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Women as Directors and Corporate Social Responsibility in Nigeria

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Abstract

Although women in Nigeria are faced with gender discrimination and stereotyping which sometimes may affect their ability to fully contribute to corporate strategy decisions, there are however an increasing representation of women on corporate boards in the country. In this paper we therefore try to examine the effect women as board of directors have on corporate social responsible (CSR) decisions for conglomerates in Nigeria over a period from 2005 -2014. Our belief is that gender diversity will increase firms' socially responsible behaviors. The findings from our analysis justify our proposition of a statistically significant relationship between female directors on a corporate board and corporate social responsibility decisions as represented by charitable giving. However, the number of women on board may not exceed two as this will lead to larger board sizes and conflict of guidelines. The study therefore proposes that more reflection of gender inclusive leadership should be embraced by management and government alike if they are to tap the benefits associated with corporate social responsibility.

Key Words: *Gender Diversity, Corporate Social Responsibility, Nigeria.*

Introduction

The corporate scandals and business failures that characterized organizations in the last decade, brought to lime light the dilemma associated with short term investments as well as accentuating the significance of long term investment outlook for firms (Bernadi & Threadgill, 2010). However, for organizations to thrive in the long run, they need to look beyond profit maximization to stakeholder relations, of which corporate social responsibility (CSR) - making social, economic and environmental contributions to the society- can be one facet. Therefore, as firms grow in size and influence, they must have the ability to reconcile and balance multiple bottom lines and manage the interests of multiple stakeholders rather than being mere contributors to the global economy (Jamali, 2006).

The fundamental idea of CSR often referred to as charitable giving and philanthropic contributions is that business and society are intertwined rather than separate (Brammer and Pavelin, 2006). This is based on the fact that successful CSR initiatives are posited to improve companies' reputation, increase customers loyalty and strengthened brands which can ultimately boost share price and raise investments (Porter and Kramer, 2006). Conversely, many researchers suggest that since engaging in CSR activities boosts reputation, firms simply use CSR as a public relation tool (Jahdi & Ackidili, 2009; Doane, 2005). More so, conflicts arise in agreeing on how best to be socially responsible while in an attempt to be meet organizations objective and shareholders interest (Margolis & Walsh, 2003).

The decisions of balancing multiple stakeholders while maximizing profits are however cumbersome and challenging, but coming under scrutiny is the idea that having women as board members may aid in the decision making process. A research by Catalyst (2004) has recognized that firms with the highest representation of women as board of directors financially outperform, on average, companies with the lowest. Hence, by having women as directors on organizations boards, corporate reputations are enhanced (Bramer et al,2009); company performance are increased (Burke, 2000; Crater, Simpkins and Simpsons, 2003) favorable work atmosphere are created (Bermadi et al. 2002); positive market reaction are stirred (Vera, 2010) which invariable enhances financial performance. Empirical research also shows that companies with more women as board of directors pay better attention to audit functions, risk oversights and control (Carter et al.2008; Adams and Ferreira, 2007). This is because; women are often characterized with accuracy, egalitarianism, cooperation and bring fairness to the table.

The benefits of gender-inclusive leadership have also been posited to extend beyond financial performance to corporate social responsibility (CSR) and an increased concern for the environment (Soares, Marquis and Lee 2011; Fernandez et al, 2012). Pratto, (1994) suggests that the definition of fairness and the distribution of resources to the society is what may lead corporations to engage in socially responsible activities. As such, by operating with gender-inclusive leadership, various perspectives on fairness is provided which may broaden the company's understanding of CSR and spawn a higher level of philanthropic activities.

However, empirical literature that suggests that women as board of directors are capable of improving financial performance and social responsibility are scarce particularly in Nigeria to the best of our knowledge. This is rather imminent because although the representation of women on corporate boards has improved but it is still very low in comparison to what is obtainable in other countries especially developed economies. As the representation of female on corporate boards, in Nigeria, stands at 15%, 16% and 19% for the year 2012, 2013 and 2014 respectively(WIZBIZ, 2015). The trends in CSR is also not significant in Nigeria as many companies focus on immediate financial gains and ignore efforts that go beyond what may be required by either regulators or environmental protection agencies (Akingbolu, 2014).

