

Research Paper

Shared parental leave, male board directors, and firm performance: A corporate governance perspective

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ABSTRACT

To explore a broader dimension of board gender diversification, we investigate whether increased gender-equal government policy in relation to shared parental leave (SPL) affects the governance behavior of *male* board directors. We analyze the influence of the 2015 UK SPL policy using data on 1930 UK firms and semi-structured interviews with board directors. Consistent with social influence theory, we observe changes in male directors' governance decisions after SPL. Attributable to better corporate governance, financial performance improves in firms with predominantly male boards. Director interviews reveal increased board level focus on gender equality and SPL, often facilitated by considerate, yet powerful, male directors. Broadening research on corporate governance and gender, our study suggests the positive influence of increased commitment to gender equality on the corporate governance behavior of the predominant cohort of male directors. For board gender diversity to contribute to meaningful performance improvements diversity must be embedded at deep organizational levels, and women directors must be granted sufficient power to effect strategic change. Governments need to ensure gender egalitarian policies foster structural equality and encourage fathers to take parental leave. In addition to focusing on gender representation targets, firms must address boardroom gender power imbalance.

1. Introduction

Does gender-equal parenting policy influence the corporate governance behavior of male board directors with benefits for firm performance? Prior research has investigated the reduction of entry barriers for female board directors (Eckbo et al., 2022), their skill sets (Gull et al., 2018; Kim and Starks 2016), and contributions to organizational outcomes (Kirsch, 2018). While external pressure and regulation influence firms to appoint highly qualified female directors (Ferrari et al., 2022), their board presence does not necessarily translate into performance improvements. Ambiguous performance effects of female directorships (Gull et al., 2018; Yang et al., 2019) signal the complexity of measuring board diversity (Zattoni et al., 2023) which remains normatively unaccepted (Chen et al., 2025) in corporate cultures (Lins et al., 2024). Symbolic, rather than influential female director appointments (Gregory-Smith and Main, 2024) grant female directors insufficient power to affect strategic change (Chidambaram et al., 2022; Martínez-García et al., 2022; Mateos de Cabo et al., 2022; Tuggle et al., 2022). Therefore, although women possess essential strategic skills, in particular relating to corporate governance (Cronqvist and Yu, 2017; Gull et al., 2018; Kim and Starks, 2016), there is no strong evidence that female board

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representation alone brings performance benefits.

In this context, and in response to calls for research that explores a broader dimension of board gender diversification (e.g., [Aguilera et al., 2019](#); [Eckbo et al., 2022](#); [Ferrari et al., 2022](#); [Guldiken et al., 2019](#); [Gull et al., 2018](#); [Harakeh et al., 2023](#); [Knippen et al., 2019](#); [Sidhu et al., 2021](#); [Tuggle et al., 2022](#); [Zattoni et al., 2023](#)), our study investigates the elasticity of the leadership behavior of *male* directors towards more governance focused strategies that are often associated with female leadership. Specifically, we analyze whether more gender egalitarian parenting policy influences the governance behavior of *male* board directors in the UK, and whether that then benefits firm performance. The 2015 UK SPL policy enables fathers to share 50 (previously two) of the 52 parental leave weeks awarded to new parents. Contrary to other diversity and inclusion initiatives, e.g., flexible working ([Sørensen, 2017](#)) and board gender quotas ([Ahern and Dittmar 2012](#); [Eckbo et al., 2022](#)) that are stereotyped to target and benefit women, SPL awards increased rights for fathers. It is therefore a labor policy with the potential to benefit women and men across the workforce.

To examine links between the UK's SPL policy, the governance behavior of male board directors and firm performance we collect data on 1930 UK firms between 2000 and 2020. Then, following [Guldiken et al. \(2019\)](#) and [Jackson et al. \(2024\)](#) we complement our quantitative analysis through semi-structured interviews with 14 board directors of UK firms. Our results show that, after the 2015 introduction of SPL, firms with exclusively male directors enjoy on average 2.7% (14.8%) higher return on assets (stock returns) than firms with mixed gender boards. Firms with exclusively male directors also benefit from higher Environmental Social and Governance (ESG) scores, higher delta pay for executives, lower real earnings management and less free cash flow. Some of these effects have previously been linked to more gender-diverse boards, see [Buss et al. \(2025\)](#) for performance relating to environmental measures, [Carter et al. \(2017\)](#) for executive gender pay gap, [Yang et al. \(2019\)](#) on risk taking and [Kirsch \(2018\)](#) and [Zattoni et al. \(2023\)](#) for summaries. Performance improvements increase with the male director ratio and are particularly profound in firms whose directors are connected to other boards with high female director ratios. Male director overconfidence decreases while risk aversion increases. Our quantitative results therefore suggest that the introduction of SPL, and exposure to female directors on other boards, can influence male directors to adopt governance strategies commonly associated with women's leadership ([Kim and Starks, 2016](#); [Post and Byron, 2015](#)) to benefit firm performance. Our director interviews add nuance to these results. A pattern of consistently increasing board level focus on DEI and SPL policies specifically is evident. SPL's unique parent gender agnostic characteristics garner attention and support from male directors and shifts focus from policies stereotypically designed to benefit working mothers to those that improve flexibility for fathers. Considerate male directors expect their senior management teams to implement improved practices with some witnessing incremental rises in leave requests from new fathers. These attitudinal shifts are linked to overall positive effects on corporate governance practices, including financial management, client acquisition and staff retention. Directors also report the persistence of tokenistic appointments of female directors and male skewed decision-making power. Our quantitative and qualitative evidence suggest that powerful male directors' focus on diversity, equity, and inclusion through shared parental leave positively influences corporate governance strategies with benefits for firm performance in a context where board director power is skewed towards male directors.¹

Drawing on social influence theory ([Kelman 1958](#)), we postulate that the UK government's SPL policy can increase male directors' focus on DEI which in turn positively influences their corporate governance strategies ([Carnahan and Greenwood, 2018](#); [Conzon, 2023](#); [Cronqvist and Yu, 2017](#); [Kim and Starks, 2016](#); [Knippen et al., 2019](#)), while deep-rooted male power protection remains ([Dupree, 2024](#)). Previously used in business contexts (e.g., [Heavey et al., 2020](#); [Rocha and Van Praag, 2020](#)) and to investigate board performance ([Stevenson and Radin, 2008](#)), our study introduces social influence theory to the gender diversity aspects of corporate governance. We make several scholarly contributions. First, contributing to the literature that debates corporate governance theory and gender ([Aguilera et al., 2019](#)), we broaden the scope of extant literature on board gender diversification (e.g., [Afzali et al., 2022](#); [Au et al., 2023](#); [Ferrari et al., 2022](#); [Harakeh et al., 2023](#); [Guldiken et al., 2019](#); [Knippen et al., 2019](#); [Sidhu et al., 2021](#); [Tuggle et al., 2022](#); [Zattoni et al., 2023](#)). Second, our results extend previous findings about the positive influence that raised awareness of and commitment to gender equality can have on the corporate governance behavior of male executives ([Carnahan and Greenwood, 2018](#); [Conzon, 2023](#); [Cronqvist and Yu, 2017](#); [Dahl, Dezső, and Ross, 2012](#); [Lins et al., 2024](#); [Pan et al., 2024](#); [Wu et al., 2024](#)), and board director focus on inclusion ([Knippen et al., 2019](#)). Third, our qualitative results corroborate previous findings that board power is skewed in favor of overrepresented groups of male directors ([Chidambaram et al., 2022](#); [Martínez-García et al., 2022](#); [Tuggle et al., 2022](#)), whose endorsement can thereby facilitate better governance and egalitarian practices. Finally, concurring with previous research, our quantitative and qualitative results suggest that, until current patriarchal board structures are unsettled, the strategic governance improvements derived from increasing female director presence ([Gregory-Smith and Main, 2024](#)) may be limited ([Chen et al., 2025](#)). While firms that challenge sexist corporate cultures can become more attractive to investors despite male board and executive dominance ([Lins et al., 2024](#)), the performance benefits of adding female directors are likely to remain ambiguous ([Zattoni et al., 2023](#)) until diversity is embedded at deep levels in organizations and stubborn gendered power imbalances are challenged.

Our study has practical implications. To fully benefit from gender diverse boards, firms need to continually challenge outdated female carer / male leader gender roles. To combat labor market gender inequality in relation to career penalties for women when becoming mothers ([Kleven et al., 2019](#)), governments need to signal, through gender equal policies, that parenting and business leadership are suitable for everyone. Governments and firms must take action to ensure that all directors, regardless of gender, are granted power to improve the firms they govern.

¹ We see early indications of this evident in lower executive gender pay gap in our sample of firms with male dominated boards. The narrowing of the gender pay gap accelerates faster in these firms compared to firms with lower proportions of male directors. Further, female executives increased across all firms, see Figures IA.1 and IA.2 in Internet Appendix, respectively.

2. Theoretical framework and hypotheses development

2.1. Shared parental leave

With ultimate responsibility for monitoring firms (Aguilera et al., 2019) the board of directors impacts corporate strategy. Firms are obliged to align their internal policies with relevant government issued laws (Hutchinson, 1992). This grants the government substantial power over the issues decided at board level, including the foundations for gender egalitarian practices.² To combat the scarcity of female directors, ten European countries have opted for board gender quotas. Other governments, e.g., Sweden and the UK, instead adopted a recommendation-based approach for increasing the proportional representation of female directors (Martínez-García et al., 2022). Rather than establishing recruitment targets, shared parental leave is a labor policy that can support more equal treatment of women and men in the workforce and in the home with specific benefits for men. The UK SPL policy, marking fathers' right to share 50 instead of two weeks of the 52 weeks' parental leave provision, came into force on 5 April 2015. SPL aimed to encourage cultural change in the workplace which would be 'good for families, good for business and good for the economy' and to make fathers more confident in taking leave (UK Government, 2014). Policy take-up is growing incrementally; 5% of fathers used SPL in the 2020/2021 tax year compared to 1% in 2015/2016. Nonetheless, 70% of employees state policy awareness and 97% of users recommend it to others (Department for Business and Trade 2023). This signifies attention and norm adoption which could in time encourage the emergence of the cultural change anticipated by the UK Government.

SPL and quotas are parts of a wider labor policy environment for gender diverse business practice (Del Prete et al., 2024; Zhang, 2020). One key difference is that quotas require firms to open vacancies specifically for female board directors (Bertrand et al., 2019; Sørensen, 2017), whereas SPL workplace arrangements facilitate more equal parenting opportunities for women and men across the workforce. Granting families more freedom to plan childcare improves men's parenting options and women's career options by reducing structural obstacles. SPL does not create board director competition but offers indirect gender egalitarian governance effects with firm wide staff benefits. While financial costs, gendered expectations, workplace resistance, and policy restrictions may limit fathers' abilities to take leave (Kaufman, 2017), the introduction of SPL necessitated board level discussions and decisions on firm policies and communications.

