where at least one female director sits on the board (Diverse-board companies)		Board seats held by women (Female directorship)	
	no.	no.	Weight on total number of board seats	no.	Weight on total number of listed companies
2012	251	169	66.8	288	11.6
2013	244	202	83.5	421	17.8
2014	238	217	91.9	521	22.7
2015	234	230	98.3	622	27.6
2016	230	228	99.1	687	30.3

Source: Our elaborations on Consob data (*Report on corporate governance of Italian listed companies*, several years).

These data are quite symptomatic of a great cultural change in Italy. Law 120/2011 makes mandatory gender quotas for the three board appointments subsequent to August 2012 by requiring that the members of the under-represented gender shall account for at least one-third of the board (one-fifth for the first term). The male/female mix has changed and now is obviously more balanced in the companies that changed boards after the Law. At the end of June 2016 (Figure 1):

- a)** in the 140 companies (60% of market value) that underwent the first board appointment (under the new law) women hold on average 2.6 board seats and account for 27.0% of the directors;
- b)** in the 68 companies (32.0% of market value), which are at the second term in applying the one-third gender quota, women hold on average 3.8 board seats and account for 37.0% of the directors;
- c)** in the 8 companies (1.5% of market value) that have already enacted the third term count 3.3 women holding a board seat and account for 35.4% of total board size;
- d)** in the 14 companies (6.7% of market value) that have not applied Law 120/2011 yet, women hold, on average, 2.5 board seats and account for 28.0% of total board size: the majority of these companies are newly-listed and will apply gender quotas in the three board appointments subsequent to listing.

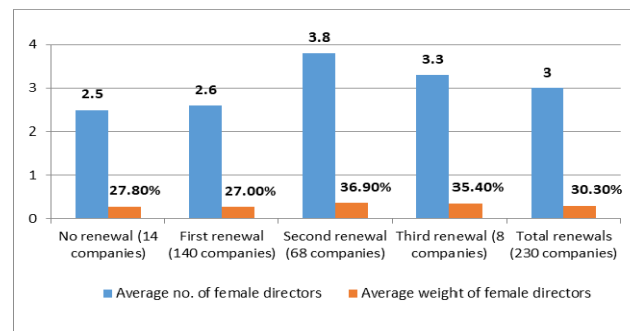


Figure 1. Boards renewals and female representation on corporate boards after the application of Law 120/2011

Source: Our elaborations on Consob 2017.

Overall, boards have on average three female directors, but a certain degree of variation can be observed across industries vertical sectors. In this regard, in the financial companies women hold a larger representativeness both in terms of number of directorship (women cover on average 3.5 board seats) and in terms of weight (over 31%). This data is slightly higher than to 2.8 and 3.0 seats in industrial and utilities companies, respectively (Table 2).

Table 2. Female representation on corporate boards of Italian listed companies by industry (2016)

	Diverse-board companies ¹			Average weight of women on boards	
	Listed companies no.	% market cap ²	Average no. of female directors	In all listed companies	In diverse-board companies ¹
Financial	54	100.0	3.5	31.4	31.4
Industrial	124	99.3	2.8	29.6	29.9
Services	50	100.0	3.0	30.6	31.2
Total	228	99.7	3.0	30.3	30.5

¹ Diverse-board companies are firms where at least one female director sits on the board

² Market value of ordinary shares of companies in each group in percentage of market value of ordinary shares of all companies included in each industry / in each market index.

³ Companies both in the Star and in the Mid Cap indexes are included only in the Star category

Source: Consob, 2017:32.

Regarding the role in the company, did not occur significant changes, with women not yet in charge of apical positions and still seating in boards as independent directors. At June of 2016, 3.2% of women on boards are CEO in only 17 companies, that account for a mere 1.7% of total market capitalization, while over two-thirds of female directors (471) are independent board members in 205 companies (accounting for 98.0% of total market value). Women appointed chairwoman or honorary chairwoman risen up from 2.5% in 2005 to 3.1% in 2016. That happened in 31 companies accounting for almost a third of the total capitalization of the market. There is still a good presence of women in charge as deputy chairwoman in other 37 firms (8.8% in terms of value of the market) while they are decreasing in number when serving as executive directors (5.8% vs 8.1% in 2013).