It may be reasonable to assert that the low trends of CSR may emanate from the low number of female on corporate boards in the country. This study therefore tries to examine empirically the importance of gender inclusive leadership in firms' decisions to be socially responsible. If our claim stands correctly, then this paper hopes to contribute to existing literature, by providing empirical evidence of the role women play in corporate social responsibility decisions. This is the introduction, the next section presents theoretical and empirical overview of the subject matter while section three provides the methodology used in the study. Discussion of findings, conclusion and recommendation are presented in section four and five respectively.

Literature Review

Theoretical Overview

In an effort to assess the impact women directors have on corporate social responsibility decisions, we in brief appraise the relevant theories of corporate social responsibility which advocate that conflict of interest, agency cost and tradeoff are frictions that may affect companies from behaving in socially responsible ways. We also discuss the general characteristics women posses which elucidate the effects of female directors when they interact with these frictions, as well as detailed implication of these interactions for firms' corporate social responsibility decisions.

Several theories have been posited to explain issues that may prevent firms from engaging in socially responsible activities. For instance, the agency theory suggests that managers as agents are self serving, empire building individuals who seek only their interest at the expense of the stakeholder (principal) causing agency problems (Jensen,1993). These agency problems such as moral hazards and conflict of interests lead to higher agency costs which affect performance (Fama and Jensen, 1983; Jensen, 1993). In view of this fact, CSR activities may be regarded as unprofitable activities. More so, some researchers suggest that the responsibility of firms is profit maximization for investors and providing goods and services for the society (Huges, 2001; Fama, 1970; Bakan,2004)

However, gender inclusive leadership has been suggested as a solution to reducing agency costs. Bakan (1966) explain that women are thought to be more ‘communal’ and men more ‘agentic’ hence companies with agency problems are firms data that have homogenous boards. Companies with female representation on boards tend to use more financial performance measures such as innovation and social responsibility more than their male counterparts which will aid in reducing any conflict of interest that may occur (Stephenson, 2004). Post et al. (2011), elucidates that female endearment to CSR orientation could stem from their values, moral orientation and ethical judgment, as women are, for example, more likely to respond to the needs of others and recognize unethical actions. Women also generally are more ethical and more sensitive to unethical behaviors (Becker and Ulstad, 2007; Stedham, et al., 2007). This can go a long way in refocusing managers’ interest to align with that of the shareholders. Galbreath, (2011) explains that male on board welcome their female counterparts as ‘soft ‘issues and as such are relegated to issues which include customer service, human resources, charitable giving’ which impacts on environmental quality and provides reasons for higher CSR activities,

The stakeholder theory on the other hand, advocates that company’s success and sustainability relies majorly on how well the stakeholders are managed. These stakeholders include customers, employees, suppliers, financiers and other import players in the community where it operates (Nesvadbova, 2009). This invariable means that the work of the manager is to adequately satisfy the interest of all these groups while maximizing profit (Robinson, 2008; Agle et al, 1999; Chai, 2010) Nevertheless, the theory does not specify how a manger should compare the competing interest of the different stakeholders, as such, conflicts arise in agreeing on how best to be socially responsible while trying to meet organizations’ objective and shareholders interest (Margolis & Walsh, 2003). Conversely, greater gender representation on board can be beneficial in situations which involve complex tasks and require creative decision-making such as managing the interest of multiple stakeholders (Burges and Tharenou, 2002; Ibrahim and Angelidis; 1994). In addition they convey diverse (non-traditional) professional experiences (Hillman et al., 2002; Singh et al., 2008) and adopt a more participative leadership style than men (Eagly et al., 2003). Consequently, expanding a board’s stance can aid increased discussion, better problem solving tactics, and a better understanding of the marketplace as a whole.

