

Gender Diversity on Corporate Board and Corporate Social Responsibility

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Corporate Social Responsibility refers to operating a business in a manner that accounts for the social and environmental impact created by the business daily business. Gender diverse boards are active in contributing to external social issues, particularly the well-being of society. Board gender diversity is associated with internal social responsibilities, such as workplace equality, employee benefits and a female-friendly environment. The aim of the present study is to analyze the role that women who can play as driving forces behind the development of CSR in organizations, and contribute to sustainable development. This study indicates that companies with women leaders are more committed, on average, to corporate social responsibility. “Companies are realizing that advancing more women to senior leadership roles has many benefits, including increased financial performance and sustainability. When business leadership includes women, society wins.” A growing body of research suggests that having more women in the boardroom leads to better corporate social responsibility (CSR) performance.

Keywords: Women, Corporate Social Responsibility, gender diversity.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to operating a business in a manner that accounts for the social and environmental impact created by the business daily business. CSR means a commitment to developing policies that integrate responsible practices into operations, and to reporting on progress made toward implementing these practices. Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

Women and Corporate Social Responsibility

A new study conducted by researchers at Catalyst and Harvard Business School (HBS). According to Gender and Corporate Social Responsibility: It's a Matter of Sustainability, companies with more women at the top may be better practitioners of corporate social responsibility (CSR). Prior Catalyst research has shown that such companies also financially outperform, on average, those with fewer women in senior leadership roles. Catalyst and

HBS researchers found that companies with more women board directors and corporate officers contributed significantly more charitable funds, on average, than companies with fewer or no women in senior roles.

More Women Leaders Likely Means Higher Quality Corporate Social Responsibility

Having gender-inclusive leadership can influence the level or quantity of philanthropic investment corporations make in CSR. But we also speculate that by keeping gender issues prominent, gender-inclusive leadership likely also affects the quality of CSR initiatives. When leaders spotlight gender issues in their CSR strategies, they often position their organization for sustained growth, and the payoff extends beyond the company to society. For example, Campbell Soup Company's supplier diversity program aims to develop a supply base that reflects its consumer base, giving companies owned by women an equal opportunity to sell services and products to the company.

Gender-Inclusive Leadership Delivers Sustainable Benefits to Both Companies and Society

This research suggests that gender-inclusive leadership is good for business and society. Findings demonstrate that corporate stakeholders understand the value of gender-inclusive leadership and its positive influence on the quantity of a company's CSR activities. Gender-inclusive leadership may also increase the quality of CSR initiatives. Companies with both women and men leaders in the boardroom and at the executive table are poised to achieve sustainable big wins for the company and society.

Literature Review

Continuously growing body of literature on CSR, which has arrived with Bowen's book "Social Responsibilities of Businessman" (1953), and related concepts, keep demonstrating the fact, pointed out a decade ago by Garriga and Melé: "defining CSR is not as easy as it might at first appear" (2004). Up till now from the broadest general meaning CSR is understood as of what goes beyond the law. More precisely, the general concept of CSR as voluntary initiative had been proposed by European Commission in 2006 and has been specified lately in its new policy on CSR, issued in 2011. The latter concept define CSR as "the responsibility of enterprises for their impacts on society", stating the way of how companies should fully meet their social responsibility, i.e. enterprises "should have in place a process to integrate social, environmental, ethical human

rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” (COM(2011) 681 final). In stating the multidimensional nature of CSR, European Commission had addressed gender issues as one of actual labour and employment practices, which visibility and dissemination of good practices should be enhanced.

One of the broadest definitions of CSR had been suggested by Carroll (1979) with several modifications (1991, 1999, 2010) as four-dimensional CSR, taking into account economic, legal, ethical and discretionary (philanthropic) categories of business performance. The Carroll’s pyramid of CSR (1979) depicted the economic category as the base (the foundation upon which all others rest), and then built upward through legal, ethical, and philanthropic categories (Carroll 1991, p. 42). Carroll made it clear that business should not fulfil some of these in sequential fashion; each is to be fulfilled at all times (Carroll, 1999).