2.2. Female directors, corporate governance, and firm performance

Female directors possess strategic corporate governance skills (Gull et al., 2018; Kim and Starks, 2016) by focusing on long-term performance (Manso, 2011); improving financial transparency, reporting, monitoring, and performance accountability (Harakeh, 2023; Girardone et al., 2021); reducing risk taking (Yang et al., 2019); encouraging lower executive gender pay gaps (Carter et al., 2017); improving corporate social responsibility and environmental measures (Buss et al., 2025; Cook and Glass, 2018); adding human resources and political skills (Kim and Starks, 2016), and also have higher attendance records compared to male directors (Adams and Ferreira, 2009). However, in their reviews Kirsch (2018) and Zattoni et al. (2023) show opaque relationships between board gender diversity and a range of organizational outcomes, including financial performance.

External pressures, stemming from societal shifts, labor policies and recommendations prompt firms to appoint female directors (Ferrari et al., 2022; Knippen et al., 2019; Martínez-García et al., 2022). But tokenistic appointments to meet gender targets (Gregory-Smith and Main, 2024; Triana et al., 2014) do little to shift patriarchal power structures (Sidhu et al., 2021) with female directors struggling to affect strategic change (Chidambaram et al., 2022; Martínez-García et al., 2022). Despite having the potential to make important strategic contributions, strong evidence that board gender diversity through increasing female representation causes performance benefits is therefore lacking (Yang et al., 2019). This is unaided by the low presence of female directors (Adams and Ferreira, 2009) and inadequate recognition about the ideal proportion of female board directors to facilitate strategic change (Triana et al., 2014). Therefore, while improved firm performance through better corporate governance is frequently ascribed to female directorship skills, adding women directors does not necessarily translate to firm outcomes or meaningful board gender diversity (Ferrari et al., 2022; Gregory-Smith and Main, 2024; Guldiken et al., 2019; Gull et al., 2018; Lins et al., 2024; Zattoni et al., 2023). This creates an unfortunate disconnect between women's skills and their positive impact on firm performance (Buss et al., 2025), something that we postulate is linked to patriarchal power structures in the boardroom.

2.3. Corporate governance and social influence

Despite exceeding men on leadership skills (Zenger and Folkman, 2019), women are considered less fitting for leading organizations than men (Reykjavik Index, 2025). The tendency to *think leader, think male* (Schein and Davidson, 1993) contributes to stereotype expectations that undervalue women leaders (Deutsch, 2007; Hull and Umansky, 1997) who receive lower competence, influence and leadership ratings in situations where their actual performance is comparable to men's (Eagly et al., 1992; Heilman and Haynes, 2005). Dominant gender role expectations not only favor and overvalue men for leadership positions, they also award male leaders greater influential power compared to female leaders (Au et al., 2023; Badura et al., 2018). Extending to the boardroom, where a systematic bias against female board directors persists (Peterson and Philpot, 2007), and to wider society where male opinions are

² As of 2023, only 14 countries have gender equal policies (The World Bank, 2023).

more influential (Baeckström, 2022), this reinforces the position of the powerful male leader as someone who can affect strategic change.

Despite external pressure (Knippen et al., 2019), firms struggle to recruit female directors beyond targets (Guldiken et al., 2019), and to award women power to influence strategic decisions sufficiently (Chidambaran et al., 2022; Martínez-García et al., 2022). This muddles attempts to measure organizational benefits of women on boards (Zattoni et al., 2023). In the absence of inclusive board gender representation, it is valuable to consider whether male directors can be influenced to lead in more diverse ways. A nascent body of literature documents that male leadership behavior is elastic to reverse messaging that challenges the stereotypical female care-/male leader model. For example, female directors of S&P500 firms are found to encourage experienced male CEOs to widen their strategic attention and increase their own focus on sustainability and inclusion (Pan et al., 2024). Other studies document a ‘daughter effect’ whereby male CEOs with first born daughters run S&P500 firms with 9.1% higher CSR ratings compared to median firms (Cronqvist and Yu, 2017); reduce the executive gender pay gap in Danish firms (Dahl et al., 2012), and increase the appointments of female board directors after having daughters (Wu et al., 2024).

Other studies explore managerial gender differences in influencing organizational gender equality. For example, Carnahan and Greenwood (2018) find that the liberal ideologies of male US law firm partners are more influential for improving workplace gender equality in hiring and promotion decisions than similar ideologies of female partners. Theorizing about the role of STEM managers’ gender for implementing gender equality policies, Conzon (2023) identifies a gender equality intention to action gap. Paradoxically, despite female managers openly supporting flexible working, their support is less likely to translate into permissions for staff, than the more passive support of male managers (Conzon, 2023).

These studies demonstrate that external pressure can unlock more diverse leadership traits among male leaders, signifying an adjustment towards skills more commonly associated with women leaders (Kim and Starks, 2016). They also suggest that male managers hold more influential positions than female managers, enabling them to act on policies (Carnahan and Greenwood, 2018; Conzon, 2023). The attitudes and behavior of male leaders therefore seem susceptible to social influence by external others (Kelman, 1958). As stipulated in social influence theory, individuals can alter their behavior and fundamental beliefs in line with the expectations or pressures from others (Cohen and Golden, 1972; Kelman, 1958). The theory has been applied to understand how social media influences the attitudes and behaviors of strategic leaders and firm stakeholders (Heavey et al., 2020); to study the influence of founder gender for encouraging women to become entrepreneurs (Rocha and Van Praag, 2020); to investigate leader motivation to adopt CSR practices (Tekleab et al., 2021), and to analyze the conformity behavior of stakeholders (Hollebeek et al., 2022). However, current research has not considered whether male leadership behavior is elastic also in relation to gender egalitarian parenting policy making through shared parental leave. As a corporate stakeholder, the government has socially embedded power to issue influential policies (Weitzner and Deutsch, 2015). Government policies can challenge public opinion (Soss and Schram, 2007), make issues more salient and influence business leaders. The influential power of policies has been associated with leaders’ motivation as well as the communication and interactions between policy issuers and organizational decision makers (Wang et al., 2025; Weitzner and Deutsch, 2015).

SPL requires corporate boards to deliberate more egalitarian and diverse working conditions something which, through the lens of social influence theory, has the possibility of influencing the governance behavior of male directors. The introduction of the UK SPL signals that parenting extends to the male gender and leadership to the female gender, thus challenging outdated gender role expectations. The societal debates that ensued from the introduction of shared parental leave contribute to increased normative acceptance of gender diversity thereby unlocking positive behavioral change (Giannetti and Wang, 2020). Furthermore, normative and regulatory acceptance of equality measures can condition the relationship between gender diversity and improved firm performance (Zhang, 2020). While the introduction of SPL can support women’s career progression and disturb boardroom gender power balance in time, the policy’s newness renders it more likely to contribute to combatting certain gender stereotype behavior among those currently in powerful organizational positions. Drawing on social influence theory and the evidence of a movement towards better governance among male leaders in other gender equality exposure settings (Cronqvist and Yu, 2017; Dahl et al., 2012; Latura and Weeks, 2022; Pan et al., 2024), we postulate that SPL may unlock male directors’ capacity to act outside of their gender normative framework. We expect more pronounced firm governance and performance improvements in firms with predominantly male board directors than firms with lower male ratios because they have more “targets”, i.e., male directors, who are subjected to this shock and whose collective power to affect strategic change is greater. We formulate the following hypotheses:

Hypothesis (H1). *The UK SPL is likely to be associated with improved performance in firms with predominantly male board directors.*

Hypothesis (H2). *The UK SPL is likely to be associated with improved corporate governance behavior in firms with predominantly male board directors.*

3. Data and empirical design

To investigate our hypotheses, we collect and analyze data from 1930 UK listed firms (Sections 3.1 and 4.1). Then, to anchor our quantitative findings on boardroom processes we interview 14 board directors of UK firms (Sections 3.2 and 4.2).

3.1. Quantitative data and methodology

Our quantitative analysis uses data from Compustat – Global and BoardEx – United Kingdom, which contain all available data for

UK listed companies between 2000 and 2020. We require total assets to have a greater value than capital expenditures with positive values for both. We drop data where total liabilities are greater than total assets and where long-term plus short-term debt exceeds total assets. We exclude financial and utility firms as these are subject to different regulations and governance (Premuroso and Bhattacharya, 2007; Bigelli and Sanchez-Vidal, 2012). To avoid the influence of outliers, we winsorize variables with extreme values at 1% and 99% levels. Our final sample comprises 16,223 firm-year observations across 1930 firms.

Fig. 1 details industry distribution based on four-digit SIC codes and 30-industry classification. Services (31% of firms) is the biggest industry segment, followed by mining & natural resources, wholesale & retail, construction and manufacturing.

To account for SPL, we define *Post* as a dummy equal to one from 5 April 2015 onward, zero otherwise. We capture the effect by the board on firm performance through two measures and focus on male directors because the policy targets male parents. Particularly, *Male Dummy* equals one for boards without female directors, zero otherwise and *Male Ratio* is the proportion of male board directors. We construct *Male Dummy* $\times$ *Post* and *Male Ratio* $\times$ *Post* as the main explanatory variables in our analyses through the interaction of *Male Dummy*, *Male Ratio*, and *Post*. This method allows us to examine whether male directors' influence on firm performance is different before and after SPL and whether this varies by the proportion of male board directors. We use return on assets (ROA) and stock return to proxy accounting and financial performance of firms, respectively. ROA is cash flow from operations over total assets and *Stock Return* is annual stock returns.³ Following literature on corporate governance and firm performance (e.g., Bhagat and Bolton, 2008; Liu et al., 2015; Wahid and Welch, 2019; Hu et al., 2022), we control for various firm-level attributes as defined in Appendix Table A.1.

Table 1 gives summary statistics for all variables. On average, firms have six board directors (see *Board Size*). Men hold 92.2% of directorships and 61.6% of firms have fully male boards. Median ROA and stock return are about 6.4% and 0.3%, respectively. An average firm has total assets of £90.468 million (see *Firm Size*). Average leverage and cash ratio are 16.4% and 15.6%, respectively, M/B and dividend ratio are about 1.47 and 1.6%.

To examine our hypotheses, we use the following fixed-effect OLS panel regression model (e.g., Angrist and Pischke, 2009):

$$\text{Firm Performance}_{i,t} = \alpha + \beta_1 \text{Male Representation}_{i,t-1} + \beta_2 (\text{Male Representation} \times \text{Post})_{i,t-1} + \theta X_{i,t-1} + \eta_i + \phi_t + \varepsilon_{i,t-1} \quad (1)$$

where *Firm Performance*_{*i,t*} represents ROA and Stock Return of firm *i* in year *t*. *Male Representation*_{*i,t-1*} denotes two different proxies for firm *i* in year *t*–1: *Male Dummy* and *Male Ratio*. *Post*_{*i,t-1*} equals one from 2015 onward, zero otherwise. *X*_{*i,t-1*} is a vector of control variables (i.e., Firm Size, Leverage, Growth, Cash Ratio, Stock Volatility, Tangibility, M/B, Dividend Ratio, Board Size, Board Tenure, Busy Board, and Board Delta). η_i represents firm fixed effects while ϕ_t denotes year fixed effects to account for any time trends in firm performance. Our model does not include an indicator for the post period separately as this is subsumed by year fixed effects. To address the potential issue regarding causality, explanatory variables are lagged by one year. Standard errors are clustered at firm level, specifications common in empirical corporate finance studies (e.g., Adams and Ferreira, 2009; Guo and Masulis, 2015).