The trend of women on boards serving as independent directors continue furthermore to rise constantly. Their number has increased substantially in size: from 244 women in 2013 to 424 in 2015 up to 471 women at the end of June 2016. Indeed, they have been increasing weight on the board from 59.8% in 2013 to 68.6% in 2016. Over the same period, in 38 large companies (accounting for 62% of total market capitalization), through the slate voting mechanism, the number of minority female directors doubled from 20 in 2013 (equal to 4.9%) to 49 women in June 2016 (equal to 7.1%). Moreover, in spite of a marked reduction in the interlocking by Italian directors in the last 4 years span, the presence of women in charge of multiple directorships has dramatically increased: currently, 30% of women directors are interlockers, up from 18% in 2013 (Table3).

Table 3. Positions held by female directors in Italian listed companies*

Positions	2016		2015		2014		2013	
	Female directorship	Diverse-board companies	Female directorship	Diverse-board companies	Female directorship	Diverse-board companies	Female directorship	Diverse-board companies
	no. of directors (Weight on board seats held by women)	no. of companies (% market cap)	no. of directors (Weight on board seats held by women)	no. of companies (% market cap)	no. of directors (Weight on board seats held by women)	no. of companies (% market cap)	no. of directors (Weight on board seats held by women)	no. of companies (% market cap)
CEO	17 (3.2)	17 (1.7)	16 (2.6)	16 (0.9)	16 (3.1)	15 (1.0)	13 (3.2)	12 (0.7)
Chairman or honorary chairman	21 (3.1)	21 (30.8)	17 (2.7)	16 (22.1)	16 (3.1)	15 (27.5)	10 (2.5)	9 (0.4)
Deputy chairman or member of the executive committee	40 (5.8)	37 (8.8)	36 (5.8)	34 (9.6)	32 (6.1)	32 (7.5)	33 (8.1)	33 (8.2)
Independent director	471 (68.6)	205 (97.8)	424 (68.3)	199 (98.3)	333 (64.0)	168 (93.5)	244 (59.8)	138 (63.1)
Minority director	49 (7.1)	38 (62.1)	42 (6.8)	34 (58.0)	37 (7.1)	32 (58.9)	20 (4.9)	18 (26.9)

* Data on female directorships have been elaborated by Consob only from the 2013.

Source: Our elaborations on Consob data (Report on corporate governance of Italian listed companies, several years)

Some changes were observed in such parameters as age, degree of education, direct relations with controlling shareholders, and assiduous presence in the board meeting, mainly in comparison to male newly nominee colleagues, so giving an impression of better quality governance. To this respect, based on data by Consob available up to the end of 2015, female directors appointed after 2012 (Table 4):

a) are appreciably younger than male members (about 51 versus 59 years old) so to lower the average age of directors;

b) have a higher profile in terms of education: 88.5% of them have a first degree (84.5% for males) and 29.7% have a post-graduate degree (16.7% for males);

c) as for the professional background (with the percentage of managers declining from about 76.0 to 70.0% and the proportion of consultant/professional rising from around 15 to 21%), the newly-appointed female directors are predominantly professionals or consultants (33.2% versus 16.6%) and academics (12.2% versus 6.4%), the proportion of female managers being residual (54.1% versus 76.5% for newly-appointed male directors).

The quota system, in other words, has not only increased the number of executive women but has produced a series of positive effects regarding the selection of directors, as companies replaced lower-skilled men with more competent women. Better qualified people presumably will act more effectively and may push and determine better operational and financial results.

