Spotlight
by CeFEO

What happens when male founders invite women onto their boards?

Unlocking Growth: How Female Directors Transform Male-Led Startups

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Family businesses and entrepreneurial ventures often grow—or fail—on the strength of their people. Hiring the right employees, creating a fair workplace, and motivating talent are among the most difficult challenges for founders, especially in the fragile early years.

While most advice on boards emphasizes strategy, networks, or finance, a new study shifts the focus to something both simple and profound: **the role of female directors in shaping how new ventures manage their workforce.**

Published in the *Journal of Business Venturing* (Wu & Naldi, 2025), the study shows that when male-led startups appoint women to their boards, performance rises significantly. But not because these ventures suddenly expand or pursue aggressive growth strategies. Instead, the improvement comes from **better workforce development**—hiring more skilled women and paying employees more competitively.

For family businesses, where governance and gender dynamics often intertwine with family roles, this finding is especially relevant. It shows that inclusion at the board level changes the very foundations of how ventures treat people, with measurable financial impact.

WHAT WE STUDIED

The research draws on an unusually rich dataset: **50,055 Swedish ventures** founded by solo male entrepreneurs between 2004 and 2017. Sweden was chosen for two reasons:

1. **Mandatory boards:** Every incorporated venture in Sweden, even the smallest startup, must legally have a board of directors.
2. **Strong gender equality norms:** Women have long been encouraged into leadership roles, providing enough variation in female board participation for analysis.

But there was still a challenge: founders don't choose directors randomly. How can we know whether appointing women *causes* better performance, rather than simply reflecting the type of founders who are already more open-minded or better connected?

The authors solved this by using an **instrumental variable approach**—specifically, whether the founder had daughters. Past studies show that men with daughters are more likely to recruit women into leadership roles. Because the sex of a child is random, this provides a natural experiment.

By combining three large administrative databases from Statistics Sweden with this innovative research design, the authors could isolate the **causal effect** of female board representation on venture performance.

KEY INSIGHTS

1. Female Directors Boost Revenue Substantially

The headline finding is striking: **adding one female director to the board of a male-led venture increases annual revenues by about 45%—or €1.34 million.**

This effect held across multiple robustness checks: whether looking only at younger firms, micro-businesses with fewer than 10 employees, or non-family ventures. The performance boost was consistent and reliable.

2. Workforce Development Is the Main Mechanism

Where does this improvement come from? Not from expansion. Female directors did **not** increase the likelihood of startups opening new establishments or aggressively scaling. Instead, the gains came from two operational levers:

- **Hiring highly educated female employees:** ventures with women directors brought in more skilled women, expanding the talent pool.
- **Paying more competitive wages and allowances:** these ventures spent more on compensation, making them more attractive employers.

A mediation analysis showed that about **72% of the performance effect came from better pay practices**, while around **11% came from hiring skilled women.** Together, these workforce investments explained most of the revenue gains.

3. A Single Woman Makes a Difference

A long-standing idea in governance research is that women need to reach a "critical mass" on boards before they can influence outcomes. Large corporate boards often show that a lone woman has little power to shift decisions.

This study challenges that assumption. In the intimate context of startup boards—often just two or three members—**even one female director significantly redirected resource allocation.**

Why? In small, resource-constrained ventures, every board seat matters. Appointments are less about tokenism and more about tangible contribution.

4. Startups vs. Established Firms: Different Roles

The findings also highlight that female directors play **different roles depending on firm stage.**

- In **established corporations**, women on boards are often associated with more cautious, balanced strategic decisions, particularly in mergers and acquisitions.
- In **new ventures**, by contrast, the impact is **operational**: shaping how the business hires, develops, and retains its workforce.

This nuance matters for family businesses. It shows that the value of female directors cannot be generalized; it depends on the firm's stage, needs, and governance culture.

TAKEAWAYS

For Founders

Adding a woman to your board is not only about fairness or external image. It's a direct path to:

- Attracting more skilled and diverse employees
- Creating competitive pay systems that retain talent
- Unlocking measurable revenue growth

For Family Businesses

Family firms often build boards around trusted insiders—relatives, advisors, or long-time associates. This can lead to boards that reflect family dynamics more than business needs.

This study suggests that inviting an **independent female director early** can:

- Challenge existing routines with a people-first perspective
- Help professionalize HR systems, often underdeveloped in family firms
- Broaden the pool of talent beyond the family circle, securing continuity for future generations

For Investors and Accelerators

Board composition is a **signal of growth potential.** Ventures with female directors demonstrate stronger human capital strategies and greater readiness for scaling.

Investors should pay attention not only to founder charisma or product innovation but also to **who sits at the table in governance.**

For Policymakers

Supporting gender-diverse boards is not only about equity—it's about economic performance. Low-cost initiatives that connect male founders with qualified female directors could yield outsized returns for productivity and inclusivity.

IMPACT

The broader impact of this study is twofold:

1. **It reframes gender diversity as an operational lever, not just a symbolic one.** Female directors change how ventures treat people, and this directly drives performance.
2. **It challenges assumptions about lone women on boards.** In startups and family businesses—where boards are small—one woman is not a token but a powerful change agent.

For family enterprises, these findings touch on sensitive but crucial issues: gender roles, succession, and professionalization. A family firm that brings women into governance may not only boost fairness but also strengthen its ability to compete across generations.

RECOMMENDATIONS

- **Male founders:** Invite a female director as early as possible. Don't wait for expansion—her influence on workforce development will pay off sooner than you think.
- **Family business leaders:** Go beyond the family circle. An independent female director can help balance tradition with modern HR practices, strengthening the bridge between generations.
- **Investors:** Treat gender-diverse boards as a marker of professionalization and growth readiness.
- **Policymakers:** Focus less on quotas and more on matchmaking between qualified female candidates and male-led ventures.

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