3.2. Qualitative data and methodology

To verify and add nuance to our empirical findings on boardroom processes we conduct semi-structured interviews with 14 board directors of UK firms. This method is frequently used in the management literature to elicit in-depth insights into organizations and people (Gephart 2004). Our setup follows Guldiken et al. (2019) who use expert interviews with 10 corporate directors to deepen their quantitative investigations on the effects of gender diverse leadership on tokenistic female director appointments and Jackson et al. (2024) who interview 6 c-suite officers in their investigation into shareholder judgements of female CEOs. Our method further responds to quantitative research that calls for studies to investigate the micro elements of attitude formation regarding gender equality in leadership practices. In particular we respond to Knippen et al. (2019), whose study on S&P listed firms links external pressure for board gender diversity to higher proportions of female directors. The authors acknowledge how interviews can shed light on the prevalence of outgroup treatment of female directors by male directors. Our qualitative method draws inspiration from Boivie et al. (2021) who conduct semi-structured interviews with 50 directors and executives to understand board directors' perception of their roles and responsibilities. We draw comfort from the fact that our sample size (*N* = 14) is comparable to the ones in other studies (e.g. Guldiken et al., 2019) and from indications of data saturation in samples involving more than twelve interview scripts (Guest et al., 2019). While the interviewer's previous board director experience and interest in DEI are likely to add credibility to the interview setting, interviews were loosely structured using open questions to allow participants to shape the discussion of their own experiences whilst avoiding projection of the interviewer's own interpretation or unconscious bias influence (Chenail, 2011). See also Appendix II.

4. Results

4.1. Quantitative evidence

We conduct a T-test to understand whether firms with more male board directors perform better following SPL (H1). In this untabulated analysis, we find significantly higher ROA (3.2%) and *Stock Return* (11.7%) in firms with male only boards compared to firms with mixed gender boards. These initial findings suggest higher firm performance in firms with 100% male directors.

³ We also use risk-adjusted stock returns through Sharpe Ratio and obtain robust results in Table IA.8 of Internet Appendix.

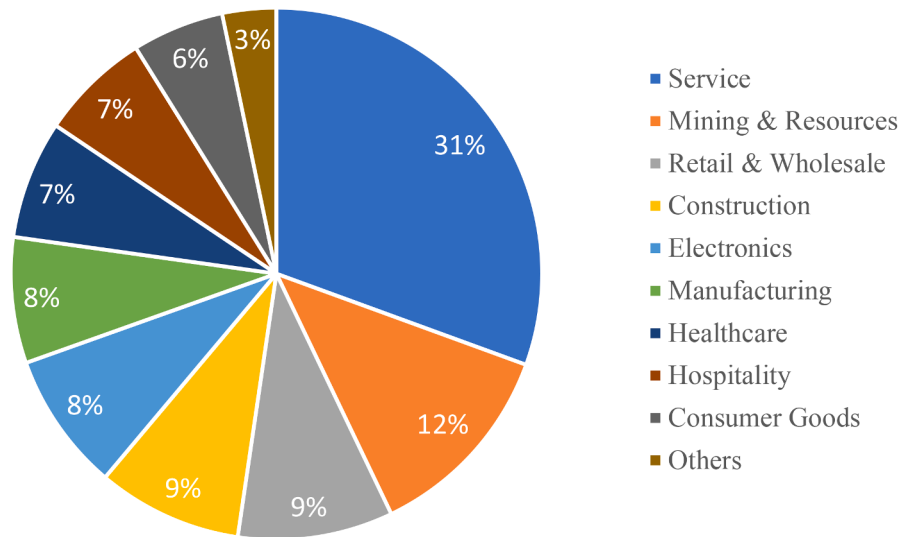


Fig. 1. Industry distribution.

This figure displays the distribution of industries in the sample. Industry aggregation is based on the four-digit SIC codes. The 30-industry classification codes are used to construct the industries as obtained from Kenneth French's website.

Table 1
Descriptive statistics.

	Mean	Std. Dev.	25th Percentile	Median	75th Percentile
ROA	0.016	0.209	−0.023	0.064	0.123
Stock Return	0.213	1.236	−0.296	0.003	0.333
Male Dummy	0.616	0.486	0.000	1.000	1.000
Male Ratio	0.922	0.112	0.857	1.000	1.000
Firm Size	4.505	2.221	2.872	4.313	5.987
Leverage	0.164	0.170	0.005	0.123	0.267
Growth	0.044	0.057	0.009	0.024	0.054
Cash Ratio	0.156	0.180	0.036	0.089	0.205
Stock Volatility	0.049	0.132	0.018	0.026	0.040
Tangibility	0.220	0.235	0.037	0.126	0.327
M/B	1.471	1.846	0.464	0.873	1.669
Dividend Ratio	0.016	0.023	0.000	0.000	0.027
Board Size	1.842	0.329	1.609	1.792	2.079
Board Tenure	1.348	0.841	0.934	1.482	1.917
Busy Board	0.044	0.206	0.000	0.000	0.000
Board Delta	2.329	1.508	1.204	2.259	3.276

This table provides descriptive statistics for the main variables. Sample contains 16,223 observations across 1930 firms spanning years 2000 to 2020. Variables are winsorized at the 1% and 99% levels. *ROA* is return of assets calculated as cash flow from operations scaled by total assets. *Stock Return* is annual stock return. *Male Dummy* equals one for boards without female directors, zero otherwise. *Male Ratio* is the proportion of male directors. *Firm Size* is the natural logarithm of total assets. *Leverage* is long-term debt plus debt in current liabilities scaled by total assets. *Growth* is capital expenditures over total assets. *Cash Ratio* is cash over total assets. *Stock Volatility* is the standard deviation of daily equally weighted stock returns in a year. *Tangibility* is net plant, property, equipment scaled by total assets. *M/B* is market value over book value of total assets. *Dividend Ratio* is total dividends scaled by the market value. *Board Size* is the natural logarithm of total board directors. *Board Tenure* is the natural logarithm of average board director tenure. *Busy Board* equals one where the majority of directors serve on at least two additional boards, zero otherwise. *Board Delta* is the natural logarithm of one plus the average director delta pay (in £ Thousand).

Our main test results for the association between SPL and firm performance are in Table 2. *Male Dummy* $\times$ *Post* has statistically significant and positive coefficients for ROA and *Stock Return*. Particularly, firms with male only boards have 2.7% (14.8%) higher ROA (Stock Return) compared to firms with mixed gender boards. Further *Male Ratio* $\times$ *Post* analyses reveal that a one standard deviation increase in the *Male Ratio* (about 11.2%), i.e., the addition of one male director (Table 1), increases ROA by 0.9% ($= 0.084 \times 0.112$) and *Stock Return* by 6.2% ($= 0.553 \times 0.112$). Companies with more male-dominated boards experience improved financial performance, whereas this effect is attenuated for boards with more gender diversity, as the policy in question predominantly targets male individuals. Consequently, any influence exerted through the SPL mechanism is expected to manifest primarily in firms with a majority of male directors as more directors are subjected to this shock and hence their collective strategic influential power should be greater in those companies. Hypothesis 1 is supported as firms with higher proportions of male directors have higher performance across a range

Table 2

Effect of policy change on performance of firms with the predominantly male boards.

	ROA I	Stock Return II	ROA III	Stock Return IV
Male Dummy × Post	0.027*** (0.008)	0.148*** (0.058)		
Male Dummy	0.001 (0.005)	−0.058* (0.033)		
Male Ratio × Post			0.084*** (0.030)	0.553** (0.243)
Male Ratio			0.001 (0.023)	−0.190 (0.180)
Firm Size	0.010** (0.004)	−0.373*** (0.028)	0.009** (0.004)	−0.372*** (0.028)
Leverage	0.060*** (0.017)	0.371** (0.151)	0.061*** (0.017)	0.374** (0.151)
Growth	0.004 (0.036)	−0.677* (0.375)	0.004 (0.036)	−0.675* (0.376)
Cash Ratio	−0.147*** (0.021)	−0.042 (0.124)	−0.147*** (0.020)	−0.042 (0.124)
Stock Volatility	0.018* (0.010)	−0.506*** (0.106)	0.019* (0.010)	−0.505*** (0.106)
Tangibility	0.031* (0.018)	−0.095 (0.193)	0.033* (0.018)	−0.093 (0.194)
M/B	0.006*** (0.001)	−0.129*** (0.010)	0.005*** (0.002)	−0.129*** (0.010)
Dividend Ratio	0.105* (0.054)	2.715*** (0.690)	0.106** (0.054)	2.729*** (0.691)
Board Size	−0.026*** (0.008)	−0.125 (0.077)	−0.028*** (0.008)	−0.119 (0.076)
Board Tenure	0.011*** (0.003)	0.012 (0.024)	0.011*** (0.003)	0.011 (0.024)
Busy Board	0.002 (0.006)	0.054 (0.063)	0.002 (0.005)	0.054 (0.062)
Board Delta	0.003*** (0.001)	−0.052*** (0.012)	0.004*** (0.001)	−0.052*** (0.012)
Constant	0.021 (0.023)	2.274*** (0.183)	0.024 (0.033)	2.393*** (0.261)
Firm & Year FE	YES	YES	YES	YES
Adj R ²	0.048	0.080	0.048	0.080
Observations	16,223	16,205	16,223	16,205

This table presents the estimates for *Male Dummy* and *Male Ratio* and their interaction with *Post* along with *Firm Size*, *Leverage*, *Growth*, *Cash Ratio*, *Stock Volatility*, *Tangibility*, *M/B*, *Dividend Ratio*, *Board Size*, *Board Tenure*, *Busy Board*, and *Board Delta* as control variables. The dependent variables are ROA, i.e. cash flow from operations over total assets, and *Stock Return*. *Male Dummy* is equal to one for boards without female directors, and zero otherwise. *Male Ratio* is the proportion of male directors. *Post* is equal to one from 2015 onwards, zero otherwise. *Male Dummy* × *Post* and *Male Ratio* × *Post* are main explanatory variables. Variable definitions are available in Table A.1, Appendix. All explanatory variables are lagged by one year. Year and firm fixed effects are included. *Post* is not included in the model separately as it is subsumed by year fixed effects. Standard errors are clustered by firms and given in parentheses. The *** indicates statistical significance at the 1% level.

of measures.

