POLITECNICO DI MILANO

Scuola di Ingegneria Industriale e dell’Informazione

Corso di Laurea Magistrale in Ingegneria Gestionale

POLITECNICO
MILANO 1863

Corporate Governance:

A survey on the presence of women on corporate boards in Italy

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Tesi di Laurea Magistrale di:

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Anno Accademico 2014/2015

A survey on the presence of women on corporate boards in Italy

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December 18, 2015

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SUMMARY (English)

Equal opportunities between men and women is a hot topic; furthermore empowering women to take leadership positions is also important for economic growth and a competitive internal market.

The Italian labour market is characterized by a very limited women participation. As the Global Gender Gap Index shows, Italy is one of the lowest-ranking countries in the EU as for the size of the gender inequality gap. But Italy is trying to make a step forward.

The importance of diversity in corporate boards has been demonstrated in light of the Agency Theory and in the Resource Dependence Framework. According to agency theory, a heterogeneous board is a stronger monitor of executives' behaviour in the interest of the shareholders.

This dissertation sheds some light on female representation in Italian corporate boards, by taking into account the peculiarities of the Italian corporate control models. We consider all female directors of Italian publicly-traded firms at the end of 2014 and investigate the main characteristics of Italian female directors, as well as potential determinants of diverse boards. We take into account both the characteristics of the firms and those of female directors, specifically their affiliation with the controlling shareholder.

SOMMARIO (Italiano)

La questione delle pari opportunità tra uomini e donne è un tema caldo. L'abilità delle donne di assumere una posizione di leadership è importante per la crescita economica e per un mercato interno competitivo.

Nonostante ciò, il mercato del lavoro italiano è caratterizzato da una partecipazione femminile molto limitata. Come mostra il Global Gender Gap Index, l'Italia è uno dei paesi, fra quelli dell'Unione Euopea, con più alto livello di disuguaglianza di genere. Tuttavia l'Italia sta cercando di fare un passo in avanti.

L'importanza della diversità di genere all'interno dei consigli di amministrazione è stata dimostrata nel "Resource Dependence Framework" e dall'"Agency Theory". Secondo quest'ultima, un consiglio di amministrazione eterogeneo permette un controllo migliore del comportamento dei dirigenti nell'interesse degli azionisti.

Questa tesi si pone l'obiettivo di fare luce sulla rappresentanza femminile nei consigli di amministrazione italiani tenendo conto delle peculiarità dei modelli di controllo societari italiani. Sono state considerate tutte le amministratori di imprese italiane quotate in borsa alla fine del 2014 e sono state indagate le caratteristiche principali delle amministratori italiane, così come i potenziali determinanti di consigli di amministrazione misti. Sono state inoltre considerate sia le caratteristiche delle imprese, che quelle degli amministratori e, in particolare, la loro affiliazione con l'azionista di controllo.

ACKNOWLEDGEMENTS

I would like to express my gratitude to everyone who supported me throughout the course of my study, especially my family.

Chapter 1 -

Corporate governance

1.1 Definition

Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed.[1]

Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and includes the rules and procedures for making decisions in corporate affairs. Corporate governance includes the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment. Governance mechanisms include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Corporate governance practices are affected by attempts to align the interests of stakeholders.[2]

Interest in the corporate governance practices of modern corporations, particularly in relation to accountability, increased following the high-profile collapses of a number of large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance. In the U.S., these include Enron and MCI Inc. (formerly WorldCom). Their demise is

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[1] Shailer, Greg, An Introduction to Corporate Governance in Australia, Pearson Education Australia, 2004

[2] Tricker, Adrian, Essentials for Board Directors: An A–Z Guide, Bloomberg Press, New York, 2009

associated with the U.S. federal government passing the Sarbanes-Oxley Act in 2002, intending to restore public confidence in corporate governance. Comparable failure in Italy (Parmalat 2002-2005) is associated with the passage of the L262/2005 reform (“Disposizioni per la tutela del risparmio e la disciplina dei mercati finanziari, 2005”).

1.2 History

Robert E. Wright argues in Corporation Nation that the governance of early U.S. corporations, of which there were over 20,000 by the Civil War, was superior to that of corporations in the late 19th and early 20th centuries because early corporations were run like "republics" replete with numerous "checks and balances" against fraud and usurpation of power of managers or large shareholders.[3]

In the 20th century in the immediate aftermath of the Wall Street Crash of 1929 legal scholars pondered on the changing role of the modern corporation in society. From the Chicago school of economics, Ronald Coase introduced the notion of transaction costs into the understanding of why firms are founded and how they continue to behave.[4]

In the 1980s, Eugene Fama and Michael Jensen established the principal–agent problem as a way of understanding corporate governance: the firm is seen as a series of contracts.[5]

In the first half of the 1990s, the issue of corporate governance in the U.S. received considerable press attention due to the wave of CEO dismissals (e.g.: IBM, Kodak, Honeywell) by their boards.

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[3] Robert E. Wright, Corporation Nation, University of Pennsylvania Press, 2014

[4] Sytse Douma & Hein Schreuder, Economic Approaches to Organizations, 5th edition, Pearson, 2013

[5] Eugene Fama & Michael Jensen, The Separation of Ownership and Control, Journal of Law and Economics, 1983

In the early 2000s, the massive bankruptcies (and criminal malfeasance) of Enron and Worldcom in U.S. and Parmalat in Italy, as well as lesser corporate scandals, such as Adelphia Communications, AOL, Arthur Andersen, Global Crossing, Tyco, led to increased political interest in corporate governance. This is reflected in the passage of the Sarbanes-Oxley Act of 2002 in U.S. and L262/2005 in Italy together with passage of similar legislations in most other countries. Other triggers for continued interest in the corporate governance of organizations included the financial crisis of 2008/9 and the level of CEO pay.

1.3 General Principles

Contemporary discussions of corporate governance tend to refer to principles raised in two documents released since 1990: The Cadbury Report[6] and the Principles of Corporate Governance (OECD, 1998 and 2004)[7].

The Cadbury and Organization for Economic Co-operation and Development (OECD) reports present general principles around which businesses are expected to operate to assure proper governance. Laws like Sarbanes-Oxley Act in U.S. or L262/2005 in Italy are attempts by the governments to legislate several of the principles recommended in the Cadbury and OECD reports.

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[6] Cadbury, Adrian, Report of the Committee on the Financial Aspects of Corporate Governance, Gee, London, 1992, Sections 3.4

[7] OECD Principles of Corporate Governance, 2004, Articles II and III

The most important principles are as following:

1.3.1 Rights and equitable treatment of shareholders:

Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings.

1.3.2 Interests of other stakeholders:

Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

1.3.3 Role and responsibilities of the board:

The board needs sufficient relevant skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment.

1.3.4 Integrity and ethical behavior:

Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

1.3.5 Disclosure and transparency:

Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

1.4 Models

Corporate governance systems vary around the world. This because in some cases, corporate governance focuses on link between a shareholder between a shareholder and company, some on formal board structures and board practices and yet others on social responsibilities of corporations. However, basically, corporate governance is seen as the process by which organizations are run.

There is no one model of corporate governance which is universally acceptable as each model has its own advantages and disadvantages.

Following are some of the models of corporate governance:

1.4.1 The Anglo-American Model

This model is also called an "Anglo-Saxon model" and is used as basis of corporate governance in U.S.A, U.K, Canada, Australia and some common wealth countries.

The shareholders appoint directors who in turn appoint the managers to manage the business. Thus there is separation of ownership and control. The board usually consist of executive directors and few independent directors. The board often has limited ownership stakes in the company. Moreover, usually a single individual holds both the position of CEO and chairman of the board.

This model relies on effective communication between shareholders, board and management with all important decisions taken after getting approval of shareholders (by voting).

