

# Discussion of “Board of Director Networks, Gender, and Firm Performance”

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ECONOMICS, FINANCE AND CENTRAL BANKING

\*The analysis and conclusions set forth are those of the authors and do not represent the views of the research staff or the Board of Governors

# What we know

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## **Board gender diversity and firm performance:**

- Bank boards have few women (~10pct)
- Expect diverse teams to be more productive, but empirical results on gender diversity mixed
- Seems to depend upon the extent women are actually integrated into board work (i.e., inclusion)

## **Board member networks and firm performance:**

- (-) Cronyism, reduce monitoring ability/incentives
- (+) Information sharing, efficiency gains
- Empirical results mixed; depends on level networks links occurs

This paper asks: do networks of corporate board members affect firm profitability differently depending on gender of the board member (and gender of network)?

# What we learn from this paper

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- (1) Additional connections **increase** firm profitability for female board members
  - ...(2) More so when those connections are to **men**
  - ...(3) More so when there are **other women** on the board
- (4) Connections for male board members have **no effect** on firm profitability (if anything, negative)

Interpretation: boards are only able to benefit from productivity gains of a diverse team when women actually integrated into decision-making

- Anecdotes about contributions being dismissed, “old boys’ network”
- Survey evidence that women with more connections feel that they participate more equally in decision-making

# What lessons might be applied to fostering DE&I in economics and finance?

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This paper (and others) indicate expanding diversity may not be enough if diverse perspectives are not included in decision-making

- How do we foster inclusion?

This paper: women are more included when they have prior network connections to the men (and to a lesser extent, women) they work with:

- Is this just proxying for (unobservably) less diversity on other dimensions (e.g., social class, race/ethnicity)?
  - Could you add more data to test this hypothesis?
- Or, is there a causal relationship?
  - Reputational/trust effects? Women with prior connections learn to navigate dismissive environment?
  - Is there some way to examine these mechanisms with data or follow-up surveys?

# What lessons might be applied to fostering DE&I in economics and finance?

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What policy solutions might increase inclusion?

- A naïve approach might be to search for candidates within our existing professional networks.
- This feels like exactly the wrong approach

Understanding *why* networks matter could better inform policy solutions, e.g., efficacy of:

- Trainings on unconscious bias
- Mentorship/career coaching programs, etc.

# Some comments on empirics

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Switch to pooled analysis w/ interaction terms for high/low percent female share splits:

- Std errors much larger in the low female share specs making it hard to interpret
- There are also some differences across outcomes and I am not sure what, if anything, we should make of that (e.g., NIM vs other outcomes)

I found the IV pretty compelling and am not sure what the event study estimates add

- Only look at men, and men's connections do not seem to affect performance in the IV anyways
- If to bolster exclusion restriction, a placebo reduced form estimate would be a more compelling for "test"

I think a small discussion of the "LATE" interpretation and who the compliers are is a useful exercise for the reader.

# Thanks

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A really well done, interesting and important paper!