More so, having women at the helm of affairs in organizations can also be converted to profit for the firms. This is because women bring in new ideas and divergent perspective of things, this affects corporate strategies, products and services which cumulatively affects the level of sales and profits (Bernadi & Threadgill, 2010). In addition, having a woman as a director has been linked directly to the shareholders value of the company (Carter et al, 2003). Therefore, as companies increase the number of women serving as directors on their boards, customers’ satisfaction is enhanced, hence increasing revenues and profits.

While gender inclusive leadership has many prospective benefits, these benefits do not come without a measure of cost. For instance, (Iverson, 1995) opines that firms with smaller boards are inclined to have smaller boards which tend to be more homogeneous, and made up of directors who are close to the company and familiar with its inner operations. Although this condition may lack gender diversity and its associated benefits, it can be the best means of operation for a company by keeping the business.

Similarly, firms are not instruments of social change; consequently, corporations should not seek diversification except there is an apparent economic benefit. Also, Konrad and Kramer, (2006) find that boards with three or more women were significantly more likely to have conflict of interest guidelines and company codes of conduct than all-male boards. Women are also faced with barriers which include gender discrimination and Stereotyping which may affect their ability to fully contribute to corporate strategy decisions (Arfken, et.al, 2004).

Despite the fact that these opinions can go both ways, there has still been an increasing demand for women on corporate boards. *We therefore propose the hypothesis that the more women on board the higher the CSR activities.*

Empirical Evidence

Empirical literature centered on the link between gender inclusive leadership and CSR activities decisions are rather limited, the available ones include; Williams (2003) who examined gender diversity and charitable giving in 185 fortune 500 firms. The results show a positive and significant relationship between the proportion of women on the board and the firm's corporate philanthropy, suggesting that female board members contribute significantly more towards charitable causes than their male counterparts. This finding is in consonance to the works of Bernardi and Threadgill (2010). Here, the study developed CSR score based on four indices: employees, community involvement, environment quality and charitable giving for 143 companies listed on Fortune 500 for a lagged period of three years. They find that the number of women on a company's board is strongly correlated with social responsibility in three areas (employees, community, and charitable contributions), as well as with overall social responsibility.

Likewise, Soares, Marquis &Lee,(2011), investigated the correlation between gender inclusive leadership and CSR activities on fortune 500 companies for the period 1997-2007. After controlling for key factor that may affect philanthropic decisions such as Board size, financial performance and firms' size, the study revealed that the presence of women leaders had a significant effect on CSR activities. Also, Bear et al,(2010) studied how the diversity of board resources and the number of female board members affect firms' corporate responsibility ratings using about 700 companies listed on Fortunes most admired firms in 2009. The researchers found a statistically significant relationship between gender diversity and corporate responsibility, while other forms of resource diversity had no impact on CR performance.

Also, Boulata, (2012) looks at whether and how female board directors may affect corporate social performance (CSP) by drawing on social role theory and feminist ethics literature based on a sample of 126 firms drawn from the *S&P500* group of companies over a five-year period. The outcome suggests that board gender diversity (BGD) significantly affects corporate social performance. However, this impact depends on the social performance metric under investigation

In the same vein, Margeretha & Isnaini (2014) examines the impact of board diversity and gender composition on CSR performance in Indonesia for a sample time frame 2000-2012. Their findings show that CSR performance and corporate governance affect corporate reputation positively, while gender leads to higher impact on corporate social responsibility.

However, most of these studies have focused on companies in developed economies ,while empirical literature surrounding gender inclusive leadership and CSR activities in Nigeria remain scarce, except the work Fodio& Oba,(2012) who used sample a of 25 manufacturing firms to explore the nexus. In view of the forgoing, this study attempts to provide empirical evidence that woman on board positively affect corporate social responsibility decisions.

Methodology

Sample Size and Data Description

The study attempts to examine the impact of gender diversity on corporate social responsibility decisions. The sample size consists of 7 conglomerates listed on the Nigerian stock exchange as at 2005 for a span of 10 (2005-2014) years. The choice of conglomerates subsector in this study is because these firms comprise of multinational companies that engage in multifaceted services ranging from manufacturing to the distribution of foods and personal care products. The attributes of the group include high quality and diversified products of international standards profitable operations and consistence in benefits payments to shareholders (Sterling Capital, 2012). As such, it gives a snapshot of all the non financial listed on the Nigerian stock exchange.

