

Danielian Lilit,

Student,

Graduate School of Economics and Management

Ural Federal University named after the first President of Russia Boris Yeltsin

Yekaterinburg, Russia

THE ASPECTS OF GENDER DIVERSITY IN MANAGEMENT BOARDS

Abstract:

In this work, it is shown that gender diversity is important not only for ethical issues but for the better financial performance of companies. The study showed a positive effect of the percentage of women on the board of directors on brand value in the tech industry. Furthermore, there is proof that quality (diversity) on the board is better than quantity (number of members).

Keywords:

gender diversity, board of directors, board size, brand value, financial performance

The main goal of the companies is financial results. Recently, however, more and more companies are beginning to pay attention not only to the economic side of the firm but also to its ethical and social side, corporate social responsibility, and sustainable development goals (SDG). The fifth goal of this list is Gender equity. In patriarchal societies, women are subject to gender discrimination in areas such as employment, pay differentiation, politics, and other areas. Even though the workforce is a very important resource for the company and its role in the financial performance of the company should not be underestimated, in this work I will focus on the study of gender diversity at the level of the company's management, and not the entire workforce of firms. The purpose of the work is to analyze the impact of the number of women on the management board on the brand value of the top 20 companies of «The world's most 20 valuable brands» of Forbes.

In the last few years, scientists have begun to publish studies that confirm the positive impact of the number of women in management positions on the financial indicators and its policies.

The research from Intel [1] presents the economic impact of gender diversity in the technology sector from the analysis of data from about 170 companies. This research has presented the results of regression analysis of the impact of leadership diversity on companies' performance. The main conclusion is that if two companies are identical in all aspects except gender and ethnicity, then a company with more diversity on the board is more likely to increase its revenue and profit.

S. Datta, T. Doan, and F. Toscano [2] found out that female executives prefer a shorter maturity structure compared to the male executives, with the greater the proportion of their (women) incentive compensation, the shorter the maturity structure. The reasons for this are differences in psychology (confidence and risk-tolerance), and ethics (transparency and extraction of personal benefits) between genders.

Khalil Jebrana, Shihua Chenb, Ruibin Zhangc in their research [3] found out that relation-oriented diversity (gender and age) and task-oriented diversity (tenure and education) reduce the risk of a future fall in stock prices. One reason is that board diversity limits members' motivation to suppress bad news so that the company can handle the real situation and avoid collapse. The authors of the article [4] concluded that firms with a large percentage of women on management boards have bigger dividend payouts, and firms with weak corporate governance are more susceptible to such influence, and it is assumed that women directors use the size of dividends as a governance tool.

In their work, Subba Reddy Yarram and Sujana Adapa [5] concluded that company performance (corporate social responsibility policy) is influenced not by the presence and number of women on the board of directors, but by the trend of balancing gender diversity on the board of

directors. Therefore, it makes sense to conduct an analysis, taking into account the performance of companies not only for one but for several years. In their research Muhammad Atif, Mohammed Hossain, Md Samsul Alam, and Marc Goergen [6] found out a positive relationship between board gender diversity and renewable energy consumption. Moreover, the presence of one woman on the council does not give any significant changes, there must be two or more of them to influence the energy use politics of the company.

In this paper, to test whether there is a relationship between gender diversity on corporate boards and firm performance, I decided to provide econometric analysis on the following model (equation 1):

$$BV_{it} = \beta_0 + \beta_1 WOB_{it} + \beta_2 CEO_{w_{it}} + \beta_3 BS_{it} + \beta_4 A_{it} + \beta_5 SP_{it} + \beta_6 E_{it} + \varepsilon_{it} \quad (1)$$

As dependent parameter I choose BV_{it} . Here, it is Brand value of i company in t year, WOB_{it} is a share of the women in the director board, BS_{it} is board size (number of people in Board of directors), $CEO_{w_{it}}$ is dummy variable that's show gender of CEO (1 – woman, 0 – man), A_{it} is assets of the company, E_{it} is number of employees that are working in the company, SP_{it} is share price.

For econometric analysis, I use pooled OLS, fixed effect, and random effect approach.

I collected data of top 20 companies in rankings of Forbes for the period 2016–2020. There are companies from 11 industries. The industry that has the most companies in this rating, which means that it consists of the most valuable brands, is Technology (9 companies Apple, Google, Microsoft, Amazon, Facebook, Samsung, Intel, Cisco, Oracle). After that comes Telecom, from which this list includes two companies (AT&T, Verizon). From the other nine industries in the list, one company is represented (General Electric from Diversified, Toyota from Automotive, Visa from Financial services, Walmart from Retail, Coca-Cola from Beverages, McDonald's from Restaurants, NIKE from Apparel, Louis Vuitton from Luxury and Disney from Leisure).

I decided to analyze 3 panel groups of data in order not only to find dependence between board gender diversity and brand value but also to discover differences in this dependence between the Technology industry and other industries (table 1).

Table 1 – Panel data groups for econometric analysis

No	Name	Number of companies	Number of observations
1	Technology	9	45
2	Other industries	11	55
3	All companies	20	100

The main independent variable that evaluates gender diversity is the WOB (women on board). Its dynamic for five years can be observed in figure 1.

