What Do Corporate Boards Do? Aggregate Effects of Board Gender Quotas

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What is the value of having a corporate board for the firm? How does mandating gender diversity on corporate boards affect governance and firm performance? In June 2023, the Norwegian government extended its 40 percent board gender quota—previously applicable only to public corporations—to private limited liability companies, with implementation required by the end of 2024. Private LLCs are more numerous, typically closely held, and characterized by concentrated ownership and limited access to capital markets. These features make them organizationally distinct from publicly listed firms, where ownership and control are more separated. Evidence from the earlier reform affecting public corporations found substantial changes in board composition but little impact on firm performance or on women's broader labor market outcomes Bertrand et al. (2019). Extending the quota to private LLCs provides an opportunity to study these mechanisms in a setting where ownership and management are more tightly linked, allowing for an assessment of both the efficiency costs of compliance and the achievement of the policymaker's objective of gender diversity.

Our empirical design compares private LLCs newly subject to the quota with those that already satisfied it and with public corporations, leveraging rich administrative data linking firms, boards, and individual earnings. This setting enables analysis of both direct effects on compliance with the regulation, board composition and director pay as well as firm outcomes.

We find a substantial compliance response among newly covered firms: roughly one-sixth of previously non-compliant private LLCs with at least three board members reached gender balance (40–60% women) within a year of implementation (see also Statistics Norway 2025). Our reduced-form analyses explore subsequent effects on board size, composition, director characteristics, and firm performance. The results will shed light on whether newly appointed women differ in experience, match quality, multiple directorships, or compensation, and on gender gaps in earnings among directors and potential substitution between board service and other employment.

Building on the empirical results, we build a model that endogenizes the board composition of the firm and use it to draw inferences about the aggregate effects of the regulation and the value of a corporate board to the firm. A representative shareholder chooses board size and composition subject to the quota, where directors differ in their match-specific productivity. The quota constraint forces deviations from the unconstrained optimum— through shrinking board size, higher pay premia for women, or less productive matches. We estimate the key model parameters using the reduced form moments and use the model to evaluate the cost of the regulation.

Our paper contributes to three strands of literature. First, it builds on corporate governance and agency theory, where boards monitor managers and allocate firm resources (Jensen and Meckling 1976; Adams et al. 2010). Second, it connects to theories of firm organization and production hierarchies that endogenize productivity through managerial structure (Garicano and Rossi-Hansberg 2006; Caliendo et al. 2015). Third, it extends the empirical literature on gender quotas in corporate boards (Ahern and Dittmar 2012; Matsa and Miller 2013; Bertrand et al. 2019) by studying a reform that expands coverage to the far larger and more heterogeneous sector of private LLCs.

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