Companies Behaving Responsibly:
Gender Diversity on Boards

Savvy corporate leaders recognize that profits are not necessarily sufficient to sustain corporate growth over time.[1] Increasingly, *how* a company behaves plays a central role for brand and risk management and could mean the difference between supportive stakeholders and hostile ones in the age of the activist investor and consumer.[2] So how can organizations demonstrate their corporate citizenship? One link, in particular, is relevant for stakeholders: a gender-balanced board of directors is associated with better corporate social performance (CSP).

This link between gender-diverse leadership and business outcomes is not new. Prior research indicates that diversity helps organizations leverage talent, increase innovation, and better reflect the marketplace.[3] Catalyst research also demonstrates a positive link between companies' board diversity and corporate philanthropic giving.[4] Building on this work, researchers at Catalyst and HEC Montréal Business School have found that across Australia, Canada, and the United States, companies and stakeholders win when boards of directors are gender-diverse.[5]

Better Corporate Social Performance Is Associated with Gender-Diverse Boards

The overall CSP score represents performance against normative expectations for responsible behavior related to environmental, social, and governance factors. Having a higher percentage of women board directors was positively associated with companies' scores across four of six measured CSP dimensions: community, customers, environment, and supply chain. Gender-diverse boards had neither a positive nor negative association[6] with two dimensions: business ethics[7] and employees.[8]

While helpful on their own, individual CSP dimension (see Figure 1) scores are also aggregated into an overall weighted CSP score for each company, taking into account the relative importance of the dimension to a company's industry. Catalyst and HEC Montreal also examined how a board's gender composition might impact the overall weighted CSP score. We found that gender-diverse boards have a significant and positive effect on CSP: **a higher percentage of women directors is correlated with higher CSP ratings.**[9]

WHAT IS CORPORATE SOCIAL PERFORMANCE?

Corporate Social Performance (CSP) is an evaluation of the impact of a company's corporate social responsibility (CSR) activities compared to prescribed norms and expectations. CSR encompasses the actions companies take to function as good corporate citizens[10] across the community, the environment, the marketplace, and the workplace.[11] As opposed to a singular focus on profit maximization, CSR activities make good business sense by improving business outcomes in areas such as risk management,[12] corporate and brand reputation,[13] and the recruitment and retention of employees.[14] CSP ratings summarize a company's CSR record. Based on key environmental, social, and governance metrics, CSP scores provide stakeholders with a common understanding of how to judge a company's CSR efforts.