It can be noted that the lowest values of this indicator are possessed by the companies from East Asia (Toyota from Japan and Samsung from South Korea). This can be explained by the fact that even though these companies are considered multinational companies, part of the culture of the country of origin still influences the internal policy of the company. The reasons for this can be called deeply engrained ideas about the roles that men and women should play (only 50-60% of Japanese think that married women can work outside home, in more traditional areas this number is smaller), recruiting issue (only 20-30% women are recruited to the positions where there are an opportunity to be promoted to manager), retention and promotion pose significant obstacles (as the daunting climb to senior management roles and other) [7]. The largest proportion of women on the board are companies from industries such as Luxury, Leisure, and one technology company.

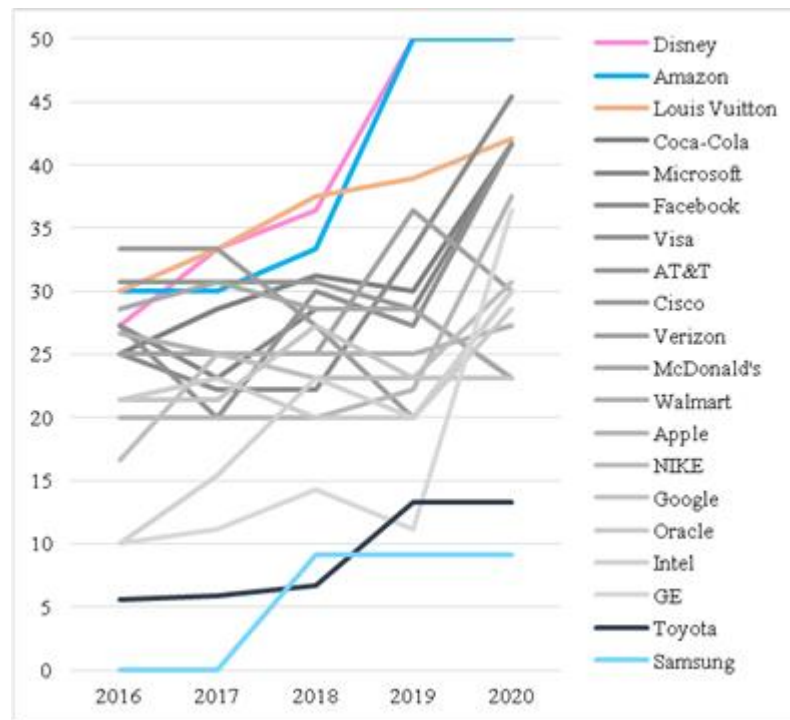


Figure 1 – Dynamics of share of women on the board

After building models of each panel group by 3 methods (pooled OLS, fixed effect, random effect) and conducting tests, for comparison (Hausman test), which one is better, after carrying out all the necessary tests to identify existing problems and fix them the following results were received (table 2).

Table 2 – Final models and results for 3 panel groups

Variables	Technology	Others	All
WOB	1.2731*** ¹	0.2937*	0.6881
	(0.2946)	(0.1607)	(0.4684)
CEOw	31.7818***		-7.4435
	(11.3630)		(4.5082)
BS	-9.7527***	0.3065	-3.0496*
	(1.8008)	(0.5283)	(1.7486)
A	0.5999***	0.0134	0.1199***
	(0.0337)	(0.0104)	(0.0431)
SP	0.0561***	0.0229	0.0340***
	(0.0063)	(0.0271)	(0.0110)
E	-0.0003***	-0.000005**	-0.000022***
	(0.0000)	(0.000002)	(0.000005)
Constant	68.1214***	23.3593**	53.1885***
	(21.9079)	(8.9749)	(18.1056)
Observations	45	55	100
R-squared	0.9054	0.1764	0.3381
Number of id	9	11	20

From the results represented in the table, we can conclude that different factors affect the brand value of companies in different industries. The percentage of women on the management board has a strong impact on brand value in tech companies. A 1% increase in the percentage of women on

¹ Here in the table Standard errors in parentheses and Significance is *** p<0.01, ** p<0.05, * p<0.1

the board of directors would increase the company's brand value by \$ 1.273B. Each additional member on the board of directors of technology companies will reduce brand value by as much as \$ 9.75B. This can be explained by the fact that when the board of directors consists of a sufficiently large number of members, it is difficult to focus on a single picture of the company's development, each has its vision of where the company should strive, therefore, financial indicators begin to deteriorate. Therefore, for the development of gender diversity in the technology industry, new seats should not be created on the board of directors, and men should be replaced by women so that there is equality on the board of directors.

Based on various studies, insights, and reports, companies began to understand the importance of board gender diversity not only for the moral character of the company, its ethics, etc. but also for financial efficiency. By increasing brand value, gender diversity helps empower a company to expand and develop further.

Even though there are already a lot of papers written about board gender diversity, there is still a lot of space and ideas for further research. The coronavirus crisis could slow down all the progress countries have made on both board and workforce gender equality and even increase inequality, as many reports and studies emphasize that women are more affected than men, especially from greater exposure to labor market disruptions [8].

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