Table 4. Directors' attributes in Italian listed companies by gender and tenure

		No. of directorships	Average age	Education			Professional background			
				% family ¹	% first degree	% postgraduate degree ²	% managers	% consultant/professional	% academics	% other
2012	director	2,401	57.6	16.2	84.4	15.3	76.4	15.4	8.0	0.2
	female	283	50.5	25.8	82.7	20.9	68.7	17.8	13.2	0.4
2013	director	2,118	58.5	14.9	84.6	14.5	77.4	15.1	7.4	0.2
	female	2,332	57.3	16.3	84.9	16.5	75.0	16.4	8.2	0.5
2014	director	417	50.2	18.2	86.8	23.2	63.4	23.4	12.8	0.5
	female	1,915	58.9	15.9	84.5	15.0	77.5	14.9	7.2	0.5
2015	director	2,233	57.0	16.2	84.8	18.0	72.9	18.6	8.0	0.5
	female	507	50.7	14.8	87.2	26.0	59.4	29.0	11.0	0.6
2015	director	1,726	58.9	16.6	84.1	15.6	76.8	15.5	7.1	0.5
	female	2,222	56.7	15.8	85.6	20.5	70.3	21.2	8.0	0.5
	director	617	50.9	13.1	88.5	29.7	54.1	33.2	12.2	0.5
	female	1,805	58.9	16.9	84.5	16.7	76.5	16.6	6.4	0.6

(1) Number of directors linked through a family connection to the controlling shareholder (being the controlling shareholder himself or a close relative) in percentage of the total number of directors included in each category.

(2) Number of graduated directors who attended a postgraduate course and/or hold a PhD in percentage of the total number of graduated directors in each category.

Source: Our elaborations on Consob 2017.

Another remarkable change in a country like Italy, where medium and small firms are predominant, quite often controlled and managed by just one family, is that new women in the board do not present quite evident links to the owning family or to controlling investment fund.

Finally, whereas the boards of directors are stronger in numbers, women have a better chance to sit on it.

Another interesting aspect is related to board meeting attendance. The data for 2015 by Consob, which are the most recent available, certify that directors overall attend on average 91.4% of board meetings (Consob, 2017, p. 31), with attendance being lower in private firms (88.4%) while hitting its maximum value in State controlled companies (97%).

Female board members attend on average 90.0% of board meetings versus 92.0% of the male, but the newly-appointed female directors and non-family women show an higher attendance rates than others women. Indeed if you consider index such as participation in boards' meetings, you can track a higher ratio for independent women members (90.7% vs 88.9% of women with links to the owning family) while male members scoring on the contrary more similar ratios (Table 5).

Table 5. Directors' attribute and board meeting attendance in Italian listed companies by gender and relationship with the controlling shareholder (end of 2015)

		No. of director ships	Average attendance ^e	Education		Professional background			
				% first degree	% postgraduate degree ²	% managers	% consultant / professional	% academics	% other
Director	Family ³	352	91.3	70.5	14.9	93.8	6.3	–	–
	non-family	1,870	91.5	88.4	21.3	65.9	24.0	9.5	0.6
Female	Family	81	88.9	64.2	19.2	84.0	16.0	–	–
	non-family	536	90.7	92.2	30.8	49.6	35.8	14.0	0.6
Male	Family ³	271	92.0	72.3	13.8	96.7	3.3	–	–
	non-family	1,334	91.8	87.0	17.2	72.4	19.3	7.6	0.7

(1) Average percentage of board meetings attended by the directors included in each category (directors appointed during the year who have been in charge for less than 200 days are excluded).

(2) Number of graduated directors who attended a postgraduate course and/or hold a PhD in percentage of the total number of graduated directors in each category.

(3) The director is either a family member of the controlling shareholder or is the controlling shareholder.

Source: Consob, 2017, p.34.

Literature shows that bringing on board women, even if induced by law, has ultimately positive effects on governance and could also put in place better conditions for financial performances. On the other hand, it is also to take in account that the compelled appointment of women on boards is not a guarantee of success: it is necessary that companies are able to attract and select talented and/or experienced women so to improve BoDs quality.