In untabulated results, we replace time fixed effects with economic factors, i.e., unemployment rate and PPI, and include the *Post* dummy. Further, we exclude either time or firm fixed effects or both in separate analyses, including the *Post* dummy in the model where necessary. To eliminate any concern that male board representation could have been affected directly by SPL, we base our independent variable on the pre-SPL period. We replace *Male Dummy* with a new binary variable, *Male Dominant*, which denotes firms with fully male boards in 2014. To further address the concerns about the dynamic nature of *Male Dummy* across several years for the same firm, we construct *Strictly Male*. It is an indicator equal to one for the sample of firms consistently without any female directors

two years before the SPL policy and onwards (i.e., 2013 to 2020), and zero for firms with consistently at least one female director throughout. With the results in Table IA.1, we argue that SPL affects all male directors across the UK. Hence, director turnover does not represent an issue for our study with both predecessor and successor directors exposed to and influenced by the policy. Our results in Table IA.1 also pass the empirical scrutiny through a stricter male representation in the boards. Moreover, repeating the analysis using *Male Ratio(detrended)*, removing any trend effects in *Male Ratio*, see Table IA.2, obtains similar and robust results.⁴

We conduct further tests to validate our empirical approach and our main findings. The key assumption in our model is that the target and the control groups i.e., firms with fully male boards versus with mixed gender boards, respectively, have parallel trends before the treatment (SPL). First, the T-test results in Table IA.5 of the Internet Appendix confirm the absence of any statistical difference in ROA and Stock Return between male dominated and mixed gender boards prior to SPL. Acknowledging that our empirical model is sensitive to the parallel trend assumption, we scrutinize the estimate for target variables, i.e. *Male Dummy* and *Male Ratio*, in pre-SPL only in Table IA.6, results which indicate that neither of these variables significantly influences firm performance. Mindful that societal changes can occur slowly without immediately observable outcomes, we conduct an explicit parallel trend analysis in Table IA.7. This shows that the effect of male dominated boards on firm performance varies across target and control firms, and it is only evident after SPL and becomes stronger over time. The robust results with *Male Ratio* also confirm the effect of variation in the treatment intensity as the ratio changes across firms and years.

We argue a tendency for male directors to be socially influenced (Cronqvist and Yu, 2017) to alter their governance behavior, adopting more diverse governance traits which then contributes to better firm performance. If true, we expect to observe more pronounced performance improvement in firms whose male directors have more exposure to female director colleagues on other boards, compared to male directors with fewer female director connections. To test this, we construct “female connectivity” for each board which is the mean value of each director’s connectivity to female directors serving on other boards. We repeat our main analysis for two groups of firms i.e., above and below median value of a board’s female director connectivity in Table 3. Our findings confirm significantly higher ROA and stock returns only for firms whose predominantly male boards have more female director connections. Our main results in Table 2 combines these two groups, but the origin of this real effect is observed in Table 3. These imply that firm performance improvement outcomes are observable only when two conditions are met: i) predominantly male boards, providing more ‘targets’ subjected to the SPL shock with greater collective influence; and ii) those directors having greater exposure to female colleagues on other boards, so that the environment created by the shock is internalized through higher female connectivity.

We then examine whether male directors inherit improved corporate governance behavior after SPL (H2), skills that are traditionally associated more with their female peers. Researchers document gender differences in director attitudes and behavior. Women investors (Baeckström et al., 2021; Barber and Odean, 2001) and directors (Brooks et al., 2019; Levi et al., 2014) have *lower confidence and risk tolerance* when making investment decisions. Female directors evaluate risky undertakings, e.g., acquisitions, more carefully and tame overconfident (male) CEO decision making through more efficient monitoring (Tosun et al., 2022). We proxy these governance channels through two variables. Director *Overconfidence* is the mean value of directors’ option moneyness using the value of exercisable but unexercised options (Campbell et al. 2011). Director *Risk Aversion* in relation to bankruptcy is considered using Z-score, where higher values indicate lesser likelihood for firms to file for bankruptcy (Altman 1968).

Moreover, several studies associate female directors with better governance via decreased *earnings management* (e.g., Srinidhi et al., 2011; Arun et al., 2015; Lara et al., 2017). Real earnings management (REM) reflects abnormal cash flow from operations (Roychowdhury, 2006), decreasing levels of which indicate higher quality of firm monitoring and board governance. High *free cash flow* (FCF) levels signify deteriorating governance and monitoring. It encourages CEOs to fund low return projects (Jensen 1986). Implying stronger board governance and efficient resource management, lower FCF levels are also associated with female directors (Guizani and Abdalkrim, 2022). Alignment of executives’ wealth to company stock performance through *executive delta pay* can safeguard good corporate governance and monitoring (Edmans et al., 2009; Mehran, 1995). Therefore, we construct the following measures: REM, defined as abnormal cash flow from operations; Ln(Free Cash Flow), the natural logarithm of one plus average executive delta pay (in £ Thousands).

Lastly, *socially sustainable governance* sees women directors embrace and cultivate relationships with stakeholders (Abdullah et al., 2016) and a critical mass of female board members improves their firms’ *ESG performance* (Schoonjans, 2024). Socially responsible governance can contribute to improved firm performance (Ferrell et al., 2016; Renneboog et al., 2008). To test whether male directors’ governance becomes more socially responsible after SPL, we collect data on firms’ total ESG scores, CSR strategy scores and

⁴ Although our empirical model addresses the concerns of endogeneity and causality, the control variables in the estimation model that capture linear relations could be inadequate if companies with male only boards are fundamentally different to firms with mixed gender boards. Under this assumption (unobserved heterogeneity), our results could be biased. Thus, we propensity-match each firm with a fully male board with its nearest (maximum two) neighbour firms without a fully male board, i.e., the control group, for each of the ten industry groups in our sample. This is achieved using the characteristics i.e., firm size, market-to-book, leverage and stock volatility as matching criteria. In Table IA.3, we repeat the main analysis using this refined sample and obtain robust results. Moreover, we use a dynamic panel system GMM estimator, a technique that enhances the efficiency of our main estimator and the explanatory power through introducing more instrumental variables in the estimation. We include the lags of male board representation measures and control variables. Our instruments are lagged using 7 to 14 and 10-to-18-year periods to reflect different levels of lagging. Consistent with main results, Table IA.4 gives robust findings.

Table 3

Analyses of the relationship between the policy change and firm performance: connection to female directors.

Female Connectivity:	ROA		Stock Return		ROA		Stock Return	
	Above Median	Below Median	Above Median	Below Median	Above Median	Below Median	Above Median	Below Median
	I	II	III	IV	V	VI	VII	VIII
Male Dummy	0.021**	−0.003	0.204**	0.071				
× Post	(0.011)	(0.037)	(0.084)	(0.150)				
	−0.003	0.014	−0.104***	0.055				
Male Dummy	(0.005)	(0.013)	(0.039)	(0.110)				
Male Ratio					0.054**	−0.070	0.607**	0.806
× Post					(0.025)	(0.171)	(0.301)	(1.047)
Male Ratio					−0.024	0.094	−0.237	−0.094
					(0.019)	(0.077)	(0.186)	(0.969)
Firm Size	0.012*	0.011*	−0.424***	−0.403***	0.011***	0.011*	−0.421***	−0.403***
	(0.006)	(0.006)	(0.048)	(0.046)	(0.003)	(0.006)	(0.048)	(0.046)
Leverage	0.028	0.099***	0.486**	0.349	0.028**	0.099***	0.495**	0.351
	(0.020)	(0.029)	(0.230)	(0.246)	(0.014)	(0.029)	(0.230)	(0.246)
Growth	−0.017	−0.003	−0.686	−0.837	−0.019	−0.003	−0.677	−0.837
	(0.048)	(0.049)	(0.545)	(0.539)	(0.037)	(0.049)	(0.548)	(0.538)
Cash Ratio	−0.175***	−0.152***	−0.227	0.043	−0.174***	−0.152***	−0.227	0.044
	(0.025)	(0.027)	(0.218)	(0.185)	(0.013)	(0.027)	(0.218)	(0.185)
Stock	0.023*	0.011	−0.644***	−1.017***	0.024**	0.011	−0.640***	−1.015***
Volatility	(0.013)	(0.013)	(0.198)	(0.161)	(0.010)	(0.013)	(0.199)	(0.162)
Tangibility	0.062***	−0.010	−0.144	−0.010	0.064***	−0.010	−0.146	−0.009
	(0.024)	(0.027)	(0.296)	(0.281)	(0.017)	(0.027)	(0.297)	(0.281)
M/B	0.010***	0.004	−0.144***	−0.143***	0.010***	0.004	−0.143***	−0.143***
	(0.002)	(0.003)	(0.017)	(0.013)	(0.001)	(0.003)	(0.017)	(0.013)
Dividend	0.060	0.141	2.512**	4.122***	0.060	0.141	2.537**	4.099***
Ratio	(0.066)	(0.098)	(1.030)	(0.965)	(0.075)	(0.098)	(1.033)	(0.967)
Board Size	−0.012	−0.047***	−0.007	−0.213*	−0.013	−0.047***	0.014	−0.220*
	(0.011)	(0.013)	(0.112)	(0.122)	(0.008)	(0.013)	(0.111)	(0.123)
Board	0.006	0.011**	0.010	0.009	0.006**	0.011**	0.008	0.010
Tenure	(0.004)	(0.005)	(0.031)	(0.044)	(0.003)	(0.005)	(0.031)	(0.044)
Busy Board	0.014**	−0.017	0.066	0.019	0.014**	−0.017	0.067	0.018
	(0.006)	(0.011)	(0.079)	(0.108)	(0.006)	(0.011)	(0.079)	(0.108)
Board Delta	0.005***	0.002	−0.023	−0.093***	0.005***	0.002	−0.023	−0.093***
	(0.002)	(0.003)	(0.016)	(0.021)	(0.001)	(0.003)	(0.016)	(0.021)
Time, Firm FE	YES	YES	YES	YES	YES	YES	YES	YES
Adj. R ²	0.066	0.053	0.080	0.103	0.065	0.053	0.079	0.103
Observations	8046	8047	8046	8047	8046	8047	8046	8047

This table reports estimates for *Male Dummy* and *Male Ratio* and their interaction with *Post* along with control variables. The analysis is conducted for two separate groups, i.e. above and below median value of a board's female director connectivity. It is the mean value of each director's connectivity to female directors in other boards they sit on. The dependent variables are ROA, i.e. cash flow from operations over total assets, and *Stock Return*. *Male Dummy* × *Post* and *Male Ratio* × *Post* are main explanatory variables. Variable definitions are available in Table A.1, Appendix. All explanatory variables are lagged by one year. Year and firm fixed effects are included. *Post* is not included in the model separately as it is subsumed by year fixed effects. Standard errors are clustered by firms and given in parentheses. The *** indicates statistical significance at the 1% level.

management scores from the Refinitive Database.⁵

We use our main model in Eq. (1) and regress *Overconfidence*, *Risk Aversion*, *REM*, *Ln(Free Cash Flow)*, *Ln(Exec Delta)*, *ESG-Score*, *Strategy-Score*, and *Management-Score* on *Male Dummy* × *Post* and *Male Ratio* × *Post* along with the control variables, time and firm fixed effects. Explanatory variables are lagged by one year, and standard errors are clustered at firm level. Table 4 presents our results. Panel A shows that boards become less overconfident and more risk averse as the proportion of male directors rise after SPL. These results suggest that male directors inherit “governance behavior” similar to their women peers after SPL. Panel B links male dominated boards to decreased real earnings management and less free cash flow, as well as increased delta pay for firm executives. *REM* and *Ln (Free Cash Flow)* decrease by 2.1% and 17.9%, respectively, and *Ln(Exec Delta)* increases by 12.2% for firms with male only boards after the policy change. We find similar results using *Male Ratio* × *Post*. Lastly companies with male only boards experience an increase in *ESG-Score*, *Strategy-Score*, and *Management-Score* by 3%, 8.9%, and 9.2% respectively, after the policy change (Panel C). We obtain similar findings with *Male Ratio* × *Post*. In support of Hypothesis 2 and better firm performance, these results show that corporate governance improves in firms with predominantly male boards after SPL. Male directors therefore appear to adopt “governance decisions” traditionally more associated with female directors, something we postulate may be partially attributable to early-stage SPL policy impact on the behavior of the current cohort of powerful (male) organizational leaders.

