Women on Board of Directors and Firm Performance of Russian Companies: Does CSR Disclosure Matter?

Theoretical background

The board of directors is a key corporate governance mechanism that fulfills strategic, monitoring and advisory roles while supporting a firm's access to valuable resources (Adams et al., 2010; Hillman et al., 2003). Literature suggests that gender diversity of board of directors (i.e. share of female members) leads to more productive boardrooms, a more critical assessment of decisions and in general better governance (e.g. Hillman et al., 2002) and ultimately better performance (Carter et al. 2003).

Gender diversity is considered to be a factor influencing CSR reporting for a number of reasons. Firstly, it influences decision-making processes because of the different points of view and approaches to problem solving women directors have in general (Adams et al., 2015). Women often have background experience beyond the focal business that allows them to bring different perspectives to boards' meetings (Hillman et al., 2002) and understand better the environment as well as the needs of different stakeholders (Miller and Triana, 2009; Hillman et al., 2002). The presence of women on boards contributes to a greater stakeholder engagement as well as a higher level of transparence and credibility of reports (Bear et al., 2010).

Although CSR is widely spread and accepted in many countries, for Russian companies it is still underdeveloped (Fifka and Pobizhan, 2014; Li et al., 2010) because there are no legal requirements and obligations for companies to disclose CSR information. At the same time, most Russian firms are characterized by weak corporate governance, comparably low shareholder protection rights and concentrated ownership (Guryanov et al., 2019; Grosman et al., 2019). Hence, we deem it important to investigate the impact of both board composition (diversity) and CSR on the performance of this particular transition-economy firms.

Methodology

Our sample consists of 223 public companies listed on Moscow Stock Exchange for the period 2012-2017 indicated as "active" according to Thomson Reuters Datastream database. The data for this study was collected from several sources: Thomson Reuters Datastream, SKRIN and SPARK databases, companies' official websites and companies' annual reports retrieved from the same sources.

Dependent variable

We use Tobin's Q as a firm's performance indicator as it reflects the market's expectations of future performance and is considered a proxy for competitive advantage. We define Tobin's Q as the sum of the market value of equity (share price multiplied by the number of ordinary shares in issue at the end of a fiscal year) and the book value of debt divided by the book value of total assets.

Mediator variable – CSR disclosure

The CSR data collection was an iterative process run by the authors of this paper. We measure 22 elements of CSR disclosure index (variable *CSR*) from "0" to "3", based on how deeply different aspects of CSR are disclosed in the annual report. The original CSR index approach provided by Anas et al. (2015) was used.

Independent variables

We calculated gender diversity as a number of women on board divided by a total board size (variable *women*). Based on previous research we decided to study in more details the variable related to a share of women on board (Kanter (1977) according to critical mass theory suggesting the extent of representation of the minority gender matters. We implemented a dummy variable equal to 1 when a share of women on board is more than 30% (variable *women_mass*).

Control variables

In order to make sure that the results are not driven by firm heterogeneity, we add control variables that cover different firm's characteristics including firm size, leverage, return on assets.

Discussion and conclusions

The results we obtained provide an interesting finding - female directors, opposite to our expectations, negatively influence CSR disclosure. There might be several explanations of such findings in the Russian context. First of all, Russian companies prioritize in favor of a higher level of CSR disclosure to compensate for some inefficiencies in their corporate governance, i.e. gender diversity.

Secondly, taking into account the fact that Russian society, including business society, is still dominated by patriarchal views, even a higher number of female directors does not automatically lead to more decision power as they might be considered as token directors (Ghabayen et al., 2016). Traditionally effective decision-making is associated with masculine behavior which is specific for men, and women are considered as less effective managers. Such stereotypes influence the perception of women who tend to demonstrate more masculine behavior in order to be evaluated as more effective. To overcome this limitation, women might adopt conventional behaviors and rules, or even a more typical male role to preserve or strengthen their positions on boards, thus focusing more on financial, rather than social goals (Rodriguez-Dominguez et al., 2009). CSR is still considered in many companies as sphere with non-direct, long-term outcome and as a result are less linked to the indicators of effective management.

We should note that women directors positively influence firm (market) performance. This finding supports the argument about a comparably low maturity level of the Russian corporate governance system, where women on boards of directors enhance market performance, but do not have enough power or incentives to bring more transparency to the company's activities.

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