Grosser and Moon (2005) investigated the potential and actual contribution of CSR to gender equality in a framework of gender mainstreaming. They introduce gender mainstreaming as combining technical systems (monitoring, reporting, evaluating) with political processes (women’s participation in decision-making) and considers the ways in which this is compatible with CSR agendas. They had examined the inclusion of gender equality criteria within three related CSR tools: human capital management reporting, CSR reporting guidelines, and socially responsible investment criteria on employee and diversity issues. Although evidence found by Grosser and Moon (2005) suggest gender equality information being requested within several CSR related reporting frameworks, these requirements are mostly limited in scope, or remain optional elements. They had investigated the nature and extent of relevant stakeholder opportunities to explain this unfulfilled potential. Furthermore, Grosser and Moon (2008) moved towards the research of the extent to which external reporting by UK best practice companies includes performance information about gender equality in the workplace. They had examined the reasons for company disclosure on this issue and the barriers to better reporting and found that new and substantial forms of gender performance reporting have emerged. At the same time they state, that, however, such reporting remains idiosyncratic and largely non-comparable. They found that market, civil society and governmental drivers inform reporting practices; however firms perceive no strong demand for, and significant risks associated with more detailed reporting. They had considered policy options beyond regulation.

Grosser (2009) had examined how progress on gender equality in the field of CSR might contribute to broader EU gender and sustainability objectives. She focuses on corporations and citizenship, and on company stakeholder relations in particular. While the literature on stakeholder relations has previously engaged with scholarship on feminist ethics, and in particular the ‘ethics of care’, this paper draws upon the feminist citizenship and feminist ethics literature, and upon gender mainstreaming strategy to suggest a more comprehensive approach to gender equality

within SR. The aim is to extend our understanding of CSR as a potential policy instrument to advance gender equality.

Laytely relationship between women directors and CSR had been analyzed by Bernardi and Threadgill (2010) and Setó-Pamies (2013). Bernardi and Threadgill (2010) had assessed whether or not gender has a tangible effect on an organization’s decisions by examining a sample of Fortune 500 companies. The main aim of their research was to determine whether companies with a higher proportion of women on their boards of directors are more socially responsible. Bernardi and Threadgill (2010) set the initial point of research from general assumption, i.e. diversity of people generates a diverse set of opinions that impacts and improves the decision-making process. Their expectation was that gender diversity will increase socially responsible behaviour by a corporation. Researchers found their results being confirmatory: an association was found between the number of female directors on a corporate board and the incidence of corporate social behaviour including, i.e. charitable giving, community involvement, and outside recognition of employee benefits. Setó-Pamies (2013) had analysed the implications that gender diversity has on CSR by carrying out an empirical study of a sample of firms from a variety of countries and sectors. Researcher also aimed at determining whether those firms with a higher percentage of women on the board of directors are more socially responsible as similar to Bernardi and Threadgill (2010). Setó-Pamies (2013) also found that the results supported the hypothesis on gender diversity’s positive influence upon CSR: female talent can play a strategic role in enabling firms to manage their social responsibility and sustainable practices appropriately.

Research Methodology

Objectives of Study

To examine whether presence of women in the companies leads to better Corporate Social Responsibility in the companies.

Theory and Hypotheses

Hypothesis 1: There is a positive relationship between Women on Board and Corporate Social Responsibility

The conventional explanation for the CSR-promoting role of women leaders (i.e., board of directors) is rooted in the long-standing idea that women, in general, are more ethically sensitive and empathetic than men. Gender socialization theory, a prominent theory on gender differences, posits that men and women are different in their orientation toward moral principle, largely because women have better internalized ethical and communal values through their social roles. Ample support was found for this conjecture, indicating that women tend to have stronger moral standards and ethical stance than men. For example, Eagly and Carli (2003), in their attempt to link social role theory to the theory of leadership, suggested that communal orientation—including aspirations and values of

being helpful, kind, sympathetic, interpersonally sensitive and nurturing—are more frequently found in women. The authors continued to argue that such differences are likely to be reflected in women's various leadership roles. Similarly, Ibrahim, Angelidis and Tomic (2009) showed that female managers tend to exhibit more positive attitudes toward the adoption of an ethics code in their organization and hold more confidence that the ethics code will raise moral standards in their business operations. Together, this stream of research suggests that female leaders are more likely to have concerns for other stakeholder groups. As such, it is reasonable to expect that female independent directors will embrace their company's CSR more strongly than male directors, actively engaging in issues corresponding to the welfare of non-shareholding stakeholders.