⁵ As the EU NFRD and UK reporting changes might affect the coverage and scoring of ESG providers around the SPL policy change, we check Refinitive coverage across the years to ensure the measurement stability and can confirm that the coverage has not been affected to create any bias in constructing the ESG-related scores.

Table 4

Analyses of the relationship between the policy change and firm performance: change in governance.

Panel A: Effect on Governance Behavior					
	Overconfidence		Risk Aversion		
Male Dummy × Post	−0.640*		0.221**		
	(0.347)		(0.103)		
Male Dummy	0.314		−0.063		
	(0.194)		(0.054)		
Male Ratio × Post		−3.398**		0.678*	
		(1.420)		(0.392)	
Male Ratio		1.413		−0.316	
		(0.998)		(0.269)	
Controls, Time and Firm FE	YES	YES	YES	YES	
Adj. R ²	0.024	0.025	0.110	0.109	
Observations	3717	3717	16,205	16,205	
Panel B: Effect on Governance Policy					
	REM		Ln(Free Cash Flow)		Ln(Exec Delta)
Male Dummy × Post	−0.021***		−0.179***		0.122***
	(0.008)		(0.055)		(0.045)
Male Dummy	0.002		0.044		0.038
	(0.004)		(0.041)		(0.029)
Male Ratio × Post		−0.062**		−0.748***	0.421**
		(0.029)		(0.263)	(0.187)
Male Ratio		0.015		0.258	0.206
		(0.022)		(0.207)	(0.148)
Controls, Time and Firm FE	YES	YES	YES	YES	YES
Adj. R ²	0.029	0.029	0.094	0.094	0.119
Observations	16,223	16,223	16,223	16,223	16,223
Panel C: Analyses on ESG Governance Policy					
	ESG-Score		Strategy-Score		Management-Score
Male Dummy × Post	0.030**		0.089***		0.092*
	(0.015)		(0.029)		(0.053)
Male Dummy	−0.056***		−0.065***		−0.096***
	(0.010)		(0.021)		(0.021)
Male Ratio × Post		0.267***		0.435***	0.183***
		(0.020)		(0.038)	(0.050)
Male Ratio		−0.246***		−0.201**	−0.401***
		(0.032)		(0.077)	(0.078)
Controls, Time and Firm FE	YES	YES	YES	YES	YES
Adj. R ²	0.483	0.565	0.419	0.478	0.128
Observations	2514	2514	2514	2514	2514

This table reports estimates for *Male Dummy* and *Male Ratio* and their interaction with *Post*. Dependent variables are separately in Panel A (*Overconfidence*, *Risk Aversion*), Panel B (*REM*, *Ln(Free Cash Flow)*, *Ln(Exec Delta)*), and Panel C (*ESG-Score*, *Strategy-Score*, *Management-Score*). Explanatory variables are lagged by one year. Controls, year and firm fixed effects are included. Standard errors are clustered by firms and given in parentheses. The *** indicates statistical significance at the 1% level.

Other channels may explain improved firm performance. Foreign exchange rate (FX) fluctuations increase firm risk, and companies exposed to FX risk may struggle operationally, leading to poor performance (Allayannis, Ihrig and Weston, 2001). Moreover, firms with reputable independent auditors (Elshandidy and Neri, 2015) or good audit results, access investor funding more easily (Frankel, Johnson and Nelsen, 2002). Furthermore, the SPL reform may have affected firms differently depending on their pre-existing organizational culture or director demographics. If these conditions influence firm performance, we ought to see the relation between male board representation and firm performance differing both with and without these conditions. To test this, we construct sub samples based on whether a firm has positive FX cost, i.e., good FX risk management; is audited by top auditors; has unqualified audits; has only British directors; director age is below the median board age of all firms; and firms that have committees related to diversity, inclusion, and social ethics that represent a more gender-friendly corporate culture. Table IA.8 of Internet Appendix provides positive and significant results across all subgroups, since none of these factors individually explains improved firm performance.⁶

4.2. Qualitative evidence

We now consider the evidence collected in semi-structured director interviews. The interviews aimed to discover whether male

⁶ Although we test various alternative channels of firm-level heterogeneity in this exercise, we acknowledge that it is never possible to fully rule out possible effects by other channels.

directors are socially influenced by SPL to change their governance style and increase their focus on corporate governance with benefits for firm performance. This is to understand the decision-making processes in the boardroom and their influences better. We interviewed 14 board directors of UK firms, 4 women and 10 men. To ensure consistency all interviews, after introductions, started by asking interviewees to describe their prior and current role, and ended by asking if there was anything else that they would like to share. Directors were asked to elaborate on board level discussions around diversity, equity and inclusion (DEI) in general and shared parental leave (SPL) more specifically, linking these with corporate governance behavior. The interviewer enquired about what differences, if any, directors had noticed in the firms they govern since the introduction of SPL.

A few key themes emerged. First, directors agreed that there had been a seismic shift with regards to board level focus on DEI. While a decade or so ago, DEI may not have featured on the agenda, it is now debated at every meeting. DEI is now an unavoidable priority, with boards allocating more time to listen to others' viewpoints than previously. Directors are increasingly encouraged to hold senior management to account for their actions and to invite DEI representatives to present to the board. Interviewed directors welcome and embrace the efforts to improve inclusion at firms but also acknowledge the challenges, including old patterns of behavior and deep-rooted stereotyping. One male director suggested there is a strong and direct link between a focus on DEI and improved corporate governance, as it feeds directly into the strategic operations of the firm. It is within the overall DEI context that SPL is discussed.

Second, the introduction of SPL increased directors' focus on DEI further. Directors became involved in devising and approving SPL policies. One interviewee, a Board Chair, confirmed his involvement in devising, and then revising, his firm's SPL policy. However, firmwide actions and outcomes varied. For larger firms with substantial support among directors and senior managers it resulted in policy alterations and an increased parental leave take-up among male staff. Directors shared an increased appreciation for the ability of mothers and fathers to decide how to balance their families and careers. Some noted incremental shifts in leadership towards more inclusive practices and governance style. Directors associate the focus on DEI and SPL in general with increased attention to better corporate governance, risk management and staff retention, as well as client centricity. While many acknowledged the difficulties in challenging stubborn gender stereotypes in their firms, it was obvious that in situations where male directors champion inclusive practices, they had a larger influential impact on organizational governance practices. One director divulged having successfully influenced his employer to alter the parental leave policy which he experienced as discriminatory (towards him). Another director shared how his firm revamped its parental leave policy to become more generous than average for its industry. SPL, it seems, has influenced the attitudes and behaviors of male board directors.

Third, it became clear that power tends to reside with certain directors and that this power is not equally distributed across the board. The gender balance of power was directly related to board composition. Directors agreed that, overall, female directors are becoming more prevalent and important in larger listed firms but that a reluctance to recruit beyond tokenistic female directorships persists. All female and most male interviewees shared the feeling that the power still predominantly resides with male directors. For strategic decisions they tend to require the support of the chair who then convinces fellow directors. Given that chairs are usually men, making the issue pertinent to male directors is key. One male interviewee said that the power firmly resides with male directors, and male board chairs in particular. This even extends to firms with female CEOs, who are often treated in gender stereotyped ways by male directors, and whose power to increase board gender diversity is very limited regardless of their dual role as a CEO and a director. This is often related by interviewees to connections, allyship with other directors and the tendency for male opinions to dominate. This means that if a powerful male director endorses a strategic decision, it is more likely to be enforced than if a female director does so. The power gap is sometimes narrowed in cases where women serve as Chairs of principal committees such as, the audit committee. A reverse power balance is sometimes found in boards with predominantly female directors, i.e., certain small and non-profit organizations, where women directors enjoy more decision-making power.

To conclude, an increased focus on DEI, more specifically through the introduction of SPL, has ensured attention from directors. The unique characteristic of SPL as a policy that benefits all parents, not just mothers, appears to induce raised awareness and support from male directors. When a powerful male director endorses a strategic decision, this is more likely to be enforced. The connection between SPL, improved corporate governance, and a more inclusive governance style appears to arise from these issues getting debated more rigorously at board level and increased accountability being placed on the senior leadership team. Interview data suggest that male directors are socially influenced to govern in a more diverse style – a more collaborative, inclusive and power-sharing leadership style compared to the style commonly associated with male leaders (Kim and Starks, 2016). Interviewees link these to improved corporate governance with the potential to build a more sustainable business for the future, so we conclude that, overall, our interviews provide support for our hypotheses and add nuance to our quantitative results. Our results also corroborate Subašić et al. (2018) who show that gender equality measures are most effective when they are communicated by men and positioned as beneficial for both genders. Our interviews suggest that such findings from experiments with student samples do extend to corporate boards. Interview methodology and sample quotes to support the analysis are available in the Appendix and Table A.2.

5. Further analyses

To provide a clean separation between our firms subjected to SPL and other non-subjected firms, we identify a peer group of US listed companies using Compustat and BoardEx databases for the period between 2000 and 2020 as a control group, a method that is

Table 5
Triple interaction analyses.