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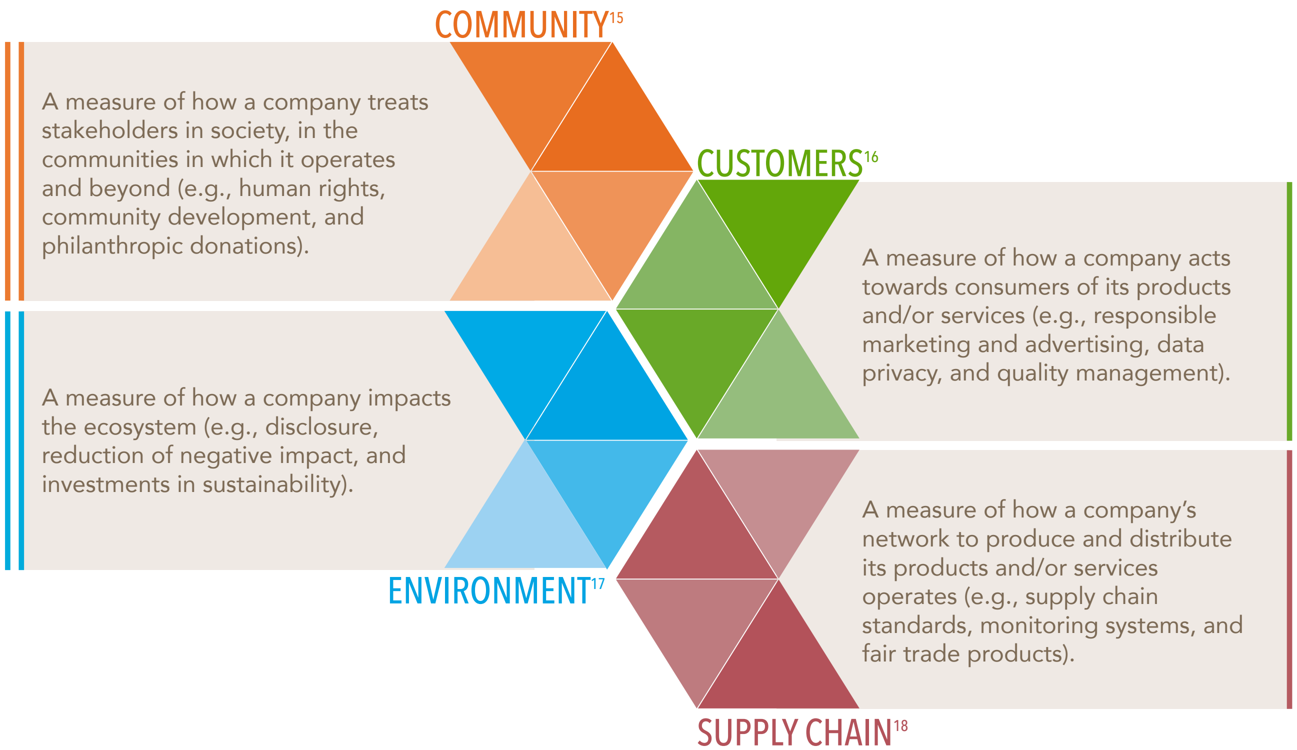
FIGURE 1
Gender-Diverse Boards Are Associated With Higher Scores Across Four Dimensions of Corporate Social Performance



Gender-Diverse Boards Can Help Companies and Stakeholders Alike

This report suggests that gender-diverse boards are good for business *and* society. Companies with both women and men in the boardroom are better equipped to oversee corporate actions and ensure corporate citizenship standards are not only met, but exceeded—building stronger, more sustainable companies. A company that holds its supply chain accountable, values customer loyalty, and improves both the community and environment creates a positive cycle of influence. This approach not only makes the world a better place, but also increases the likelihood of sustainable big wins for the company and its stakeholders.

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The Catalyst Research Center for Equity in Business Leadership examines and documents workforce demographics and their impact on employees, companies, communities, and society.