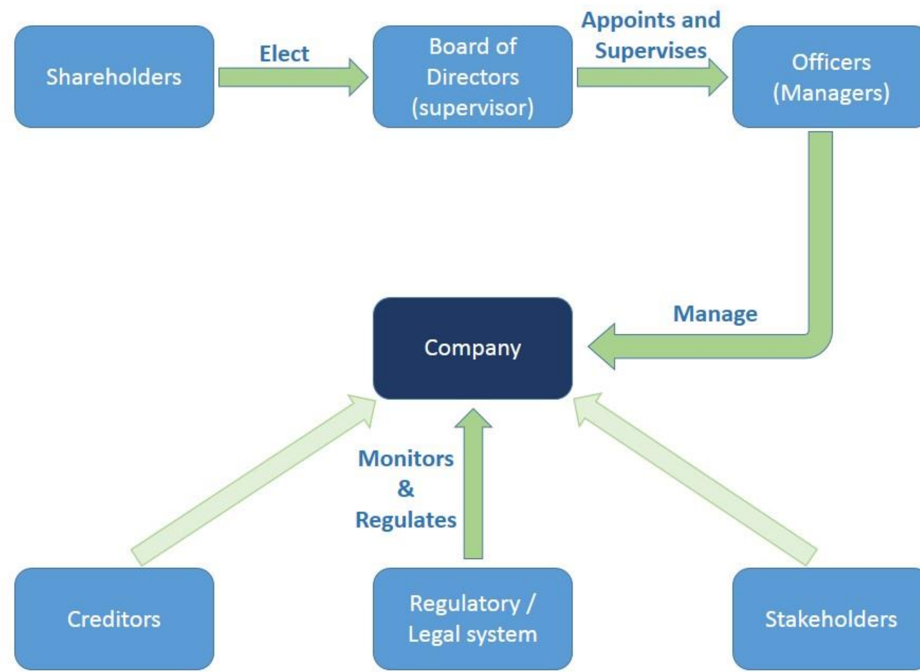

Figure 1: The Anglo-American Model

1.4.2 The German Model

This is also called as two tier board model as there are two boards; the supervisory board and the management board. It is used in countries like Germany, Nederland, France and etc.

The management board is responsible for day to day decision making on such matters as product development, manufacturing and etc.

Supervisory board responsible for appointing members to the management board, approval of financial statement, mergers, payment of dividend etc.

The shareholder can appoint only 50% of members to constitute the supervisory board. The rest is appointed by employees and labour unions.

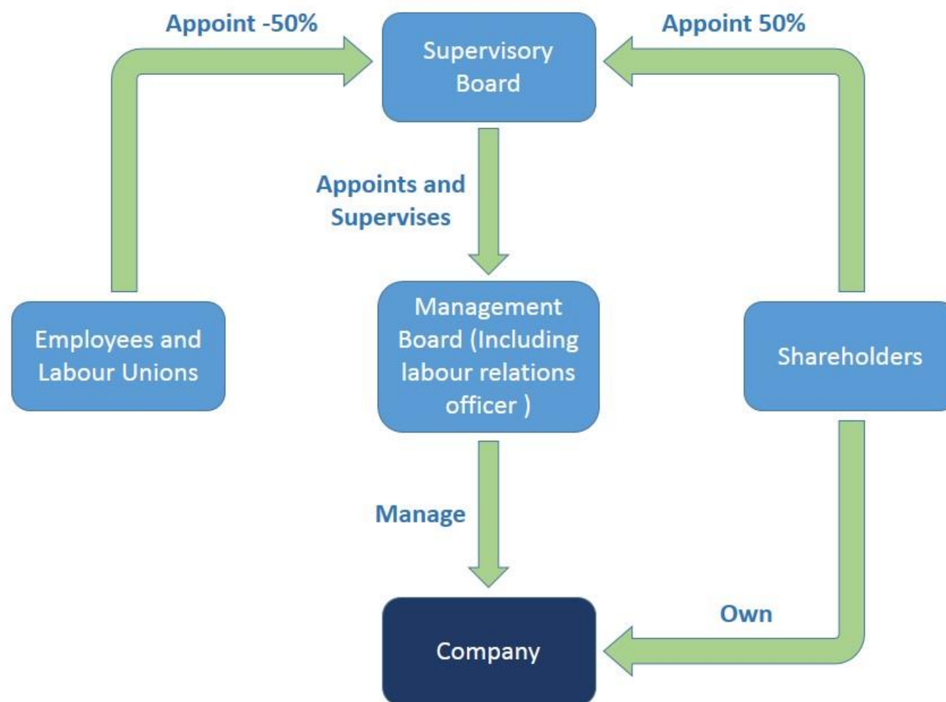

Figure 2: The German Model

1.4.3 The Japanese Model

The Japanese of corporate governance had its root in post-world war II reconstruction at the end of the war, the powerful industrial and financial conglomerates that in large part accounted for the country's economic strength.

The Japanese model is characterized by a high level of stock ownership by affiliated banks and companies. This model is also called as the business network model.

There is supervisory board which is made up of board of directors and a president, who are jointly appointed by shareholder and banks/financial institutions.

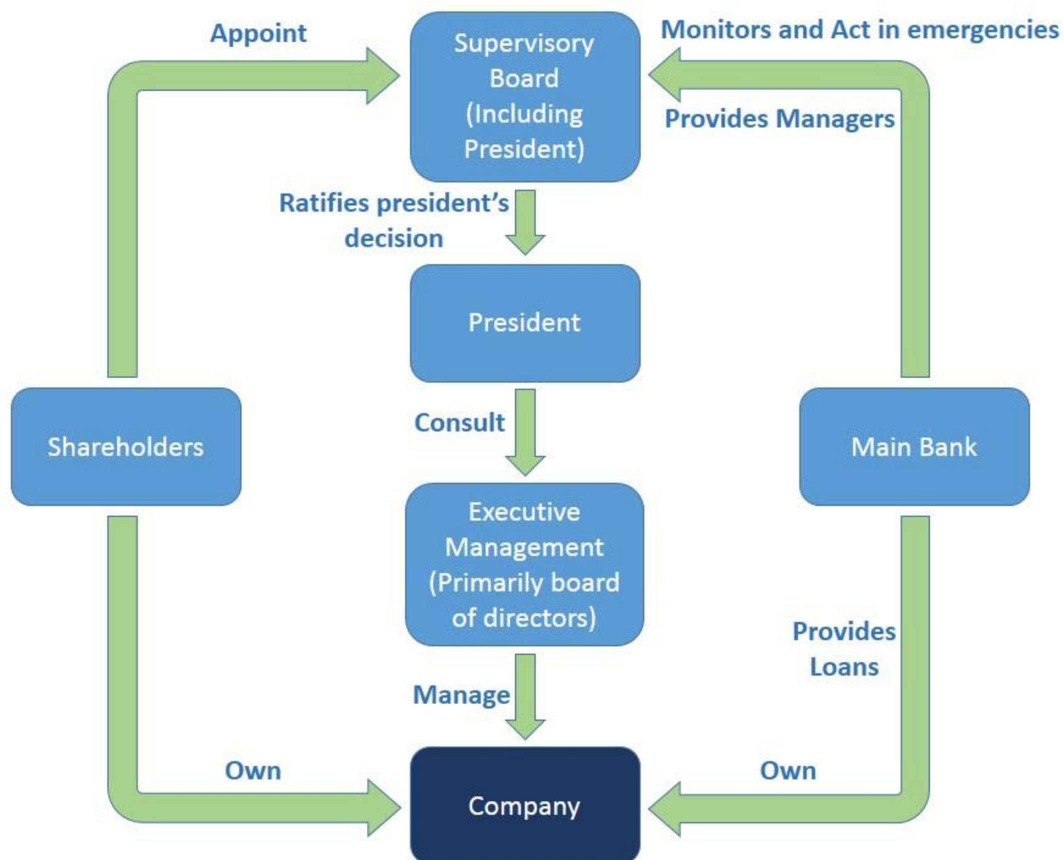

Figure 3: The Japanese Model

1.5 Control and ownership structure

Control and ownership structure refers to the types and composition of shareholders in a corporation. In some countries such as most of Continental Europe, ownership is not necessarily equivalent to control due to the existence of e.g. dual-class shares, ownership pyramids, voting coalitions, proxy votes and clauses in the articles of association that confer additional voting rights to long-term shareholders. Ownership is typically defined as

the ownership of cash flow rights whereas control refers to ownership of control or voting rights.[8]

Researchers often "measure" control and ownership structures by using some observable measures of control and ownership concentration or the extent of inside control and ownership. Some features or types of control and ownership structure involving corporate groups include pyramids, cross-shareholdings, rings, and webs. German *concerns* (Konzern) are legally recognized corporate groups with complex structures. Japanese *keiretsu* (系列) and South Korean *chaebol* (which tend to be family-controlled) are corporate groups which consist of complex interlocking business relationships and shareholdings. Cross-shareholding are an essential feature of *keiretsu* and *chaebol* groups.[9] Corporate engagement with shareholders and other stakeholders can differ substantially across different control and ownership structures.

1.6 Stakeholder interests

In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors and suppliers, customers, and communities affected by the corporation's activities. Internal stakeholders are the board of directors, executives, and other employees.