	ROA I	Stock Return II	ROA III	Stock Return IV
Male Dummy $\times$ Post $\times$ UK	0.034*** (0.009)	0.138** (0.063)		
Male Dummy $\times$ Post	−0.005 (0.005)	0.020 (0.026)		
Male Dummy $\times$ UK	0.003 (0.005)	−0.078** (0.035)		
Male Dummy	0.001 (0.003)	0.002 (0.016)		
Male Ratio $\times$ Post $\times$ UK			0.091*** (0.035)	0.519** (0.250)
Male Ratio $\times$ Post			−0.005 (0.018)	0.158 (0.106)
Male Ratio $\times$ UK			0.016 (0.028)	−0.387** (0.182)
Male Ratio			−0.003 (0.018)	0.073 (0.085)
Post $\times$ UK	0.003 (0.005)	−0.091** (0.036)	−0.062** (0.030)	−0.490** (0.219)
Firm Size	0.015*** (0.002)	−0.377*** (0.014)	0.014*** (0.002)	−0.376*** (0.014)
Leverage	0.014* (0.008)	0.432*** (0.056)	0.014* (0.008)	0.434*** (0.056)
Growth	0.013 (0.021)	−0.762*** (0.164)	0.014 (0.021)	−0.760*** (0.164)
Cash Ratio	−0.123*** (0.011)	−0.138** (0.056)	−0.123*** (0.011)	−0.138** (0.056)
Stock Volatility	0.005 (0.010)	−0.455*** (0.089)	0.006 (0.011)	−0.455*** (0.084)
Tangibility	0.018 (0.012)	0.158* (0.090)	0.019 (0.013)	0.158* (0.091)
M/B	0.010*** (0.001)	−0.139*** (0.005)	0.010*** (0.001)	−0.139*** (0.004)
Dividend Ratio	−0.004 (0.033)	1.886*** (0.312)	−0.004 (0.032)	1.891*** (0.312)
Board Size	−0.020*** (0.005)	−0.089** (0.038)	−0.021*** (0.005)	−0.086** (0.038)
Board Tenure	0.003* (0.001)	0.019* (0.010)	0.003* (0.002)	0.018* (0.011)
Busy Board	−0.003 (0.002)	−0.014 (0.019)	−0.003 (0.003)	−0.015 (0.018)
Board Delta	0.002** (0.001)	−0.028*** (0.007)	0.002** (0.001)	−0.028*** (0.007)
Constant	−0.021 (0.017)	2.574*** (0.111)	−0.021 (0.022)	2.578*** (0.139)
Country, Firm & Year FE	YES	YES	YES	YES
Adj R ²	0.032	0.117	0.032	0.118
Observations	59,872	59,836	59,872	59,836

This table presents the estimates for *Male Dummy* and *Male Ratio* and their interaction with *Post* and *UK* along with control variables. The dependent variables are ROA, i.e. cash flow from operations over total assets, and *Stock Return*. *Male Dummy* is equal to one for boards without female directors, and zero otherwise. *Male Ratio* is the proportion of male directors. *Post* is equal to one from 2015 onwards, zero otherwise. *UK* is equal to one if a firm operates in the UK (the treatment group), zero if it is in the US (control group). *Male Dummy* $\times$ *Post* $\times$ *UK* and *Male Ratio* $\times$ *Post* $\times$ *UK* are main explanatory variables. Variable definitions are available in Table A.1, Appendix. Explanatory variables are lagged by one year. Country, year and firm fixed effects are included. *Post* and *UK* are not included in the model separately as it is subsumed by year and country fixed effects, respectively. Standard errors are clustered by firms and given in parentheses. The *** indicates statistical significance at the 1% level.

gaining traction (e.g., Bernard et al., 2021). First, to isolate for the effect of SPL on UK firms, we exclude the possibility of similar US policy reforms in or around 2015, before duplicating our original data set with the control group.⁷ The merger results in 59,872 firm-year observations across 1930 UK (treatment) and 5322 US (control) firms. We construct an empirical model, where the main explanatory variable is *Male Dummy* $\times$ *Post* $\times$ *UK* to allow measuring the effect of SPL on firm performance on UK firms with male only boards. *UK* is a binary variable for UK firms to indicate whether the values for *Male Dummy* and *Post* belong to the target (UK) or the

⁷ Other unrelated governance reforms include Sarbanes-Oxley Act (2002), Dodd-Frank Act (2010), JOBS Act (2012). In 2018, only California passed a local, state-level law regarding representation of female directors which should not impact our analysis in national level. Nevertheless, we also exclude firms operating in California in further analyses for robustness.

Table 6

Analyses on the possible effect through male executives.

	ROA I	Stock Return II	ROA III	Stock Return IV
Male Dummy $\times$ Post	0.030*** (0.008)	0.161*** (0.061)		
Male Dummy	0.001 (0.005)	−0.046 (0.036)		
Exec Male Dummy $\times$ Post	−0.008 (0.009)	−0.077 (0.080)		
Exec Male Dummy	−0.004 (0.006)	−0.052 (0.049)		
Male Ratio $\times$ Post			0.094*** (0.032)	0.600** (0.270)
Male Ratio			0.017 (0.026)	−0.097 (0.213)
Exec Male Ratio $\times$ Post			−0.017 (0.025)	−0.185 (0.234)
Exec Male Ratio			−0.024 (0.020)	−0.136 (0.169)
Firm Size	0.008* (0.004)	−0.378*** (0.028)	0.008* (0.004)	−0.377*** (0.028)
Leverage	0.067*** (0.018)	0.320** (0.152)	0.068*** (0.018)	0.323*** (0.152)
Growth	0.010 (0.037)	−0.624 (0.391)	0.010 (0.037)	−0.618 (0.391)
Cash Ratio	−0.153*** (0.020)	−0.071 (0.125)	−0.153*** (0.020)	−0.071 (0.125)
Stock Volatility	0.013 (0.010)	−0.396*** (0.103)	0.013 (0.010)	−0.397*** (0.103)
Tangibility	0.029 (0.018)	−0.109 (0.200)	0.030* (0.018)	−0.109 (0.200)
M/B	0.005*** (0.002)	−0.131*** (0.011)	0.005*** (0.002)	−0.131*** (0.011)
Dividend Ratio	0.108** (0.054)	2.866*** (0.695)	0.110** (0.055)	2.883*** (0.696)
Board Size	−0.024*** (0.009)	−0.130* (0.077)	−0.025*** (0.008)	−0.120 (0.077)
Board Tenure	0.012*** (0.003)	0.011 (0.026)	0.012*** (0.003)	0.009 (0.026)
Busy Board	0.003 (0.006)	0.033 (0.061)	0.003 (0.006)	0.033 (0.061)
Board Delta	0.004*** (0.002)	−0.045*** (0.012)	0.004*** (0.002)	−0.046*** (0.012)
Constant	0.028 (0.024)	2.336*** (0.184)	0.035 (0.035)	2.451*** (0.263)
Firm & Year FE	YES	YES	YES	YES
Adj R ²	0.050	0.083	0.050	0.082
Observations	15,896	15,879	15,896	15,879

This table presents the regression analysis estimates for *Male Dummy* and *Male Ratio*, as well as, *Exec Male Dummy* and *Exec Male Ratio*, and their interaction with *Post* along with control variables. The dependent variables are ROA, i.e. cash flow from operations over total assets, and *Stock Return*. (*Exec*) *Male Dummy* is equal to one for boards without female directors (executives), and zero otherwise. *Exec Male Ratio* is the proportion of male directors (executives). *Post* is equal to one from 2015 onwards, zero otherwise. *Male Dummy* $\times$ *Post* and *Male Ratio* $\times$ *Post* are main explanatory variables. Variable definitions are available in Table A.1, Appendix. Explanatory variables are lagged by one year. Year and firm fixed effects are included. *Post* is not included in the model separately as it is subsumed by year fixed effects. Standard errors are clustered by firms and given in parentheses. The *** indicates statistical significance at the 1% level.

control group (US). We include *Male Dummy* $\times$ *Post*, *Male Dummy* $\times$ *UK*, *Post* $\times$ *UK*, and *Male Dummy* in the model. *Post* and *UK* are excluded to reflect how these are subsumed by time and country fixed effects. Country, year and firm fixed effects are included with standard errors clustered by firms. We repeat the main model replacing *Male Dummy* with *Male Ratio*.

Table 5 provides statistically significant and positive coefficients for the triple interaction variables. Specifically, UK firms with male only boards have 3.4% (13.8%) higher return on assets (stock returns) compared to SPL-unexposed US firms and firms with mixed gender boards. Disregarding the policy change, i.e., *Male Dummy* $\times$ *UK*, or the proportion of male directors, i.e., *Post* $\times$ *UK*, yields negative influence on stock returns. This implies that the real positive effect on firm performance is derived *only* through SPL in firms with predominantly male directors. Additional analyses through *Male Ratio* $\times$ *Post* $\times$ *UK* disclose how ROA and stock return increase by 1.02% ($= 0.091 \times 0.112$) and 5.8% ($= 0.519 \times 0.112$) per any additional male director in UK firms, compared to US firms. Providing a cleaner setup to test our hypothesis, this model confirms the robustness of our original findings.⁸

To test the validity of our main analysis in a different setting we conduct a parallel analysis with Swedish firms because Sweden pioneered extending parental leave to fathers in 1974. In 2002, fathers were required to increase their leave from one to two months (or lose it) of the total 16 months of parental leave (Duvander et al., 2005). Given its history, any effect by male directors on firm performance due to SPL, should arguably be most evident in Swedish firms. We collect data from Compustat – Global and BoardEx – Europe for Sweden listed companies between 2000 and 2005 and arrive at 469 observations across 113 Swedish firms after following our data preparation procedures earlier. We follow Eq. (1) but focus on the 2002 Swedish policy change and define *Post* as a dummy equal to one for years of 2002–2005, and zero for 2000–2001. The results from the analysis in Table IA.10 associate higher proportions of male directors with higher ROA and stock returns, confirming the robustness of our original findings.

To examine whether any performance improvement is due to the executive powers of male directors, we construct *Exec Male Dummy* and *Exec Male Ratio* to proxy executive male directors. We introduce these measures and their interactions with *Post* in our model to test for their possible effect on firm performance. We obtain statistically insignificant estimates for these variables in Table 6 while the interaction of *Post* with *Male Dummy* and *Male Ratio* produce robust results consistent with our original findings. We conclude that higher firm performance is not driven by executive powers.

We then control for several other board characteristics to support our claim. We define: *Total Pay* as natural logarithm of average total pay (in £ Thousand) of directors, *Foreign Ratio* (proportion of non-British board directors), *Titles* (average number of titles held by directors), *Committees* (average number of committees affiliated with directors), *Other Boards* (average number of other boards affiliated with directors), *Qualifications* (average number of qualifications gained by directors), and *Independence* (proportion of independent directors). Presented in Table IA.11 these computations provide support for our original findings.

Thus far we provide evidence that performance increases in levels. However, this would not be relevant if its likelihood is low or insignificant. To examine this, we define *ROA Dummy* and *Stock Return Dummy* as binary variables representing an increase in performance from last year. Using these new measures as dependent variables, we conduct logistic regressions with industry fixed effects including economic factors, i.e., unemployment rate and PPI. Betas and Odds Ratios (exponential of betas) are in Table IA.12. Panel A, Table IA.12, shows increased odds of rising *ROA* and *Stock Return* by a factor 1.13 and 1.23, respectively in firms with male only boards. Similar results for *Male Ratio* confirm our main argument.

