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Jie Chen^{*†} Woon Sau Leung^{*} Kevin P. Evans^{*}

ABSTRACT

We show evidence that female board representation is associated with greater innovative success, and thus enhances firm performance in innovation-intensive industries. Firms with female directors tend to invest more in innovation and obtain more patents and citations for given R&D expenditures. An increase of 10 percentage points in the tenure-weighted fraction of female directors is associated with approximately 6% more patents and 7% more citations. Investigating the underlying mechanisms, the positive association between female board representation and corporate innovation is stronger when product market competition is lower and when managers are more entrenched, consistent with increased monitoring by female directors improving managers' incentives to innovate. Furthermore, we find that female board representation is positively associated with performance only for firms for which innovation and creativity play a particularly important role.

JEL classification: G30, G34, J16, O31, O34

Keywords: Female board representation; Board of directors; Corporate innovation; Firm performance

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