All parties to corporate governance have an interest, whether direct or indirect, in the financial performance of the corporation. Directors, workers and management receive salaries, benefits and reputation, while investors expect to receive financial returns. For lenders, it is specified interest payments, while returns to equity investors arise from dividend distributions

[8] Goergen, Marc, International Corporate Governance, Prentice Hall, 2012, Chapter 3.
[9] http://www.asianresearch.org/articles/1397.html

or capital gains on their stock. Customers are concerned with the certainty of the provision of goods and services of an appropriate quality; suppliers are concerned with compensation for their goods or services, and possible continued trading relationships. These parties provide value to the corporation in the form of financial, physical, human and other forms of capital. Many parties may also be concerned with corporate social performance.

A key factor in a party's decision to participate in or engage with a corporation is their confidence that the corporation will deliver the party's expected outcomes. When categories of parties (stakeholders) do not have sufficient confidence that a corporation is being controlled and directed in a manner consistent with their desired outcomes, they are less likely to engage with the corporation. When this becomes an endemic system feature, the loss of confidence and participation in markets may affect many other stakeholders, and increases the likelihood of political action. There is substantial interest in how external systems and institutions, including markets, influence corporate governance.

Much of the contemporary interest in corporate governance is concerned with mitigation of the conflicts of interests between stakeholders. The agency view of the corporation posits that the shareholder forgoes decision rights (control) and entrusts the manager to act in the shareholders' best (joint) interests. In large firms where there is a separation of ownership and management and no controlling shareholder, the principal–agent issue arises between upper-management (the "agent") which may have very different interests, and by definition considerably more information, than shareholders (the "principals"). The danger arises that, rather than overseeing management on behalf of shareholders, the board of directors may become insulated from shareholders and beholden to management.[10]

[10] Bebchuk, Fried, Pay Without Performance – the Unfulfilled Promise of Executive Compensation, Harvard University Press, 2004.

Ways of mitigating or preventing these conflicts of interests include the processes, customs, policies, laws, and institutions which have an impact on the way a company is controlled. An important theme of governance is the nature and extent of corporate accountability. A related discussion at the macro level focuses on the impact of a corporate governance system on economic efficiency, with a strong emphasis on shareholders' welfare.

1.7 Control Mechanisms

Corporate governance mechanisms and controls are designed to reduce the inefficiencies that arise from moral hazard and adverse selection. There are both internal monitoring systems and external monitoring systems. Internal monitoring can be done, for example, by one (or a few) large shareholder(s) in the case of privately held companies or a firm belonging to a business group. Furthermore, the various board mechanisms provide for internal monitoring, external monitoring of managers' behaviour, occurs when an independent third party (e.g. the external auditor) attests the accuracy of information provided by management to investors. Stock analysts and debt holders may also conduct such external monitoring. An ideal monitoring and control system should regulate both motivation and ability, while providing incentive alignment toward corporate goals and objectives. Care should be taken that incentives are not so strong that some individuals are tempted to cross lines of ethical behaviour, for example by manipulating revenue and profit figures to drive the share price of the company up.[11]

[11] Sytse Douma & Hein Schreuder, Economic Approaches to Organizations, 5th edition, Pearson, 2013

1.7.1 Internal corporate governance controls:

Internal corporate governance controls monitor activities and then take corrective action to accomplish organisational goals. Examples include:

1. **Monitoring by the board of directors:** The board of directors, with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided. Different board structures are optimal for different firms. Moreover, the ability of the board to monitor the firm's executives is a function of its access to information. Executive directors possess superior knowledge of the decision-making process and therefore evaluate top management on the basis of the quality of its decisions that lead to financial performance outcomes, ex ante. It could be argued, therefore, that executive directors look beyond the financial criteria.

2. **Internal control procedures and internal auditors:** Internal control procedures are policies implemented by an entity's board of directors, audit committee, management, and other personnel to provide reasonable assurance of the entity achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations. Internal auditors are personnel within an organization who test the design and implementation of the entity's internal control procedures and the reliability of its financial reporting.

3. **Balance of power:** The simplest balance of power is very common; require that the President be a different person from the Treasurer. This application of separation of power is further developed in companies where separate divisions check and balance each other's actions. One group may propose company-wide administrative changes, another group review and can veto the changes, and a third

group check that the interests of people (customers, shareholders, employees) outside the three groups are being met.

4 **Remuneration:** Performance-based remuneration is designed to relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments such as shares and share options, superannuation or other benefits. Such incentive schemes, however, are reactive in the sense that they provide no mechanism for preventing mistakes or opportunistic behaviour, and can elicit myopic behaviour.

1.7.2 External corporate governance controls:

External corporate governance controls encompass the controls external stakeholders exercise over the organization. Examples include:

- Government regulations
- Debt covenants
- Competition
- Managerial labour market
- Media pressure

1.7.3 Financial reporting and the independent auditor:

The board of directors has primary responsibility for the corporation's internal and external financial reporting functions. The Chief Executive Officer and Chief Financial Officer are crucial participants and boards usually have a high degree of reliance on them for the integrity and supply of accounting information. They oversee the internal accounting systems, and are dependent on the corporation's accountants and internal auditors.

Current accounting rules under International Accounting Standards allow managers some choice in determining the methods of measurement and criteria for recognition of various financial reporting elements. The

potential exercise of this choice to improve apparent performance increases the information risk for users. Financial reporting fraud, including non-disclosure and deliberate falsification of values also contributes to users' information risk. To reduce this risk and to enhance the perceived integrity of financial reports, corporation financial reports must be audited by an independent external auditor who issues a report that accompanies the financial statements.

One area of concern is whether the auditing firm acts as both the independent auditor and management consultant to the firm they are auditing. This may result in a conflict of interest which places the integrity of financial reports in doubt due to client pressure to appease management. The power of the corporate client to initiate and terminate management consulting services and, more fundamentally, to select and dismiss accounting firms contradicts the concept of an independent auditor. This issue followed by numerous corporate scandals (e.g. The Enron scandal) initiated changes in regulations in several markets; for instance in the United States the Sarbanes-Oxley Act prohibit accounting firms from providing both auditing and management consulting services.

Chapter 2 -
Board of directors

2.1 Definition

A board of directors is a body of elected or appointed members who jointly oversee the activities of a company or organization. Other names include board of governors, board of managers, board of regents, board of trustees, and board of visitors. It is often simply referred to as "the board".

A board's activities are determined by the powers, duties, and responsibilities delegated to it or conferred on it by an authority outside itself. These matters are typically detailed in the organization's bylaws. The bylaws commonly also specify the number of members of the board, how they are to be chosen, and when they are to meet.

In an organization with voting members, the board acts on behalf of, and is subordinate to, the organization's full group, which usually chooses the members of the board. **In a stock corporation, the board is elected by the shareholders and is the highest authority in the management of the corporation.** In a non-stock corporation with no general voting membership, the board is the supreme governing body of the institution; its members are sometimes chosen by the board itself.

The legal responsibilities of boards and board members vary with the nature of the organization, and with the jurisdiction within which it operates. For companies with publicly trading stock, these responsibilities are typically much more rigorous and complex than for those of other types.

2.2 Terminology

2.2.1 Director

A person appointed by stakeholders to serve on the board of an organization.

2.2.2 President

The chairman or chairwoman, or simply the chair, sometimes known as chairperson, is the highest officer of an organization. The person holding the office is typically elected or appointed by the members of the board. The chair presides over meetings of the board and conducts its business in an orderly fashion. When the board is not in session, the officer's duties often include acting as its head, its representative to the outside world and its spokesperson.

- **Vice chairman:** A vice-chairman (or deputy chairman), subordinate to the chairman, is sometimes chosen to assist the chairman and to serve as chairman in the absence of the chairman.

2.2.3 Inside director

A director who, in addition to serving on the board, has a meaningful connection to the organization, it can be an employee or a major shareholder. Inside directors represent the interests of the entity's stakeholders, and often have special knowledge of its inner workings, its financial or market position, and so on.

- **Executive director:** An inside director who is also an executive with the organization.
- **Non-executive director:** An inside director who is not an executive with the organization.

2.2.4 Outside director (Independent Director)

A director who, other than serving on the board, has no meaningful connections to the organization. They are not employees of the company or affiliated with it in any other way and are differentiated from inside directors, who are members of the board; however they do have the same legal duties, responsibilities and potential liabilities as their executive counterparts. They are thought to be advantageous because they can be objective and present little risk of conflict of interest. On the other hand, they might lack familiarity with the specific issues connected to the organization's governance.

Independent directors are directors who act in advisory capacity. Typically, they attend monthly board meetings to offer the benefit of their advice and serve on committees concerned with sensitive issues such as the pay of the executive directors and other senior managers; they are usually paid a fee for their services but are not regarded as employees.