However, it is also possible that women independent directors are compelled to pay more attention to their firm's CSR due to reputational concerns. First, women independent directors can establish or improve their reputational standing within the organization through their expertise in CSR-relevant issues. Research suggests that women managers are known for their in-depth knowledge and competence in such areas as marketing or human resource management. These so-called soft-issue areas have much overlap with CSR issue areas. Research also suggests that women leaders typically experience difficulty in establishing credibility and influencing others in areas of technical issues. Given this, they might view exhibiting their expertise and competence in CSR issue areas as an opportunity to enhance their reputational position within the organization. Accordingly, we expect that women independent directors are likely to show greater enthusiasm and concerns about CSR issues in boardroom meetings and committee-level activities.

Second, the performance of one's role as independent director affects his/her reputation in the external labor market. Often, executives and independent directors associated with wrongdoing companies suffer damaged reputation and encounter labor market penalty. Given this, it is important for independent directors to do their job thoroughly, especially with respect to those concerning the firm's ethical or social compliance. In addition, research uncovered that female independent directors are often more sensitive to the possibility of rule violations and thus tend to be more vigilant upon signs of improprieties. For instance, Cumming, Leung and Rui (2015) showed that as female representation on boards increased, the level of corruption in their sample companies declined. Together, this discussion suggests that career-related incentives, combined with women's high level of vigilance, might result in their paying more attention to the firm's compliance with CSR-related standards.

Hypothesis 2: Board Gender Composition is positively associated with Corporate Social Responsibility Strength rating

In addition to director resource diversity, gender composition (i.e., the number of women on the board) is expected to have a positive impact on social capital and

CSR. On boards, women are more than twice as likely as men to hold a doctoral degree (Hillman et al., 2002). Compared to male directors, female directors gain board experience with smaller firms and are less likely to have prior CEO or COO experience (Singh et al., 2008). Female directors are more likely than male directors to have expert backgrounds outside of business and to bring different perspectives to the board (Hillman et al., 2002). In addition, women on boards are more likely than men to be support specialists and community influentials (Hillman et al., 2002). Therefore, having more female directors may sensitize boards to CSR initiatives, and provide perspectives that can be helpful in addressing issues of CSR. Research already suggests that firms with a higher percentage of female board members do in fact have a higher level of charitable giving (Wang and Coffey, 1992; Williams, 2003), more favorable work environments (Bernardi et al., 2006; Johnson and Greening, 1999), and higher levels of Environmental CSR (Post et al., 2011).

Increasing board gender diversity (which, for all practical purposes, means increasing the number of women on boards) can enhance decision making, as a wider variety of perspectives and issues are considered and a broader range of outcomes is assessed (Daily and Dalton, 2003). The presence of more female directors may stimulate more participative communication among board members, if one assumes that gender differences in leadership styles, as evidenced in some studies, also exist at board director levels. If female directors are more participative (Eagly et al., 2003), democratic (Eagly and Johnson, 1990), and communal than men (Rudman and Glick, 2001), then having more women on a board could encourage more open conversations among members of the board. A broader perspective may enable the board to better assess the needs of diverse stakeholders. The result may enhance the board's ability to effectively address CSR.

Another theoretical underpinning for the expected relationship between board diversity and corporate reputation is signaling theory. Signaling theory assumes asymmetric information, and proposes that parties may convey, intentionally or not, relevant, but not readily observable information, through observable signals that are meaningful to the other party. In this regard, the number of women on a firm's board may act as a signal to observers indicating that the firm pays attention to women and minorities, and is, therefore, socially responsible. In support of the signaling argument, a recent analysis of the annual report of Fortune 500 companies revealed that companies with higher percentages of female directors are more likely to display pictures of them in their annual reports (Bernardi et al., 2002). If one expects this signal of having more women on the board to be effective, then one would expect firms with a strong signal.

