Chapter 16
Women on Board and Firm Performance:
Evidence From Kingdom of Bahrain

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ABSTRACT

This chapter aims to measure the relationship between the number of women in the board of directors and company performance in the listed companies in Bahrain Bourse. The study uses panel data where the data is collected from the investor's guide in Bahrain Bourse and the annual reports from the listed companies from 2013 to 2017. The sample of the study includes 39 listed companies; the independent variable is the number of women in the board of directors in each company, which was measured using dummy variables; and the dependent variable is the company performance, which was measured using two measurement models driven from previous studies: accounting measurement (return on assets) and market measurement (Tobin's Q). The study also utilizes three control variables in order to help measuring the relationship between the number of women in the board of directors and company performance. The study concludes that there is a positive correlation between the number of women in the board of directors and the company's ROA and Tobin's Q.

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INTRODUCTION

Traditionally, in Bahrain, men have always been in control of the corporate business world where women were excluded from boards and decision-making positions. However, attention has been drawn to gender diversity on the board of directors which has recently increased women representation in the boards of directors. Board diversity has turned into an emerging issue within the context of corporate governance and the number of studies highlighting board composition is increasing with topics and issues such as board diversity and board independence. (Andres et al., 2005). Many studies have examined the relationship between women contribution in board and overall organizational performance. It was pointed out by Carter, D'Souza, Simkins, and Simpson (2010) that gender and ethnic diversity in the board of directors could lead to better corporate governance which in return will be reflected into a more profitable business.

Some countries like Norway have announced official laws indicating the importance of female representation on corporate boards. It was declared that there should be a minimum of three women in the board for each corporate. (Terjesen et al., 2009) Women in the board are models for other women. Moreover, as the number of women increases in the board, it can be predictable that men will start to realize how capable female are. (Peterson and Philpot, 2007). Other countries such as Italy have also issued laws in the same respect. For instance, the 120/2011 Italian law mandates gender quotas for Italian-listed companies: at least one-third (one-fifth for the first term) of board seats must be held by directors of the less represented gender. This provision has been in force since August 2012 and is subject to a three-board-terms sun set clause. As a consequence of the new legislation, at the end of 2013, 18 percent of board members were female (Consob, 2014). Consequently, legislators from many countries have recently established new laws to put heavy prominence and efforts to increase women representation in boardrooms. For instance, Norway was the first country to adopt a law that regulates women representation in the board of directors. According to European Women's Lobby (2012), more than five European countries have adopted similar laws. Nowadays, females are more educated and can effectively make contributions in the community and take over managerial positions. Thus, many organizations have started to hire women for jobs which, in the past, were considered to be exclusively for men, especially in Bahrain. However, in terms of their representation on the board of director and taking over top management positions, their share is still poor and very low in both public and private sectors (Wirth, 2001). The reason why women's progress is slow can be referred to the fact that some jobs are categorized for men while different jobs are assigned for women. Accordingly, females frequently dominate in "women's jobs" including careers such as nursing, teaching and administration. On the other hand, the jobs of senior managers, board directors and financiers are dominated by men. The rule of thumb is applicable in the case of women's appearance in the board of directors. Thus, the higher we go in terms of firms' hierarchy, the fewer women can be found and vice versa (Wirth, 2001).

It is supposed by many people that the typical board consists of males whose ages are above 50 years and who represent independent financier businessperson. However, over the previous decades, this traditional image has changed. Hence, women began to appear in the corporate boardroom (Williams, 2003). According to (Rosener, 2009), one of the advantages of women's appearance in the board of directors is that they can recognize female market concerns more than men. Furthermore, the presence of female directors makes a comfortable environment in the boardroom. Letendre (2004) points out, that female directors bring new perspectives which in turn enhance communication within the boardroom. In general, female directors have varied backgrounds and experiences, compared to their male colleagues. (Neurath, 2010). More analytically oriented studies are mostly concerned with the questions of why

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