All directors should be capable of seeing company and business issues in a broad perspective. Nonetheless, Independent directors are usually chosen because they have a breadth of experience, are of an appropriate caliber and have particular personal qualities.[12]

2.3 Governance

Theoretically, the control of a company is divided between two bodies: the board of directors, and the shareholders in general meeting. In practice, the amount of power exercised by the board varies with the type of company. In small private companies, the directors and the shareholders are normally the

[12] "The role of the non-executive director". Institute of Directors. 2010. Retrieved 3 November 2015.

same people, and thus there is no real division of power. In large public companies, the board tends to exercise more of a supervisory role, and individual responsibility and management tends to be delegated downward to individual professional executives (such as a finance director or a marketing director) who deal with particular areas of the company's affairs.

Another feature of boards of directors in large public companies is that the board tends to have more de facto power. Many shareholders grant proxies to the directors to vote their shares at general meetings and accept all recommendations of the board rather than try to get involved in management, since each shareholder's power, as well as interest and information is so small. Larger institutional investors also grant the board proxies. The large number of shareholders also makes it hard for them to organize.

2.4 Responsibilities of the board of directors

Former Chairman of the Board of General Motors John G. Smale wrote in 1995: "The board is responsible for the successful perpetuation of the corporation. That responsibility cannot be relegated to management,"[13] A board of directors is expected to play a key role in corporate governance. The board has responsibility for: CEO selection and succession; providing feedback to management on the organization's strategy; compensating senior executives; monitoring financial health, performance and risk; and ensuring accountability of the organization to its investors and authorities.

[13] Harvard Business Review, HBR (2000). HBR on Corporate Governance. Harvard Business School Press.

Boards typically have several committees (e.g., Compensation, Nominating and Audit) to perform their work.[14]

The OECD Principles of Corporate Governance (2004) describe the responsibilities of the board; some of these are summarized below:[15]

- Board members should be informed and act ethically and in good faith, with due diligence and care, in the best interest of the company and the shareholders.
- Review and guide corporate strategy, objective setting, major plans of action, risk policy, capital plans, and annual budgets.
- Oversee major acquisitions and divestitures.
- Select, compensate, monitor and replace key executives and oversee succession planning.
- Align key executive and board remuneration with the longer-term interests of the company and its shareholders.
- Ensure a formal and transparent board member nomination and election process.
- Ensure the integrity of the corporations accounting and financial reporting systems, including their independent audit.
- Ensure appropriate systems of internal control are established.
- Oversee the process of disclosure and communications.
- Where committees of the board are established, their mandate, composition and working procedures should be well-defined and disclosed.

[14] Charan, Ram. Boards that Deliver. Jossey-Bass, 2005.
[15] OECD Principles of Corporate Governance, 2004, OECD.

2.5 Election, Removal and Exercise of Powers

An academic study examined how corporate shareholders voted in nearly 2,500 director elections in the United States.[16] They found that directors received fewer votes from shareholders when their companies performed poorly, had excess CEO compensation, or had poor shareholder protection. They also found that directors received fewer votes when they did not regularly attend board meetings or received negative recommendations from RiskMetrics (a proxy advisory firm). This evidence suggests that some shareholders express their displeasure with a company by voting against its directors. The article also shows that companies often improve their corporate governance by removing poison pills or classified boards and by reducing excessive CEO pay after their directors receive low shareholder support.[17]

2.5.1 Election

In most legal systems, the appointment and removal of directors is voted upon by the shareholders in general meeting or through a proxy statement. For publicly traded companies in the U.S., the directors which are available to vote on are largely selected by either the board as a whole or a nominating committee. Although in 2002 the New York Stock Exchange and the NASDAQ required that nominating committees consist of independent directors as a condition of listing,[18] nomination committees have historically received input from management in their selections even when the CEO does not have a position on the board. In Italy, where there is major shareholders for most of public companies and nominating committee is not common within the organizations, those

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[16] Cai, Jay; Garner, Jacqueline; Walkling, Ralph, "Shareholder Access to the Boardroom: A Survey of Recent Evidence.", Journal of Applied Finance 20, 2010.

[17] Cai, J., J. L. Garner, and R. A. Walkling, Electing Directors, Journal of Finance, 2009.

[18] Chhaochharia V, Grinstein Y, Corporate governance and firm value: The impact of the 2002 governance rules, The Journal of Finance, 2007.

major shareholders publish a list of nominees for board of directors one month in advance of the annual general meeting. Otherwise small shareholder nominations can only occur at the general meeting itself or through the prohibitively expensive process of mailing out ballots separately. In practice for publicly traded companies, the managers (inside directors) who are purportedly accountable to the board of directors have historically played a major role in selecting and nominating the directors who are voted on by the shareholders, in which case more "gray outsider directors" (independent directors with conflicts of interest) are nominated and elected.[19]

2.5.2 Removal

Directors may also leave office by resignation or death. In some legal systems, directors may also be removed by a resolution of the remaining directors (in some countries they may only do so "with cause"; in others the power is unrestricted).

Some jurisdictions also permit the board of directors to appoint directors, either to fill a vacancy which arises on resignation or death, or as an addition to the existing directors.

In practice, it can be quite difficult to remove a director by a resolution in general meeting. In many legal systems, the director has a right to receive special notice of any resolution to remove him or her; the company must often supply a copy of the proposal to the director, who is usually entitled to be heard by the meeting. The director may require the company to circulate any representations that he wishes to make. Furthermore, the director's contract of service will usually entitle him to compensation if he is removed.

[19] Shivdasani A, Yermack D, CEO involvement in the selection of new board members: An empirical analysis, The Journal of Finance, 1999.

2.5.3 Exercise of powers

The exercise by the board of directors of its powers usually occurs in board meetings. Most legal systems require sufficient notice to be given to all directors of these meetings, and that a quorum must be present before any business may be conducted. Usually, a meeting which is held without notice having been given is still valid if all of the directors attend, but it has been held that a failure to give notice may negate resolutions passed at a meeting, because the persuasive oratory of a minority of directors might have persuaded the majority to change their minds and vote otherwise.

In most legal systems, the powers of the board are vested in the board as a whole, and not in the individual directors.

2.6 Directors' Duties

Because directors exercise control and management over the organization, but organizations are run for the benefit of the shareholders, the law imposes strict duties on directors in relation to the exercise of their duties. The duties imposed on directors are fiduciary duties, similar to those that the law imposes on those in similar positions of trust: agents and trustees.

The duties apply to each director separately, while the powers apply to the board jointly. Also, the duties are owed to the company itself, and not to any other entity. This does not mean that directors can never stand in a fiduciary relationship to the individual shareholders; they may well have such a duty in certain circumstances.

Among different jurisdictions, a number of similarities between the frameworks for directors' duties exist:

- Directors owe duties to the corporation, and not to individual shareholders, employees or creditors outside exceptional circumstances.
- Directors' core duty is to remain loyal to the company, and avoid conflicts of interest.
- Directors are expected to display a high standard of care, skill or diligence.
- Directors are expected to act in good faith to promote the success of the corporation.

2.6.1 Duty to act within the power for a proper purpose

Directors are also strictly charged to exercise their powers only for a proper purpose. For instance, were a director to issue a large number of new shares, not for the purposes of raising capital but to defeat a potential takeover bid, that would be an improper purpose.

However, in many jurisdictions the members of the company are permitted to ratify transactions that would otherwise fall foul of this principle. It is also largely accepted in most jurisdictions that this principle should be capable of being abrogated in the company's constitution.

Directors must exercise their powers for a proper purpose. While in many instances an improper purpose is readily evident, such as a director looking to feather his or her own nest or divert an investment opportunity to a relative, such breaches usually involve a breach of the director's duty to act in good faith; however not all jurisdictions recognized the "proper purpose" duty as separate from the "good faith" duty. Greater difficulties arise where the director, while acting in good faith, is serving a purpose that is not regarded by the law as proper.

2.6.2 Duty to promote company success

Directors must promote the success of the company for the benefit of its members as a whole. There are several factors to which a director must have regards in fulfilling the duty to promote success, such as:

1. The likely consequences of any decision in the long term.
2. The interests of the company's employees.
3. The need to foster the company's business relationships with suppliers, customers and others.
4. The impact of the company's operations on the community and the environment
5. The desirability of the company maintaining a reputation for high standards of business conduct.
6. The need to act fairly as between members of a company.