Data Collection

The study is based on a quantitative analysis of corporate responsibility and board composition data from FTSE 100 companies. The research methods are mainly adapted from two previous studies by Bernardi and Threadgill (2010) and

Siciliano (1996). In examining whether companies with a higher proportion of women on boards are more socially responsible, Siciliano (1996) created a board diversity index that was compared to various social and fiscal performance

| | | | |
|---|---------------------|------------------|----------|
| | | Gender Diversity | Economic |
| Gender Diversity | Pearson Correlation | 1 | .250* |
| | Sig. (2-tailed) | | .013 |
| Economic | Pearson Correlation | .250* | 1 |
| | Sig. (2-tailed) | .013 | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | n=92 |

measures. The most important independent variable is a score for board gender diversity that follows the same scale as dependent variables (0-100). A score of 100 would identify balanced gender representation (50% women, 50% men). The same technique was used by Siciliano (1996) to create a score for gender diversity. The corporate responsibility score represents the mean value of four

| | |
|--------------------------|------|
| | Mean |
| Number of female members | 1.6 |
| Board size | 10.9 |
| % of female members | 14.5 |
| Diversity score | 28.8 |

indicators of CR performance. The

same technique was used by Bernardi and Threadgill (2010), even though they only used employees, community, charitable contributions and environment as variables of total corporate responsibility. In this study, these aspects are covered in the social score. Descriptive statistics (Table 1) show that, on the average, FTSE 100 companies have 1.6 female members on their boards of directors. The average board size is eleven members, while women represent 14.5 per cent of all board members in the FTSE 100.

Moreover, a comparison of the number of female members on each board (Figure 4) shows that eleven per cent of companies have still not appointed any female directors to their boards. The majority of companies (39 per cent) employ one female board member, and only two per cent of companies have appointed four female board members (n=92).

A comparison of average, minimum and maximum values of CR scores reveals that FTSE 100 firms perform relatively well in CR aspects. The average CR score is 83, and the average sub-scores are also around 80 (social = 85, environmental = 83, governance = 85 and economic = 79). The best performing company scored 95 in total corporate responsibility, whilst the lowest score was only 60. The

greatest variation is in the economic (between 27 and 98) and social scores (between 31 and 97).

Pearson Product Moment Correlations

1. Board Gender Diversity and Social Performance

2. Board Gender Diversity and Environmental Performance

n=92

3. Board Gender Diversity and Economic Performance

Findings

| | | | |
|--|---------------------|------------------|--------|
| | | Gender Diversity | Social |
| Gender Diversity | Pearson Correlation | 1 | .263** |
| | Sig. (2-tailed) | | .009 |
| Social | Pearson Correlation | .263** | 1 |
| | Sig. (2-tailed) | .009 | |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | n=92 |

| | | | |
|------------------|---------------------|------------------|---------------|
| | | Gender Diversity | Environmental |
| Gender Diversity | Pearson Correlation | 1 | .073 |
| | Sig. (2-tailed) | | .478 |
| Environmental | Pearson Correlation | .073 | 1 |
| | Sig. (2-tailed) | .478 | n=92 |

1. Companies with gender diverse boards are most likely to fulfil their social Responsibilities, as the most significant relationship was between the social responsibility sub-score and gender diversity (p<0.01). With regard to the different areas that the social score consists of, the implication could be that companies with female board members are more equal, safer and have better relationships with their communities.

2. There was no association between increased gender diversity and environmental responsibilities (p>0.05). Even though women are considered more receptive to environmental concerns, their presence on boards did not influence companies' environmental performance. This finding is in line with previous studies by Galbreath (2011)

and McKendall et.al. (1999), who found no link between environmental sustainability and female board members.

3. Another significant relationship was found between the gender diversity score and the economic score ($p < 0.05$), where the focus on the company's ability to generate sustainable growth and overall financial health.

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