If the ultimate goal is to provide and deploy optimal governance in a company, the rule number one is to consider merit and skills, avoiding to appoint women only for cosmetics reasons (such as tokens: Kanter, 1977). Otherwise, as well documented by Matsa and Miller (2013), the risk is to reply the Norwegian experience, when companies were forced by law to pull in inexperienced and lower skilled women, by producing in this way some serious damages to the companies' performances.

In Italy, this risk is also clear because family-controlled companies are predominant, whereas the tendency to be complaint to the law could override the real need to find women with the right and most appropriate managerial skills. As a consequence, appointing women in the boards can be really effective and contribute to the success, if companies have in advance adopted and deployed the right policies at any level to recruit, encourage and promote gender equivalence, as well as comparisons of remunerations, and ensuring at the same time a greater transparency of these policies.

5. Results of the Event Study

Table 6 shows the average abnormal returns (AAR) and the cumulative average abnormal returns (CAAR) over 21 days of event window from day -10 to day 10. Negative AARs are observed from day -10 to day -5 and on days -3, -1, 0, 2, 3 and 7. On day 3, the AAR of -0.45% is significant (at the 5% level using Patell's test, standardized cross sectional test and non-parametric test), whereby 46 firms (60.5%) react negatively and 30 firms (39.5%) react positively. Positive AARs are observed on day 1 and from day 4 to 10 (except day 7). Positive AAR (+4%) is significant on day 9 when 43 firms (56.6%) react positively and 33 firms (43.4%) react

negatively.

Table 6. Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR) during the event period (-10, 10)

Day	AAR	Crude Dependence Adjustment Test	Patell's test	Standardized cross-sectional test	Rank test	CAAR	Positive	Negative
-10	-0.0021	-0.8621	-0.5799	-0.5526	-0.9963	-0.0021	33	43
-9	-0.003	-1.2723	-1.0807	-1.3195	-0.9321	-0.0051	35	41
-8	-0.0004	-0.1845	-0.4136	-0.4237	-0.0903	-0.0055	40	36
-7	-0.0006	-0.2557	-0.2159	-0.2335	0.4313	-0.0061	37	39
-6	-0.0034	-1.4335	-1.5744	-1.9107*	-1.0596	-0.0095	38	38
-5	-0.0021	-0.8949	-0.9128	-0.9306	-0.5884	-0.0116	35	41
-4	0.0028	1.1703	1.0481	1.5909	1.7478*	-0.0088	50	26
-3	-0.0011	-0.471	-0.0433	-0.0433	-0.1111	-0.0099	37	39
-2	0.0032	1.3367	0.6113	0.522	0.1111	-0.0067	38	38
-1	-0.0017	-0.7309	-0.8146	-0.7865	-1.2792	-0.0084	30	46
0	-0.0021	-0.8663	-1.3713	-1.247	-1.3347	-0.0105	33	43
1	0.0019	0.7807	0.8785	1.1115	1.1247	-0.0086	41	35
2	-0.0013	-0.555	-0.7712	-1.2221	-0.1397	-0.0099	34	42
3	-0.0045	-1.9033*	-2.067**	-2.2487**	-2.049**	-0.0144	30	46
4	0.0017	0.7189	1.0885	1.2061	1.3616	-0.0127	39	37
5	0.0026	1.1081	1.1924	1.5327	1.333	-0.0101	42	34
6	0.0001	0.0468	0.2014	0.2131	-0.066	-0.0100	37	39
7	-0.0006	-0.2413	-0.2655	-0.2586	0.184	-0.0106	39	37
8	0.0006	0.2611	0.3552	0.2933	0.3784	-0.0100	41	35
9	0.004	1.6864*	2.1461**	2.0399**	1.9822**	-0.0060	43	33
10	0.0027	1.1316	1.6807*	1.3281	0.8783	-0.0033	40	36

*Significant at the 10% level.