2.6.3 Duty to avoid conflicts of interest

As fiduciaries, the directors may not put themselves in a position where their interests and duties conflict with the duties that they owe to the company. The law takes the view that good faith must not only be done, but must be manifestly seen to be done, and zealously patrols the conduct of directors in this regard; and will not allow directors to escape liability by asserting that his decision was in fact well founded. Traditionally, the law has divided conflicts of duty and interest into three sub-categories.:

2.6.3.1 Transactions with the company

By definition, where a director enters into a transaction with a company, there is a conflict between the director's interest (to do well for himself out of the transaction) and his duty to the company (to ensure that the company gets as much as it can out of the transaction). This rule is so strictly enforced that, even where the conflict of interest

or conflict of duty is purely hypothetical, the directors can be forced to disgorge all personal gains arising from it.

However, in many jurisdictions the members of the company are permitted to ratify transactions which would otherwise fall foul of this principle. It is also largely accepted in most jurisdictions that this principle can be overridden in the company's constitution.

In many countries, there is also a statutory duty to declare interests in relation to any transactions, and the director can be fined for failing to make disclosure.

2.6.3.2 Use of corporate property, opportunity, or information

Directors must not, without the informed consent of the company, use for their own profit the company's assets, opportunities, or information. This prohibition is much less flexible than the prohibition against the transactions with the company, and attempts to circumvent it using provisions in the articles have met with limited success.

2.6.3.3 Competing with the company

Directors cannot compete directly with the company without a conflict of interest arising. Similarly, they should not act as directors of competing companies, as their duties to each company would then conflict with each other.

2.6.4 Remedies for breach of duty

In most jurisdictions, the law provides for a variety of remedies in the event of a breach by the directors of their duties:

1. Injunction or declaration
2. Damages or compensation
3. Restoration of the company's property
4. Rescission of the relevant contract
5. Account of profits
6. Summary dismissal

Chapter 3 -
Women on boards – Italy

3.1 An overview of Italian Gender Gap

The Italian labor market is characterized by a very limited women participation. As the Global Gender Gap Index shows, Italy is one of the lowest-ranking countries in the EU as for the size of the gender inequality gap (21th rank within 28 members of EU followed by Romania, Slovak Republic, Greece, Hungary, Cyprus, Czech Republic, and Malta). The Italy's rank of female Economic Participation and Opportunity is among the lowest 20 %, its lowest rank since 2008 in this category (114th within 142, the second-last country in EU before Malta).

But Italy has experienced an overall increase in its overall rank in the last nine years, regressing slightly in 2010 and 2012. Compared to 2006, Italy has had increasing score on all sub-indexes except Educational Attainment, due to a decrease in the score of Enrolment in primary education. Italy has seen the region's second-largest absolute increase on the female-to-male ratio of women in parliament over the past nine years. It is also among the top twenty countries that have experienced an increase of the women in ministerial position female-to-male ratio since 2006. Compared to last year, Italy has seen a decrease on the Economic Participation and Opportunity sub-index, consolidating Italy's place among the two countries from the region (with Malta) that are below average on the Economic Participation and Opportunity sub-index. It is the last-place country from the EU on the Wage equality for similar work indicator, taking over from France.[20]

[20] World Economic Forum, The Global Gender Gap Report, 2014.

3.2 Women on boards

The importance of diversity in corporate boards has been demonstrated in light of the agency theory and in the resource dependence framework. Both theories claim that individuals' characteristics can influence the ability to monitor and advise the inside directors and provide outside connections.

According to the former, a heterogeneous board is a stronger monitor of executives' behavior in the interest of the shareholders. This is grounded on the fact that diverse people may have different backgrounds and bring different viewpoints to board oversight. Being generally excluded from old-boys networks, female directors might enhance board independence of thought and monitoring functions.[21]

The resource dependence framework considers directors as providers of important resources to the firms such as connections with the outside environment, advice and counsel.[22] The more directors can provide a breadth of resources including different professional backgrounds, perspectives, problem-solving skills, the more they will be able to endow top managers with valuable advice and counsel.[23]

Someone suggests that females might be appointed as "tokens". Tokenism may hinder the beneficial role of female directors, since women minorities in groups may be subject to discriminating behavior. In fact, not only the presence but also the number of women directors is crucial and a critical mass, which means at least two of them, is deemed necessary to be significant influencers.[24]

Many researchers have tried to measure the effects of female representation on both governance and financial performance outcomes. However, no

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[21] Adams and Ferreira, 2009; Rhode and Packel, 2010
[22] Pfeffer and Salanick, 1978; Ferreira, 2009
[23] Anderson et al., 2009; Terjesen et al., 2009
[24] Konrad et al., 2008; Elstad and Ladegard, 2010

conclusive evidence on how gender diversity affects performance exists so far.

As for the effects of diversity on the adoption of good governance practices, a wider female representation has been found to be associated with stronger attention to the handling of conflict of interests and boards with two or more women make more use of search consultants. A recent study on a large panel of U.S. boards finds that gender diversity has a positive effect on some board practices associated with good governance. The greater the percentage of women in the board the higher the attendance of male directors, the number of board meetings and the pay-for-performance.[21]These results suggest that diverse boards are indeed stronger monitors. Finally, a recent contribution supports the idea that gender diversity is beneficial for shareholders by demonstrating its positive influence on a firm's general orientation towards shareholders.[25]

3.3 Legislations

The gender diversity issue is not only central among scholars but it is also driving a longstanding debate on quotas which is leading a number of European countries to introduce some kind of compulsory quotas. After the leading example of Norway, gender quotas are currently on the agenda of rule makers around the world who are starting to lose patience with companies' scant progress in increasing female representation.

In Continental Europe, most countries have mandated gender quotas. Countries that had initially taken a softer approach by addressing this issue in corporate governance codes, have moved towards compulsory quotas also. On 28 June 2011, the Italian Parliament approved a law commonly

[25] Adams, Licht and Sagiv, 2010

known as “Legge Golfo – Mosca” (The proposed law was first passed by the Italian Senate on 15th March 2011 and finally approved by the House of Commons on 28th June 2011). This is the first piece of legislation identifying reserved quotas for women (so-called "pink quotas") to sit on Boards of Directors of companies listed on the stock exchange.

Pink quotas are aimed at promoting the involvement of women in corporate activities and are currently set out as follows:

- One fifth of the members of the Board of Directors for the first year; and
- One third of the members of the Board of Directors for the following years must be women.

The Law came into force in August 2011 but did not begin to produce effects until one year later. Moreover, the obligations imposed by the law are applicable only at the renewal of the administrative and control Boards. As a consequence only companies that renewed their Boards after August 2012 are due to comply.

The regulatory body for the Italian Stock Exchange (CONSOB) has a sanctioning power over companies which do not comply with pink quotas. When CONSOB verifies that the obligations imposed by the law in terms of pink quotas are not met, it will issue a warning to the defaulting company asking for compliance within a period of up to four months.

If the company does not comply within the term assigned, CONSOB imposes a monetary penalty between €10,000 and €1,000,000 and sets a new term of three months for achievement. In the event of repeated failure, CONSOB could also terminate the appointment of Board members.

There is much academic debate as to whether the enactment of this law was necessary or if the same results could have been reached differently – perhaps without forcing the legislator to insert a specific obligation on the

issue. Others believe that this initiative could be seen as discouraging merit.[26]

Quotas regulation are generally justified on the basis of equality and fairness grounds. Nonetheless, imposing constraints on board composition may affect firms' value and raise costs in terms of restricting the possibility of appointing the best available candidate.[27]

From a theoretical point of view, if firms define their board structure in order to maximize their value, any regulatory constraint should be detrimental. However, if board structure is chosen to maximize the private benefits of insiders, diversity can increase firms' value.[28]

Though there is limited evidence on the effects of the introduction of compulsory quotas, a study on Norway finds that, consistent with the expected reorganization of boards, market reaction to the first announcement of the law is negative for all-male board companies and positive for those that have at least one female director.[28] Another research on the Norwegian market finds that quotas increased labor costs and employment levels while reducing short-term profits.[29]

Costs and benefits arising from quotas are difficult to identify. On the one hand, the increase of female representation induced by gender quotas may have potential positive effects as shown by the literature. On the other hand, the selection of new directors is not free of risks if either not enough experienced women are available or inadequate selection process leads to reduced board quality. Female directors appointed in Norway as a consequence of the new law provisions are found to be younger, less experienced and more stakeholder-oriented.

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[26] Vittorio Moresco, www.Lexology.com, Globe Business Publishing Ltd, 2014.
[27] Adams, Gray and Nowland, 2010.
[28] Ahern and Dittmar, 2010.
[29] Matsa and Miller, 2010.