Endnotes

1. Tony Chapelle, "When Social Responsibility Trumps Shareholder Value," *Agenda*, July 14, 2014; David Kiron, Nina Kruschwitz, Holger Rubel, Martin Reeves, and Sonja-Katrin Fuisz-Kehrbach, *Sustainability's Next Frontier* (*MIT Sloan Management Review* and The Boston Consulting Group, December 2013).
2. Brayden G. King and Mary-Hunter McDonnell, *Good Firms, Good Targets: The Relationship between Corporate Social Responsibility, Reputation, and Activist Targeting* (SSRN, June 2012).
3. Catalyst, *Why Diversity Matters* (2013).
4. Rachel Soares, Christopher Marquis, and Matthew Lee, *Gender and Corporate Social Responsibility: It's a Matter of Sustainability* (Catalyst, 2011).
5. The companies included in this study are those that were publicly traded and appeared on the Fortune 500, Financial Post 500, and ASX 200 in 2004, 2006, 2007, 2008, 2009, 2010, and 2011. Catalyst's Fortune 500 Census reports on women board directors for 2005, 2006, 2007, 2008, 2009, 2010, 2011, and 2012 provided the count and percentage of women directors for the United States. Catalyst's Financial Post 500 Census reports on women board directors for 2005, 2007, 2009, and 2011 provided the count and percentage of women directors for Canada. Workplace Gender Equality Agency's ASX 200 Census reports on women board directors for 2006, 2008, 2010 and 2012 provided the count and percentage of women directors for Australia. Sustainalytics provided the corporate social performance data for each company for 2004, 2006, 2007, 2008, 2009, 2010, and 2011. This resulted in a dataset comprising approximately 1,500 company-years. Companies in the sample spanned the following industries: consumer discretionary, consumer staples, energy, financials, healthcare, industrials, information-technology, materials, and utilities.
6. The relationship between the gender board composition and business ethics and employees scores was not significant. We ran two panel linear regressions with random effects to regress the overall business ethics score and the overall employees score on the percent of women directors. The regressions controlled for financial performance (return on assets), corporate governance score, country location, and industry sector.
7. A measure of how a company adheres to normative values for responsible behaviors wherever it operates (e.g., anti-corruption and bribery policies and programs, related controversies, and tax transparency).
8. A measure of how a company respects its workforce (e.g., working conditions, safety record, and turnover rate).
9. We controlled for key factors that might influence a company's CSP score, including financial performance, geographic location, and industry. Companies with a higher percentage of women directors ($p<.01$) had significantly higher CSP scores. We ran a panel linear regression with random-effects to regress the overall composite CSP score on the percent of women directors. The regression controlled for financial performance (return on assets), country location, and industry sector. Going beyond correlation—providing evidence that women board directors *cause* better CSP—is challenging given the complex relationships and processes. For example, it is possible that companies with better CSP attract more women directors. We adjusted for this possibility by comparing the CSP score to the gender make-up of the board of directors from the year prior. Additional research also suggests that women leaders are present before increases in CSR are observed. Philipp Kruger, "Corporate Social Responsibility and the Board of Directors," *Toulouse School of Economics Working Paper* (May 31, 2010).
10. Michael E. Porter and Mark R. Kramer, "Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review*, vol. 84, no. 12 (December 2006): p. 78-92.
11. Kate Grosser, "*Corporate Social Responsibility and Gender Equality: Women as Stakeholders and the European Union Sustainability Strategy*," *Business Ethics: A European Review*, vol. 18, no. 3 (July 2009): p. 290-307.
12. Katherine Miles and Carmen Niethammer, *Embedding Gender in Sustainability Reporting: A Practitioner's Guide* (Global Reporting Initiative and International Finance Corporation, 2009); Emily V. Troiano, *Workplace Trends: Today's Decisions, Tomorrow's Successes* (Catalyst, 2008).
13. Steve Hoeffler and Kevin Lane Keller, "Building Brand Equity Through Corporate Societal Marketing," *Journal of Public Policy & Marketing*, vol. 21, no. 1 (Spring 2002): p. 78-89; Catalyst, *Catalyst 20th Anniversary Awards Compendium* (2007).
14. Emily V. Troiano, *Workplace Trends: Today's Decisions, Tomorrow's Successes* (Catalyst, 2008); Catalyst, *Catalyst 20th Anniversary Awards Compendium* (2007); C. B. Bhattacharya, Sankar Sen, and Daniel Korschun, "Using Corporate Social Responsibility to Win the War for Talent," *MIT Sloan Management Review*, vol. 49, no. 2 (Winter 2008): p. 37-44.
15. Companies with a higher percentage of women directors ($p<.01$) had significantly higher corporate social performance scores for community items. We ran a panel linear regression with random-effects to regress the overall community score on the percent of women directors. The regression controlled for financial performance (return on assets), corporate governance score, country location, and industry sector.
16. Companies with a higher percentage of women directors ($p<.06$) had moderately significantly higher CSP scores for customer items. We ran a panel linear regression with random-effects to regress the overall customer score on the percent of women directors. The regression controlled for financial performance (return on assets), corporate governance score, country location, and industry sector.
17. Companies with a higher percentage of women directors ($p<.01$) had significantly higher CSP scores for environmental items. We ran a panel linear regression with random-effects to regress the overall environment score on the percent of women directors. The regression controlled for financial performance (return on assets), corporate governance score, country location, and industry sector.
18. Companies with a higher percentage of women directors ($p<.01$) had significantly higher CSP scores for supply chain items. We ran a panel linear regression with random-effects to regress the overall supply chain score on the percent of women directors. The regression controlled for financial performance (return on assets), corporate governance score, country location, and industry sector.

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