We then focus on other commonly used performance proxies. We define: *Earnings Ratio* as earning before tax, depreciation and amortization over total assets, *ROE* (return on equity) as operating income before extraordinary items over shareholders' equity, and *NPM* (net profit margin) as net income before extraordinary items over sales. We risk-adjust our main variable *Stock Return* by introducing i) *Sharpe Ratio* as annual stock return minus 10-year UK government bond rate, normalized by annual standard deviation of the stock's daily returns, and ii) *Carhart Alpha*, calculated as Fama French Carhart Alphas. Statistically significant and positive results in Table IA.13 indicate that firms with more male directors have higher earnings ratio, return on equity, net profit margin, Sharpe ratio, and Carhart alpha – all consistent with our original findings.

Although we argue that the new work environment that embraces more gender egalitarian parental leave policy can socially influence male directors' behavior, regardless of whether they benefit from SPL or not, we also consider the age of directors. The 25th and 50th percentiles of male director ages in our sample are 40 and 49, respectively, with a very high standard deviation of 13 years. This suggests that directors in the bottom quartile age and/or one standard deviation less than median age could be considered of childrearing age, therefore benefitting from SPL. In fact, SPL Evaluation Report (2023) shows that the highest take-up has been by the males aged between 30 and 35. Testing the robustness of our original findings by running our main model for a sub sample of directors representing the bottom age quartile, yields the results in Table IA.14 that are similar to our original findings.

We examine the characteristics of companies where the SPL take-up has been more pronounced. SPL Evaluation Report (2023) indicates that firms in healthcare, education, hospitality, and business & professional services sectors correspond to 74% of all SPL take-up. Moreover, 88% of the SPL takers have higher degrees in education and more qualifications. The same report also shows that 72% of all SPL take-up happens in large organizations with >250 employees. To more directly measure the impact of SPL on firm performance, we construct subsamples based on these factors: firms operating in healthcare, education, hospitality, and business & professional services sectors; firms with average board qualifications above the mean of sample; firms with >250 employees. Results in Table IA.15 are statistically significant and more profound compared to original findings, indicating that we observe a stronger influence of SPL on firm performance when the take-up is higher. This finding gives further support to our main conjecture.

Although the 2015 UK SPL is the main shock investigated, there was a small parental leave policy change in 2011 that enabled

⁸ In Table IA.9 of Internet Appendix, we obtain insignificant results using only the US firms, which implies that there is no impact on firm performance if there is no law change. This serves as a further justification of the shared parental law regarding its influence on firm performance.

fathers to spend time with children aged over five months for up to 26 weeks (but *only* when the mother went back to work).⁹ This smaller policy change could arguably undermine the impact of the major shock (i.e., the 2015 SPL). Moreover, our analysis period also includes two major exogenous shocks, the Global Financial Crisis and the COVID-19 pandemic. To eliminate any potential effects of substantial changes in diversity on boards and diversity in greater society during the 21 years of this data and other major shocks, we repeat the main test by i) starting the sample from 2012, and ii) excluding observations from 2008, 2009, and 2020. Robust results in Tables IA.16 and IA.17 suggest that these events do not affect our main findings.

Next, we address alternative explanations. The SPL policy might have coincided – albeit unlikely – with other changes affecting male-dominated industries. Nevertheless, we obtain virtually similar results with industry fixed effects in untabulated analyses. This policy could also lead to increased scrutiny on male directors; however, this is implausible because the SPL is not a policy targeting directors particularly. Furthermore, better-performing firms could be already more likely to maintain male-dominant boards, leading to a selection bias in our analysis. Nonetheless, the T-test mean comparison of *Male Ratio* between top and bottom *Stock Return* (and *ROA*) quintiles before the SPL reveals statistically insignificant difference in *Male Ratio* between better- and worse-performing firms (94.8% vs 95.2%, respectively), falsifying such an alternative explanation. Moreover, SPL overlaps with several contemporaneous UK developments, i.e., the 2010–2016 Davies and Hampton-Alexander reviews, the 30% Club investor campaign, and gender pay gap disclosure rules (2017), all of which increased scrutiny of board diversity. None of these changes were male targeted per se, but they may differentially affect firms with homogeneous boards and could amplify post 2015 governance independent of SPL. To address this in Table IA.18, we include additional time varying UK policy dummies¹⁰ i.e., *DHA*, an indicator for years 2010–2016 representing the 2010–2016 Davies and Hampton-Alexander reviews, and *30%Club*, an indicator for years 2010 onwards representing the 30% Club investor campaign, and obtained robust results in Panel A. As falsification analyses in Table IA.18, we conduct placebo tests in Panel B where we shift the policy shock two years (post is 2013 onwards) and five years (post is 2010 onwards) backwards, respectively. In Panel C, we use a firm indicator with boards having a female Chair who should not be treated by a father focused policy under our mechanism. Statistically insignificant results in Panels B and C imply no spurious post-2015 lifts and confirm robustness of our original findings. Finally, 52% of the sample is composed of the service, mining & natural resources, and the wholesale & retail sectors. To test sector biasedness and ensure that these industries do not compromise our results, we repeat the main analysis excluding these sectors. Table IA.19 shows that the original results still hold when excluding the major industries.

6. Summary and conclusion

The changes to company strategy and the financial implications of the 2015 UK SPL would initially have rendered it a board-level matter before being operationalized through revised HR policies. In 1930 UK firms we find that, after the introduction of SPL, male board directors H1) improve firm performance, and H2) firms have better governance through changed governance behavior and policies by predominantly male board directors. Our results are conceptually and methodologically robust when tested in different settings (i.e., Sweden and the US) and when exposed to alternative analyses. To add nuance to our quantitative results, we conducted semi-interviews with 14 board directors of UK firms. Our qualitative findings are directionally supportive. In combination, an increased focus on DEI generally, and more specifically the introduction of SPL, have ensured attention from powerful male directors. The connection between SPL and improved corporate governance arises from these issues being debated more rigorously at board level, with increased accountability then placed on the senior leadership team. The slow incremental growth in SPL take-up, yet high policy awareness among the workforce (Department for Business and Trade 2023), suggests that the labor policy has not yet delivered the cultural change in the UK labor market that the government had envisioned (UK Government, 2014). Solutions for increased take-up can include improved financial terms (Clifton-Sprigg et al., 2024). Here, the UK could learn from the faster parental leave take-up facilitated by more directive take it or lose it quota as in Sweden (Ekberg et al., 2013) as well as framing leave as an exclusive right for fathers (Patnaik, 2019). While this means little immediate change in labor market gender equality for parents (Kleven et al., 2019), our results suggest that the newness of the SPL policy has marginal, yet important, effects on gender stereotyping at the top of organizations, initially affecting attention and norm adoption among the current cohort of powerful male leaders. In time, SPL may contribute to more gender balanced power distribution in leadership teams as well as more gender egalitarian organizations. Its unique effect on male directors may thus disappear as our Swedish results indicate. In time, it will be important for researchers to measure the effect of SPL take-up among directors and business leaders.

We surmise that, by introducing SPL, the UK government became a visibly stronger advocate for increased gender equality in the workplace. This reverse messaging (Afzali et al., 2022; Duguid and Thomas-Hunt, 2015) acts as a powerful social influence that challenges stereotypical governance behavior among male directors and has positive firm performance outcomes. Conversely, and although SPL may have more indirect governance effects, perceived reputational risk may spur firms with predominantly male directors to adopt a more gender equal approach to governance. Nonetheless our results suggest that current patriarchal board practices may mean that the influence of gender egalitarian policies is larger for male directors, perhaps because of them being more plentiful and powerful relative to their female counterparts. Therefore, rather than providing evidence against board gender diversity, our findings suggest that while boardroom power remains male skewed, an egalitarian policy like SPL that benefits fathers can alter the behavior of those who currently possess influential power, i.e., male directors. While we acknowledge that other channels may explain

⁹ See: http://www.direct.gov.uk/en/Parents/Moneyandworkentitlements/WorkAndFamilies/Paternityrightsintheworkplace/DG_190788.5.

¹⁰ An indicator for gap disclosure rules starting 2017 is subsumed by the time fixed effects in our model once we include the other time varying policy dummies.

improved firm performance, we witness a positive change among male directors even in the absence of gender diverse boards. We postulate that this is partially a result of exposure to female perspectives, the normative acceptance of which is facilitated by improved gender equality in government policy, something which earlier research, (e.g., Carnahan and Greenwood, 2018; Conzon, 2023; Cronqvist and Yu, 2017; Lins et al., 2024) allowed us to make predictions about. Our findings are unable to anticipate the longer-term value of gender-balanced boards in a context where the current director gender power imbalance is diminished, a limitation that encourages future research.

Drawing on social influence theory (Kelman 1958), our study expands the literature on board gender diversification (e.g., Guldiken et al., 2019; Knippen et al., 2019; Sidhu et al., 2021). We contribute to corporate governance theory, especially the monitoring efficiency of gender diverse corporate boards (Aguilera et al., 2019). In showing that male directors are influenced by gender egalitarian policy making, our results verify and extend previous studies that show positive effects on the corporate governance decisions that male executives and founders make after being exposed to gender equality, including having daughters, (Cronqvist and Yu, 2017; Dahl et al., 2012; Latura and Weeks, 2022; Pan et al., 2024). Finally, our results support previous findings about women directors' lower influential power compared to male directors (e.g., Chidambaram et al., 2022; Gregory-Smith and Main, 2024; Guldiken et al., 2019; Lins et al., 2024; Martínez-García et al., 2022; Zattoni et al., 2023). By demonstrating behavioral changes in predominantly male boards, we show that gender egalitarian messages are most effective when framed as beneficial for both genders and delivered by men (Subasić et al., 2018). This may suggest that the diversity brought by highly skilled but underrepresented female directors does not currently have sufficient normative acceptance to constitute deep-level diversity (Chen et al., 2025; Lins et al., 2024; Zattoni et al., 2023). The power therefore remains with the overrepresented, dominant male director groups (Au et al., 2023; Gregory-Smith and Main, 2024; Tuggle et al., 2022). Women directors' influential power is contingent on facilitating factors such as, the characteristics and family make-up of male CEOs (Cronqvist and Yu, 2017; Dahl et al., 2012; Latura and Weeks, 2022; Pan et al., 2024). Until strategic decision-making power becomes more gender balanced (Conzon, 2023), director power will remain largely in male board seats.

Our results have practical consequences for firms and governments. Leveraging their social influencing power, governments need to continue to develop gender egalitarian policies that foster structural equality in society. Mindful that societal shifts take time, further policy interventions may be required to encourage more fathers to take parental leave. Corporate boards need to continue to develop more egalitarian internal policies to allow women leaders to fulfil their strategic leadership potential. Instead of focusing solely on gender representation targets, firms must therefore address the real power distribution imbalance (Gregory-Smith and Main, 2024; Guldiken et al., 2019). Our findings support the argument that firm leaders are appointing women directors to symbolize conformity to both independent governance and gender diversity guidelines.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Supplementary materials

Supplementary material associated with this article can be found, in the online version, at [doi:10.1016/j.jebo.2026.107726](https://doi.org/10.1016/j.jebo.2026.107726).

Appendix

Table A.1
Definition of variables.