Chapter 4 -

Women in Italian corporate boards, Descriptive statistics

4.1 Introduction

This dissertation sheds some light on female representation in Italian corporate boards, by taking into account the peculiarities of the Italian corporate control models. We consider all female directors of Italian publicly-traded firms at the end of 2014 and investigate the main characteristics of Italian female directors, as well as potential determinants of diverse boards. We take into account both the characteristics of the firms and those of female directors, specifically their affiliation with the controlling shareholder.

Moreover, we look at the correlation between female directorship and some governance and market measures, in order to get some insights on the possible effects of gender diversity.

We find that at the end of 2014 only 22.1% of total board seats was held by a woman and 7.7% companies had all-male boards, but this figures are still far better than the same numbers for 2010, in which only 6.8% of total board seats was held by a woman and the majority of listed companies had all-male boards; as well as both the number of female directors and that of companies where at least one board member is a woman are steadily growing.

	2004		2009		2014	
	#	%	#	%	#	%
Female Directors	122	**4.5**	173	**6.3**	518	**22.1**
Companies with at least a female director	91	**33.8**	129	**46.4**	216	**92.3**

Table 1 *- Female representation in corporate boards for Italian listed companies in 2004, 2009 and 2014*

When considering women's affiliation with the controlling agent, we find a high presence of women directors with a family connection with the controlling shareholder: in 12.04% (26 out of 216) of diverse-board companies, female directors are exclusively family members and in 31.02% (67 out of 216) there is at least one family-affiliated woman.

We also investigate the peculiarities of family and non-family women directors, with reference to their level of education and the role in the board. "Family" directors are on average less educated than not-affiliated women directors: the proportion of graduated women is much higher in the non-family group than in the other one (93% vs. 61%).

	Family affiliated		Non-family affiliated		Total female directors	
	#	%	#	%	#	%
Not Graduated	33	**38.82**	32	**7.39**	65	**12.55**
Graduated	52	**61.18**	401	**92.61**	453	**87.45**
Total Female Directors	85		433		518	

Table 2 *- Female directors by affiliation and education* ***(end of 2014)***

As for the role, we find that the majority of female directors are independent directors, whereas in almost a one quarter of the cases women are non-executive directors and in one case out of ten they have an executive role. Both executive and non-executive positions are generally held by a family-affiliated woman, while non-family women are usually independent directors.

	Executive	Non-Exe & Non-Ind	Independent
# of female directors	**59**	**140**	**319**
% of female directors	**11.4%**	**26.8%**	**61.8%**

Table 3 *- Female directors by role* ***(end of 2014)***

	Executive		Non-Exe &Non-Ind		Independent		Total female directors	
	#	%	#	%	#	%	#	%
Family affiliated	32	**54.24**	53	**37.86**	0	**0**	85	**16.41**
Non-family affiliated	27	**45.76**	87	**62.14**	319	**100**	433	**83.59**
Total Female Directors	59		140		319		518	

Table 4 *- Female directors by affiliation and role* ***(end of 2014)***

Two very different models emerge. On the one hand, family affiliated women are more present in smaller companies, with a concentrated ownership and which operate in the consumers sector. On the other hand, not-affiliated women are more common in widely held companies or in firms owned by a foreign shareholder, and in companies with younger boards and a higher proportion of independent directors.

4.2 Female representation in the Italian market

The appointment of women in Italian corporate boards has grown sharply in recent years following the new regulation in 2011. As shown by Table 1, both the number of female directors and that of companies where at least one

board member is a woman have continuously increased from 2004 to 2014. However, at end of 2014 as shown by Table 5 the majority of listed companies did not comply with pink quotas (Legge Golfo – Mosca); in almost half of the cases women held less that 25% of seats in companies' board, and still near 8% of listed companies have all-male boards.

	≥50%		≥33.33%		<33.33%		≥25%		<20%		0	
	#	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Companies	1	**0.4**	40	**17.1**	194	**82.9**	109	**46.6**	65	**27.8**	18	**7.7**

Table 5 *- Percentage of female directors on board* ***(end of 2014)***

Nevertheless figures on women representation in Italian corporate boards had an Impressive increase in previous years, for instance in 2014 the percentage of female directors in MIB Index was 22.9% which is higher than the same numbers for United States S&P 500 (19.2%), Germany's DAX (18.5%) or even slightly higher than UK's FTSE 100.[30]

Comparing Table 6 with Table 7 gives us a detailed view of this fast improvement within just five years. At the end of 2014, 97 firms representing more than 80% of total market capitalization had at least 3 women in their board of directors, whereas Table 7 highlights the very few cases of more than one female director in a corporate board at end of 2009 (only 34 firms representing less than 15% of total market capitalization); and only 6 companies had more than 3 female directors by that time.

[30] Catalyst, Catalyst Census: Women Board Directors, 2014, Available at: http://www.catalyst.org/knowledge/2014-catalyst-census-women-board-directorst

	N. of female directors	N. of companies	% Market Capitalization
Companies with female directors	7	1	0.6
	6	1	1.4
	5	5	14.5
	4	18	21.2
	3	72	42.5
	2	73	17.2
	1	46	4.0
All-male board	0	18	1.4

Table 6 *- Distribution of Italian listed companies by number of female directors* ***(end of 2014)***

	N. of female directors	N. of companies	% Market Capitalization
Companies with female directors	5	1	0.3
	4	2	0.3
	3	3	0.2
	2	28	13.1
	1	95	19.6
All-male board	0	149	66.5

Table 7 *- Distribution of Italian listed companies by number of female directors* ***(end of 2009)***

4.3 Company characteristics: size, industry and control model

When looking at the market value of firms, the statistics of 2009 provided in Table 7 show that all-male board companies represent the large majority of the market by that date (66,5%), suggesting that firms where women were represented in the boardroom tended to be smaller caps. This is confirmed in

Table 8, which shows the breakdown of women representation by market index for 2009. Even if their boards are significantly larger, blue chips (firms in the FTSE MIB and MID CAP Indices) had lower female representation both in terms of percentage of companies with diverse boards and weight of female directors. Female representation was higher in the Star index, comprising midsize companies subject to stricter requirements regarding transparency, liquidity and corporate governance. However, the highest figures on women involvement in the boardroom are shown by smaller caps (SMALL CAP & MICRO CAP indexes), where in almost half of the cases women were present and their average weight in the board was more extensive.

Market Index	N. of companies	% of companies with at least a female director	Average N. of female directors	Average % of female directors	Average board size
FTSE MIB	38	31.6	0.50	3.1	13.55
FTSE MID CAP	43	48.8	0.70	5.4	12.40
STAR	70	50.0	0.60	6.7	9.36
Other	127	48.0	0.65	8.2	8.32
Total Market	278	46.4	0.62	6.7	9.93

Table 8 *- Female directors' representation in Italian listed companies by Market Index* ***(end of 2009)***

However the figures for 2014 shows a completely different situation, the new regulations caused an obvious improvement in all indicators in every market segment.

As shown by Table 9 at the end of 2014 in almost all indexes there were less than 10% of companies with all male-boards; while only 5 years before that, more than half of the companies in all indexes had all-male boards.

Market Index	N. of companies	% of companies with at least a female director	Average N. of female directors	Average % of female directors	Average board size
FTSE MIB	41	95.1	3.00	23.5	13.07
FTSE MID CAP	58	94.8	2.36	21.9	10.97
SMALL CAP	126	90.5	1.90	22.2	8.56
MICRO CAP	9	88.9	2.11	19.2	10.33
Total Market	234	92.3	2.21	22.2	10.01
STAR	63	92.1	1.94	20.8	9.37

Table 9 *- Female directors' representation in Italian listed companies by Market Index* ***(end of 2014)***

Comparing last two tables also shows the bigger and more valuable companies (FTSE MIB & FTSE MID CAP), which had the worst conditions due to the presence of women on their boards in 2009, have better adjusted their boards with the new regulations and now they have the best results within the market.

Overall, these preliminary results for 2014 on the relationship between size and gender diversity confirm the theoretical hypothesis and empirical

findings supporting the idea that firm's size is positively related to gender representation.[31]

For 2009 the evidence on the relationship between industry and female representation shows that the latter is relatively high in IT/telecommunication sectors and consumer products industries in terms of average presence (Table 10). These industries appear to be characterized by smaller boards with a higher presence of women.