** Significant at the 5% level.

Table 7 presents CAARs of various windows. The CAAR's plot is displayed in the Figure 2.

The CAARs were negative all the way and decrease from -0.21% on day -10 to -0.33% on day 10. The CAARs are negative and statistically significant over the periods $(-1,3)$, $(2,3)$; the CAARs are positive and statistically significant over the period $(4,6)$, $(4,10)$ and $(5,10)$. Our results are partially in line with those of Abdullah, Ku Ismail and Nachum (2016): they found that women representation on boards are associated with lower Tobin's Q and it suggests that women are less likely to be accepted by investors.

However, in the days following the appointments (from the fourth day onward) markets react positively and

these findings are consistent with those of Ku Ismail and Manaf (2016), Campbell and Mínguez-Vera (2008, 2010), Ding and Charoenwong (2013). In these three studies, positive market reactions are reported during the event period.

In the study of Ding and Charoenwong, which concerns companies listed on the Singapore Stock Exchange, is reported an AAR of 1.83% on the day the announcement is made, with 67.6% of the companies reported positive abnormal returns. The CAAR also increases, from 0.42% on day -5 to 1.08% on day 10.

The research of Campbell and Mínguez-Vera shows the Spanish market reacted even earlier (day -2) with an AAR of 0.67%. However, according with our results, Campbell and Mínguez-Vera show that the CAARs were negative all the way, from -0.20% on day -10 to -1.17% on day 10.

The research of Ku Ismail and Manaf concerns the Malaysian firms and shows that the market anticipated the appointment of women directors one day prior to the announcement and react positively: on day -1 the AAR increases of 0.90% with 57.5% of firms that react positively.

Table 7. Cumulative Average Abnormal Return (CAAR) for various windows

Days	CAAR	Crude Dependence Adjustment Test	Patell's test	Standardized cross-sectional test	Rank test	Positive	Negative
(-10...10)	-0.0034	-0.3121	-0.1981	-0.2079	0.1934	42	34
(-10...7)	-0.0107	-1.0628	-1.1997	-1.3242	-0.5545	35	41
(-7...7)	-0.0052	-0.5655	-0.7787	-0.8794	-0.0863	34	42
(-1...3)	-0.0078	-1.4645	-1.854*	-2.1375**	-1.6448	30	46
(0...1)	-0.0002	-0.0605	-0.3485	-0.3607	-0.1485	40	36
(2...3)	-0.0058	-1.7383*	-2.0069**	-2.4883**	-1.5476	32	44
(4...6)	0.0045	1.0818	1.4332	1.8699**	1.5177	43	33
(4...10)	0.0112	1.7808*	2.4186**	2.5207**	2.2872**	44	32
(5...10)	0.0095	1.63	2.168**	2.2192**	1.9146*	48	28

*Significant at the 10% level.

** Significant at the 5% level.

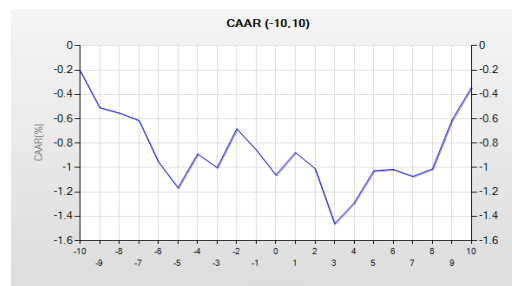


Figure 2. Cumulative Average Abnormal Return (CAAR) from day -10 to day 10.

Source: Our Elaboration.

Definitely, our results show not significant effects on the days prior to the appointment; a positive significant effect on day 9; a negative significant effect on day 3. This suggests that investors do not believe that the simple appointment of women directors would have a positive effect on the future performance of firms. Rather, we think the characteristics of the (male or female) directors could determine the company's performance and thus

influence the stock returns.

In the research development, in addition to investigating all cases of new female appointments in the 2012-2016 period, we intend to verify whether there is a relationship between the stock returns and the attributes of the women appointed on the board of directors. These attributes may include: international experience; education; family relationship; multiple directorship.