Variables	Description
ROA	Return of assets, calculated as cash flow from operations scaled by total assets.
Stock Return	Annual stock return.
Male Dummy	Dummy equal to one if the board has no female directors, and zero otherwise.
Male Ratio	Proportion of male directors on the board.
Post	Dummy equal to one from 2015 onward, and zero otherwise.
Firm Size	Natural logarithm of total assets.
Leverage	Long-term debt plus debt in current liabilities scaled by total assets.
Growth	Capital expenditures over total assets.
Cash Ratio	Cash over total assets.
Stock Volatility	Standard deviation of daily equally weighted stock returns in a year.
Tangibility	Net plant, property, equipment scaled by total assets.
M/B	Market value over book value of total assets.
Dividend Ratio	Total dividends scaled by the market value.
Board Size	Natural logarithm of total number of directors on the board.
Board Tenure	Natural logarithm of average tenure of directors on the board.
Busy Board	Dummy equal to one if the proportion of directors sitting on more than two other boards is at least 50%, and zero otherwise.
Board Delta	Natural logarithm of one plus the average delta pay (in £ Thousand) of directors on the board.

Semi-structured interviews and participants

Participants

We complement our quantitative analysis qualitative interviews with 14 board directors of UK firms, 4 women and 10 men. Prior to commencing the recruitment and data collection process, the responsible researcher secured ethical approval through their academic institution. Interviewees were accessed through a professional membership body for experienced and aspiring non-executive directors and board members in the UK with whom one of the researchers secured a collaboration. The membership body distributed information about the possibility to participate in a research project about shared parental leave (SPL) in their newsletter and on their website. Board directors were invited to participate on a voluntary basis. Prior to interviews taking place candidates were sent an interview information sheet and asked to sign a consent form. Average interview duration was approximately 30 min (ranging between 20 min to 45 min) and took place online. Participants consented to their interviews being recorded, and for their data being used anonymously for research and publication purposes. After being transcribed, personal details were redacted from the scripts and the recording was deleted. Interviewees who consented to their opinions being used for academic research, education and publication purposes were assured about the anonymity of their responses. Although no age specification was set, interviewee ages ranged from about 45 to 60 years.

Semi-structured interviews

We draw on grounded theory (Glaser and Strauss, 1967) for analysis because of the theory's fit with our consistent, but flexible, collection of data through semi-structured interviews, and because its iterative and evolving attributes enables us to allow the data to speak for itself (Guest, MacQueen and Namey 2012). Following previous researchers, e.g., Guest, MacQueen and Namey (2012); Tatli (2011), we use thematic style analysis to identify where interviewees talk about the key themes around diversity, equity and inclusion (DEI) and SPL during the interviews. After introductions the interviewers started by asking participants about their board directorship/s to ensure suitability. Following this, the directors were asked to talk about how DEI and SPL were discussed during board meetings and what their involvement was in policy development. They were also encouraged to think about the impact on the focus/policies on firm strategy including corporate governance and performance. Before thanking the participants, the interviewee asked if there was anything else that they wanted to add. Our post interview process was as follows: First, personal information that could be used to identify interviewees was redacted from the scripts before the recordings were deleted. Second, the verbatim transcripts were carefully read to detect emerging themes. Third, the scripts were compared to identify communality. Finally, key quotes relating to DEI and SPL were identified, for a selection see Table A.2.

Table A.2

Selection of Interviewee Quotes.

Gender	Quote
Woman	"In one (of my) board role(s), we revisited the parental leave policy recently. And then there is a pending item to revisit the coparenting. I think that's probably going to be quite progressive in the approach that they take. How to make it more equitable and make sure the men take leave? It's a cultural thing within an organisation to make actually encourage it, to make it feel like it's acceptable and to say that, you know, this is not going to be detrimental to your career."
Woman	"Now the DEI stuff is going to get rolled into the corporate governance stuff more explicitly as opposed to being this side gig."
Woman	"The power sits with the male directors 90%."
Man	"Diverse inclusion, not surprisingly, factor pretty prominently in those (board meetings). There were various initiatives structured to remove the stigma of what it would mean to actually take parental leave, encouraging men to take parental leave and to balance out against women taking parental leave."
Man	"Parental leave is a topic that (my board) was looking to handle appropriately. And the board had visibility of that."
Man	"DEI is a concept that the diversity of thought, you know, led to a broader approach to risk management. Diversity of thought leads to diversity in firm governance and management because you're encouraging a more diverse group of people to advance in the organisation."
Man	"The worst versions of board discussion is where they are just purely data focused and not focused on changing culture."
Man	"I appreciate the board actually taking the time to understand the nuance and then focus more on the way we're trying to evolve the organisation in a constructive way than just we're going to be in trouble with the regulator."
Man	"Not just about holding executives accountable for the numbers on DEI, also make sure the values are followed."
Woman	"If you want to be an inclusive organisation, you have to really robust governance processes and exceptional leadership."
Woman	"There is a very clear power dynamic (in the boardroom) there but it's generally accepting of women coming into the boardroom."
Woman	"Ideas put forth here by a woman having slightly less of value or not being or not being heard. Same idea being put forward here by a senior male respected member of the board. Great idea. Let's do that."
Woman	"I would say in certain areas the (male gender skewed) power dynamics are still very much in place."
Woman	"Any new possible or revised SPL policy process or revision of policy would be inequality impact assessment and that impact assessment informs what the new or revised policy would look like."
Woman	"(We) ensure an equitable approach to its staff, whether it's gender, pay gaps, parental leave or search, although we do have policy, we have policies in place for parental leave, return to maternity leave, shared leave, and so on."
Woman	"The board is very clear that the new strategy will integrate diverting inclusion to every aspect, whether it's performance, community staffing, facilities, the whole and we will be introducing equality impact assessments."

(continued on next page)

Table A.2 (continued)

Gender	Quote
Woman	"Improvement in board behaviours, greater efficiency in how we plan, execute and follow up our board meetings, point to output changes. Flipping that if you want to be an inclusive organisation, you have to really robust governance processes and exceptional leadership."
Man	"I'm very passionate about diversity and inclusion being one of those who have felt on the wrong end of that for a large part of my school life and working life."
Man	"It's diverse staff who talk about things like, you know, what are we doing about promoting the role of, you know, shared parental responsibilities."
Man	"My board colleagues are all white English men. It's hard to get proper diversity of thought without the representation of the lived experience on the board."
Man	"From 2015, there is a statistically valid correlation between diversity and performance of I think senior leadership, diversity and performance, I think so anyway."
Man	"We have diverse customers, doesn't it make obvious sense to have the workforce representing them?"
Man	"I mean, inclusion doesn't just, you know, make for a more just society. There are business benefits as well."
Man	"I think in the board we spend a lot of time on diversity. It's far greater than gender and parental leave. The whole structure is not (currently) geared to provide the pipeline of talent you need, but the talent pool is phenomenal."
Man	"Diversity is a big factor in the due diligence clients place on us. If a big pension fund wants to give you, you know, a billion dollars to manage, they will check your organisation, your ESG credentials, the diversity in board and executive membership. If the organisation is not hitting those targets, you just won't get the business."
Man	"So you have to back up diversity with making we're talking about the parental leave and things like that you have to have therefore the policies and processes internally that actually support that."
Man	"We have government action, pressure groups, shareholders and many different competing factors and many different groups to satisfy. It's a holistic change required in the organisation."
Man	"Formality works, but you've got to reinforce it with informality. To hear the nuances that don't come out in executive report."
Man	"We designed a market leading (generous) shared parental leave policy but no one (competition firms) followed. So this year we scaled it back to a still very generous policy that is more in line with the market."
Man	"SPL has led to many more fathers taking leave."
Man	"I wanted to be able to shape the organisation to become more inclusive."
Man	"It requires a very strong alignment to values, approach is that operates at participle level, across culture where real values are lived when the situation is actually complex."
Man	"We're sometimes losing the point of inclusive decision-making in order to achieve diversity in numbers."
Man	"I support SPL because it removes the focus on gender for parenting. As long as it's gendered, you will not see parenting change because it has entrenched clear disadvantage for women in the workplace."
Man	"The organisation took a view that they would equalise all the benefit across maternity and paternity leave."
Man	"The power sits with the person or the people on the board who understand the core dynamic between personal and strategic governance structure."
Man	"Strong experience in the board level roles in terms of the corporate governance and DEI. I'm very passionate about it."
Man	"We are putting up tactical plans and the strategic plans to actually increase the diversity, SPL is part of that."
Man	"I have seen it very personally like you know where CEOs were not able to convince the board to have, for example, more women."
Man	"It is only by having a properly including team that you can manage the business prudently and offer the best product to an inclusive customer base so there is a direct link to profitability."
Man	"Collective decision-making results in innovation."
Man	"I have a battle with the rest of the executives to actually convince them that we need to be more flexible as far as the parental leave and the shared parental leave is concerned."
Man	"The best way to actually deliver on the human element is to actually improve your policies on the DEI. The corporate governance strategy should have very strong DEI component."
Man	"I've done some quantitative analysis of firm performance and corporate governance and it pays off."
Man	"Obviously it is an issue with increasing female representation on boards beyond tokenistic placements. The chair is critical for this."
Man	"The male board members need to recognise not just the legislation but the power of diversity in actually trying to add value to the boards and to the growth of the company."
Man	"The diversity is not just about the skills but the person. But the perspective about a problem."
Man	"Even when the CEO is a woman she has no power to encourage the board to appoint highly skilled female directors. There is a tendency for male directors, in particular male board chairs, to treat the female CEO stereotypically. The power firmly resides with male directors and male board chairs in particular."
Man	"If the business does not have diverse boards they will struggle to develop products that cater for a diverse client base and their product or service will be biased and limited."
Man	"It is narrow minded to simply focus on the skills people bring, also consider the skills that diversity in itself brings to the board. The difference in perspective and thinking is critical for corporate strategy. There is a strong and direct link between focus on DEI and improved corporate governance as it feeds directly into the strategic operations of the firm."
Man	"Are we reflecting the people that are using our services, which is quite diverse as well?"
Man	"You need to be thinking about not just financial governance but actually also about your diversity. It is strange that there are not more boards that diversity seriously. In the organisations that I govern, 80% of staff are female, 50% of clients are male but still 80–90% of board directors are male."
Man	"There is a direct relationship between a focus on diversity and improved corporate governance but there has been little (SPL) take-up by fathers."
Woman	"Why don't we get someone from consumer products on the board who comes in with a totally different mindset and maybe bring some change?"
Woman	"If you only have white men designing the software, it's going to be a software for white men, isn't it?"
Woman	"The more inclusive you are, your governance will become stronger and stronger. Before it was an opportunity but now it is a priority."
Woman	"The chair drives the changes and if chair is open to it then change will happen."
Woman	"(It is) more about the mindset than the gender. Diversity is not just about gender."

Notes: The Table shows the gender of the Board Director interviewees in Column one, followed by a selection of quotes in Column 2.

Data availability

The data that have been used are confidential.

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