Industry	N. of companies	% of companies with at least a female director	Average N. Of female directors	Average % of female directors	Average board size
Consumer Product	85	47.1	0.65	7.4	8.86
Financial Services	59	45.8	0.69	6.2	12.49
Industrial	79	46.8	0.59	6.5	9.87
Technology, IT & Telecommunication	27	55.6	0.74	9.3	8.07
Public Utilities	28	35.7	0.36	3.6	9.71
Total	278	46.4	0.62	6.7	9.93

Table 10 *- Female directors' representation in Italian listed companies by industry* ***(end of 2009)***

Whereas for 2014 the Table 11 shows that IT/Telecommunication sector did not maintain its first position in the market, even in contrast, at the end of

[31] Hillman, A.J., Shropshire, C. and A.A. Cannella, (2007), Organizational Predictors of Women of Corporate Boards, Academy of Management Journal, 50:4, 941–952.

2014 IT sector has one of the lowest percentage of companies with diverse boards and second-last sector with average number of female directors.

Ironically, the Public Utilities sector which in 2009 had the lowest level of female presentation comparing to other sectors, within 5 years took the first position and by the end of 2014 has the second-highest figures for average percentage of female directors on boards.

Industry	N. of companies	% of companies with at least a female director	Average N. Of female directors	Average % of female directors	Average board size
Consumer Product	36	94.4	2.14	24.0	9.06
Financial Services	43	97.7	2.88	23.25	12.67
Industrial	71	88.7	1.86	19.65	9.40
Services	13	76.9	1.62	18.60	8.77
Technology, IT & Telecommunication	18	83.3	1.83	20.61	8.56
Public Utilities	23	100	2.52	25.01	10.30
Real Estate Industry	10	90.0	2.40	25.24	9.7
Entertainment & Media	20	100	2.45	24.93	10.25
Total	234	92.3	2.21	22.21	10.01

Table 11 *- Female directors' representation in Italian listed companies by industry* ***(end of 2014)***

Table 12 and Table 13 illustrate how different control models are associated with different gender representation. This is of particular interest in the Italian context where the large majority of listed companies is controlled by a single agent, coalitions are gaining importance and disperse ownership is still a characteristic of a few companies.[32]

The evidence in Table 12 for 2009 suggests that in companies with family control (either by a single shareholder or a coalition) women were more present both in absolute (in almost half of the companies with an average number of 0,66 female directors) and relative terms (on average, 7,2% of the board). On the other hand, more dispersed ownership structures, such as widely held companies, were associated with lower female representation.

Controlling Agent	N. of companies	% of companies with at least a female director	Average N. of female directors	Average % of female directors	Average board size
Family	184	47.3	0.66	7.2	9.33
Other/Non-family	94	44.7	0.54	5.8	11.10
Total Market	278	46.4	0.62	6.7	9.93

Table 12 - *Female directors' representation in Italian listed companies by controlling agent* ***(end of 2009)***

32 Bianchi, M., and M. Bianco, The Evolution of Ownership and Control Structure in Italy in the last 15 years, 2008.

But in aftermath of new legislation and by the end of 2014, aside of huge jumps in all indicators, now it seems non-family firms offer more opportunities to women for joining their board of directors. As shown in Table 13 in non-family firms, female directors are more often present and hold a larger number and fraction of board seats.

Controlling Agent	N. of companies	% of companies with at least a female director	Average N. of female directors	Average % of female directors	Average board size
Family	127	92.91	1.93	20.69	9.36
Other/Non-family	107	94.39	2.54	24.00	10.78
Total Market	234	92.3	2.21	22.2	10.01

Table 13 *- Female directors' representation in Italian listed companies by controlling agent* ***(end of 2014)***

We also tried to go more into the details of different classification of controlling agents for data related to 2014 and the results are illustrated in Table 14.

Figures tell us that all companies controlled by Public Administration have diverse boards and comparing to other classifications female directors in these companies hold a bigger fraction of board seats; also data on companies controlled by Institutional Investors show a good performance. On the other hand, companies controlled by Industrial Holdings have lowest percentage of diverse boards within our classification.

Controlling Agent	N. of companies	% of companies with at least a female director	Average N. of female directors	Average % of female directors	Average board size
Family	127	92.91	1.93	20.69	9.36
Public Administration	16	100	2.56	28.04	9.44
Institutional Investors	24	95.83	2.54	24.01	10.87
Industrial Holdings	33	90.90	2.45	24.76	9.82
Other	34	91.18	2.53	21.57	11.89
Total Market	234	92.3	2.21	22.2	10.01

Table 14 *- Female directors' representation in Italian listed companies by different controlling agent* ***(end of 2014)***

4.4 Female directors' characteristics: affiliation, education and age

The latter evidence suggests to carry out a more in-depth analysis of the characteristics of female directors: here we consider the affiliation with the controlling agent, level and field of their education and their age. Furthermore, we analyze the correlation of these characteristics with the role of female directors.

Section A of Table 15 and Table 16 classifies companies according to the nature of women's affiliation with the controlling agent for the years 2009 and 2014. Former Table tells us, in the majority of diverse-board companies at least one of the women had a family connection with the controlling shareholder (being the controlling shareholder herself or his wife, daughter

or close relative). More precisely, in 47.3% of diverse-board companies female directors were exclusively family members and in a further 9.3% there was at least one family-affiliated woman. Overall, family-affiliated female directors were presented in 73 (mainly small) companies representing 10% of total market capitalization by the end of 2009.

Characteristics of female directors		N. Of companies	% of companies with at least a female director	% of total number of companies	% of total market capitalization
A) Affiliation	Family	61	47.3	21.9	7.1
	Non-family	56	43.4	20.1	23.8
	Both	12	9.3	4.3	2.7
	All-male board	149	-	53.6	66.5
B) Education	At least one BA	102	79.1	36.7	32.0
	Not Graduated	27	20.9	9.7	1.55
	All-Male board	149	-	53.6	66.5

Table 15 - Distribution of companies by affiliation and education of female directors ***(end of 2009)***

In 2014, one out of each tree companies had at least a woman affiliated to the controlling agent on its board, but still like the 2009 these companies are relatively small companies and representing less than 7% of total market capitalization.

As for their education, Section B of Table 15 and Table 16 highlights that at the end of both periods the large majority of diverse-board companies at least one of the female directors holds a bachelors' degree (BA), whereas at end of 2014 only for 5% of those companies women are not graduated.

Characteristics of female directors		N. Of companies	% of companies with at least a female director	% of total number of companies	% of total market capitalization
A) Affiliation	Family	26	12.0	11.1	1.5
	Non-family	149	69.0	63.7	91.8
	Both	41	19.0	17.5	5.4
	All-male board	18	-	7.7	1.4
B) Education	At least one BA	204	94.4	87.2	97.8
	Not Graduated	12	5.6	5.1	0.8
	All-Male board	18	-	7.7	1.4

Table 16 *- Distribution of companies by affiliation and education of female directors* ***(end of 2014)***

Table 17 illustrates the classification of female directors by their family affiliation with the controlling agent and a simple proxy of their education. It shows at end of 2009, high percentage of affiliated female directors were not graduated and only 60% of them had a university degree, whereas almost all of non-family affiliated directors had academic educations.

	Family affiliated		Non-family affiliated		Total female directors	
	#	%	#	%	#	%
Not Graduated	38	**40**	4	**5**	42	**24**
Bachelor’s Degree	56	**60**	75	**95**	131	**76**
Total Female Directors	94		79		173	

Table 17 - Female directors by affiliation and educational degree ***(end of 2009)***

Table 18 shows a more detailed data on the same characteristics of directors for 2014, by confronting these last two tables, it seems the proportion of not graduated directors in both affiliated and unaffiliated group is almost remained the same (38.82% in 2014 vs 40% in 2009 and 7.39 in 2014 vs 5% in 2009). While we can see a more perceptible change in overall percentage of graduated female directors (87.45% for 2014 vs 76% for 2009).

	Family affiliated		Non-family affiliated		Total female directors	
	#	%	#	%	#	%
Not Graduated	33	**38.82**	32	**7.39**	65	**12.55**
Bachelor's Degree	14	**16.47**	31	**7.16**	45	**8.69**
Master's Degree	35	**41.18**	325	**75.06**	360	**69.50**
PhD	3	**3.53**	45	**10.39**	48	**9.27**
Total Female Directors	85		433		518	

Table 18 *- Female directors by affiliation and educational degree* ***(end of 2014)***

The results shown by Table 19 tells us that non-family affiliated women have even higher educational qualifications, more precisely one out of each four non-affiliated female directors have an academic career in her background.