6. Conclusions

It is still too early to draw final conclusions on these issues.

Based on the available literature there are no conclusive results on a specific direct link between appointing women on boards and improved financial as well as business performances of the companies.

No proven results emerge also from our study, where we adopted a different point of view, by explaining the market reaction immediately previous to and following the appointments of women on Italian corporate boards. At the moment, we have investigated only 76 cases of new female appointments and our results suggest that investors do not believe that the simple appointment of women directors would have a positive effect on the future performance of firms. However, the small number of cases investigated represents the limit of the study so we intend to investigate all cases of new female appointments in the 2012-2016 period to verify, in a more reliable manner, the market reactions to the appointment of women to the board of Italian firms.

We expect that further developments of this study could greatly support the organizations and capital market participants, such as investors, analysts, bankers, in putting more emphasis on the selection criteria of the board member appointment, and subsequently in generating shareholders' wealth. Indeed, any positive relationship between appointment of women on Italian corporate boards and stock price could likely indicate that society appreciates gender diversity in the boardroom, if companies appoint qualified women as members, and reflect a legitimacy effect in which shareholders are positively disposed toward the companies for complying with regulations. Furthermore, the results of this study could allow conclusions to be drawn about the opportuneness of the policy of having women representation on boards. In this regard, the gender quotas imposed by legislation could have negative effects, such as to involve women on the boards with less experience, without the appropriate expertise and qualifications required for membership to the board (in order to enforce the law) and exclude those able to affect positively the quality of board governance. In this case women could suffer less credibility within boards and their opinions could be more likely to be ignored or marginalized (Westphal & Milton, 2000) making their influence almost null on decision making.

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Notes

Note 1. However, some researches (Rose, 2007; Baranchuk & Dybvig, 2009; Ferreira, 2010) have pointed out the possible negative effects of diversity. A higher percentage of women on boards generates longer board meetings to share different points of view and resolve disputes and this has a negative impact on operative

performance of the board and on the monitoring results. The heterogeneity of interests represented within the board may increase the conflict, the difficulty of communication and the possible emergence of factions within the group which can lessen the board cohesion and negatively affect companies' performance (Dobbin & Jung, 2011, p. 816). Moreover, Balasubramanian (2013, p. 21) argued that a "constructive dissonance" may be more productive than a contrived cohesion.

Note 2. On the internal side, women on boards signals that a company values the success of its women and appoints them at the highest levels, protecting itself from claims of discrimination. Women appointed to corporate boards play a direct role in improving outcomes for other women within the organization: female board members represent career opportunities for potential female employees and for women who are working within the firms (female directors become their role models), inspire women employees to senior management roles and often engage in networking and mentoring of women through corporate networks (Terjesen et al., 2009).

Note 3. For example, Carter et al. (2003) found a positive and significant association between companies with women directors and Tobin's Q in a sample of Fortune 1000 companies (in 1997). Similarly, Singh et al. (2001), who examine FTSE 100 companies in 1999-2000 and Nguyen and Faff (2006, who examine women directors in Australian companies) found that the participation of women on boards increases corporate value. Erhardt et al. (2003) found evidence of a positive and significant relation between the board diversity (gender and ethnic diversity) and the return on assets as well as the return on investment in 127 large U.S. companies.

Note 4. For instance, Shrader et al. (1997) found negative, although insignificant, associations between women directorship and several accounting measures of performance for large U.S. companies. Similarly, Rose (2007) found no significant association between Tobin's Q and companies with women directors in Danish firms.

Note 5. Their data consist of 127 firms listed on Bursa Malaysia that appoint women directors over the period 1999–2011 and, by measuring the abnormal returns surrounding the appointment of women directors from day -10 to day 10, find that investors welcome the appointment of women directors (as they understand their potential for improving firm performance) and as such they react favorably to women who are prominent, young, have no international exposure, and have no family relationship with any other director.

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