	Family affiliated		Non-family affiliated		Total female directors	
	#	%	#	%	#	%
MBA	5	**5.88**	50	**11.55**	55	**10.62**
Accademic Prof. or Researcher	2	**2.35**	121	**27.94**	123	**23.75**
Total Female Directors	85		433		518	

Table 19 *- Female directors by affiliation and experience (MBA & academic jobs)* ***(end of 2014)***

These descriptive statistics shed a light on a twofold nature of female representation in Italian boards. On the one hand, there are female directors who are owners (or owners' relatives) and run the company. On the other hand, there are professional, on average better educated, directors.

To better understand this duality, Table 20 Table 21 provides a breakdown of women classified according to their characteristics in terms of affiliation and education and to their role in the board, i.e. whether they are executives, or serve as independent directors or, finally, are neither executive nor independent directors.

As is shown, at the end of 2009 only a minority of female directors were independent (nearly 20%). In almost half of the cases, women were non-executive directors, while in one case out of three they had an executive role.

		Executive		Non-Exe & Non-Ind		Independent		Total	
		#	%	#	%	#	%	#	%
A) Affiliation	Family	39	68.4	55	67.9	0	0.0	94	54.3
	Non-family	18	31.6	26	32.1	35	100.0	79	45.7
B) Education	Not graduated	20	35.1	21	25.9	1	2.9	42	24.3
	Bachelor's Degree or higher	37	64.9	60	74.1	34	97.1	131	75.7
Total female directors		57	32.9	81	46.8	35	20.2	173	100.0

Table 20 *- Female directors by affiliation, education and role* ***(end of 2009)***

For 2014, as mentioned earlier, it appears the appointment of "Golfo – Mosca" law helped women to inter to the corporate boards, but for the most of them as an independent directors; number of female independent directors by the end of 2014 is almost ten times higher than five years earlier, but As expected the executive roles are still generally held by family-affiliated women (54% of cases).

As for the education the percentage of graduated and non-graduated female directors for each role within this five years is not changed a lot.

Table 22 shows a more detailed classification of female directors by their level of education and their role.

		Executive		Non-Exe & Non-Ind		Independent		Total	
		#	%	#	%	#	%	#	%
A) Affiliation	Family	32	**54.2**	53	**37.9**	0	**0**	85	16.4
	Non-family	27	**45.8**	87	**62.1**	319	**100**	433	83.6
B) Education	Not graduated	23	**39.0**	24	**17.1**	18	**5.6**	65	12.5
	Bachelor's Degree or higher	36	**61.0**	116	**82.9**	301	**94.4**	453	87.5
Total female directors		59	**11.4**	140	**27.0**	319	**61.6**	518	100.0

Table 21 *- Female directors by affiliation, education and role* ***(end of 2014)***

	Executive		Non-Exe & Non-Ind		Independent		Total female directors	
	#	%	#	%	#	%	#	%
Not Graduated	23	**38.98**	24	**17.14**	18	**5.64**	65	**12.55**
Bachelor's Degree	4	**6.78**	18	**12.86**	23	**7.21**	45	**8.69**
Master's Degree	30	**50.85**	94	**67.14**	236	**73.98**	360	**69.50**
PhD	2	**3.39**	4	**2.86**	42	**13.17**	48	**9.27**
Total Female Directors	59		140		319		518	

Table 22 *- Female directors by education and role* ***(end of 2014)***

We also classified female directors by their field of study. Table 23 illustrates data about affiliated and non-affiliated female directors by their field of study.

If we suppose Law and Economy as the two most relevant fields of studies to the responsibilities of directors, then from data shown on Table 23 it appears that a low fraction of affiliated directors (22.35%) have a relevant field of study, therefore we can conclude family affiliated directors are not only less educated but also most of those who are graduated come from irrelevant fields of study.

	Family affiliated		Non-family affiliated		Total female directors	
	#	%	#	%	#	%
Engineering	5	**5.88**	24	**5.54**	29	**5.60**
Economy, Finance or Management	13	**15.29**	216	**49.88**	229	**44.21**
Law	6	**7.06**	104	**24.02**	110	**21.24**
Science (mathematic, physics, etc.)	0	**0**	13	**3.00**	13	**2.51**
Human Science (History, Art, Psychology, etc.)	26	**30.59**	40	**9.24**	66	**12.74**
Medicine	2	**2.35**	6	**1.39**	8	**1.54**
None	33	**38.82**	30	**6.93**	63	**12.16**
Total Female Directors	85		433		518	

Table 23 *- Female directors by affiliation and field of study* ***(end of 2014)***

Table 24 classifies female directors by role and field of study. It shows that 3 out of each 4 female independent directors have a degree in Economy or Law which are the most relevant fields of study to their job. This is also in line with the theoretical definition of outside directors which usually act in advisory capacity. On the other hand less than 30% of female executive directors are graduated in a relevant subjects.

	Executive		Non-Exe & Non-Ind		Independent		Total female directors	
	#	%	#	%	#	%	#	%
Engineering	3	**5.08**	5	**3.57**	21	**6.58**	29	**5.60**
Economy, Finance or Management	13	**22.03**	54	**38.57**	161	**50.47**	228	**44.02**
Law	5	**8.47**	25	**17.86**	80	**25.08**	110	**21.24**
Science (mathematic, physics, etc.)	3	**5.08**	4	**2.86**	6	**1.88**	13	**2.51**
Human Science (History, Art, Psychology, etc.)	9	**15.25**	27	**19.29**	29	**9.09**	65	**12.55**
Medicine	3	**5.08**	1	**0.71**	4	**1.25**	8	**1.54**
None	23	**38.98**	24	**17.14**	18	**5.64**	65	**12.55**
Total Female Directors	59		140		319		518	

Table 24 *- Female directors by role and field of study* ***(end of 2014)***

We also studied the statistical distribution of female directors by their age. Table 25 shows classification of directors by their affiliation to controlling agent and their age. As shown, around 27% of affiliated female directors are younger than 40 year old, while for non-affiliated female directors this number is less than 10%. However, average age of affiliated directors is 49 years and for non-affiliated directors is 51. Overall we can conclude affiliated female directors are slightly younger.

	age ≤30		30< age ≤40		40< age ≤50		50< age ≤60		60< age	
	#	%	#	%	#	%	#	%	#	%
Family affiliated	8	**9.41**	15	**17.65**	24	**28.24**	22	**25.88**	16	**18.82**
Non-family affiliated	1	**0.23**	42	**9.70**	176	**40.65**	135	**31.18**	72	**16.63**
Total Female Directors	9	**1.74**	57	**11.00**	200	**38.61**	157	**30.31**	88	**16.99**

Table 25 *- Female directors by affiliation and age* ***(end 2014)***

Table 26 shows classification of directors by their role and their age. It shows us more than 90% of independent directors are more than 40 years old (it is good to mention that all of independent directors are non-affiliated directors).

	age ≤30		30< age ≤40		40< age ≤50		50< age ≤60		60< age	
	#	%	#	%	#	%	#	%	#	%
Executive	0	**0.00**	4	**6.78**	17	**28.81**	24	**40.68**	14	**23.73**
Non-Exe & Non-Ind	9	**6.52**	24	**17.39**	51	**36.96**	30	**21.74**	24	**17.39**
Independent	0	**0.00**	29	**9.24**	132	**42.04**	103	**32.80**	50	**15.92**
Total Female Directors	9	**1.74**	57	**11.00**	200	**38.61**	157	**30.31**	88	**16.99**

Table 26 *- Female directors by role and age* ***(end of 2014)***

Chapter 5 -

Conclusion

This study have offered analysis of women on Italian listed companies' boards. Our objective was to understand who are currently the women directors and what drives their presence on the various companies' boards, which might offer some elements to understand how have they been selected.

A previous study on Italian boards[33] – in a historical perspective – provides some evidence on personal characteristics of Italian female directors such as family affiliation and education. The authors find that the percentage of family-affiliated women has decreased in the last four decades while the educational level of female directors has considerably increased in the last fifteen years.

At a first glance, the state of the art of female representation in Italy comparing to previous years has changed a lot, it has become more similar to Anglo-Saxon countries, where female are less likely to be executive/inside directors and the large majority of female directors is independent.

Considering all the previous analysis it appears that the new law (Legge Golfo – Mosca) has accelerated improvements in presence of women in Italian boards and also has increased the quality of female directors (education, age, etc.) it also helped women to join the boards of companies with higher market value which means it increased their influence on total economy.

However as shown on Table 5, there are almost 83% of companies which still did not completely comply with law, therefore we should expect more changes and improvements in few years ahead.

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[33] Gamba, M., A. Goldstein, The gender dimension of business elites: Italian women directors since 1934, Università Commerciale Luigi Bocconi Econpubblica Working Paper No. 127, 2008.

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