Also, the choice of the sample time frame is as result of availability of data since most companies in the sample did not report corporate social responsibility activities prior to that time. The data used in this sample were extracted from the financial reports of the firms as made available in the Nigeria Stock Exchange Fact Book and the companies' annual reports. The annual report was chosen because it is common across firms, readily available, and provides a means of comparison over time. It is also a means of standardized measurement.

Construction of Variables

This study constructs the variables employed in tandem with existing literatures.

Corporate Social Responsibility

The dependent variable in this paper is corporate social responsibility as measured in charitable giving and donations to the community (Soares, Marquis &Lee, 2011, Fernandez-Feijoo, Romero & Luis, 2012).

Women on Board: The proportion of women on board is measured, as the number women in relation to the total number of board members. The data for board size and the total number of women was sourced from the companies' annual report. Hence the higher the number of women on the board, the more socially inclined the firms will be (Soares, Marquis &Lee, 2011); Galbreath, 2011; Fodio & Oba,2012; Boulouta,2012).

Firm Size: The proxy employed to measure firm size in this study is the firms total assets, which is used in it natural logarithm form. Therefore, the larger the firms total assets, the more inclined they are to philanthropic activities. (Soares, Marquis &Lee, 2011, Abdulrahman, 2014).

Board Size: The study also controls for board size, which is the total number of directors on the board including the chairman and the CEO. The underlying assumptions suggest that larger board sizes bring diverse perspectives to the table which aid in decision making process and hence aid in determining corporate social responsibility (Carter, et al, 2003; Galbreath, 2011).

Profitability: The firms' profitability, which is measured using Earning per Share (EPS) is employed as a measure of a firm's profitability because it represents a fraction of the company's profit that is allotted to each outstanding share of common stock. Existing literature suggest that larger firms are more likely to engage in philanthropic activities as such, higher profits results in higher CSR (Boulouta, 2012)

Risk: The risk of the firm is measured using the long-term debt to total assets ratio (Waddock and Graves, 1997).

Model Specification

This research work uses multivariate regression analysis on a panel data framework to empirically assess the impact of gender inclusive leadership on corporate social responsibility decisions by conglomerates in Nigeria. The study adopts the panel data approach as it aids in exploring simultaneously the cross sectional as well as the time series aspects of the data.
Model is as expressed below:

$$\boldsymbol{LNCSR_{i,t} = \beta_0 + \beta_1 GD_{i,t} + \beta_2 PROF_{i,t} + \beta_3 LNFS_{i,t} + \beta_4 LNBZ_{i,t} + \beta_5 RISK + \varepsilon_{i,t}} \quad (1)$$

Where LNCSR = Corporate Social Responsibility expressed in its natural Logarithm

LNBZ = the natural log of board size
FS = is the size of the firm the natural log of total assets
PROF= Firms profitability
RISK= risk of the firm
GD= the ratio of women on board of directors in relation to the total number on the board.

i denotes the different companies in the sample (i = 1…7) and t denotes the time period (t = 2005…2014), $\beta_{0,} - \beta_{5,}$ are the parameters of the model to be estimated.

Panel data analysis is used to capitalize on its strength to control for omitted/unobservable variables that threaten causal inference in observational studies (Lee, 2002; Halaby, 2004). The random effect model is adopted in this study based on the outcome of the Hausman to test our econometric model.

Data Presentation and Analysis

Table 1 Descriptive Statistics

Variable	Obs.	Mean	Stand. Dev	Min.	Max
Board Size	70	8.828571	2.32174	4	14
RISK	70	0.1037143	0.0906206	0.01	0.69
Total Assets	70	1.15e+10	2.10e+10	126,000	7.77e+10
CSR	70	1.56e+07	2.26+07	0	1.03e+08
Prof.	70	0.9071391	1.725045	0	10.026
Gender Divesty	70	0.0960682	0.19582	5.32116	1.538

The table above shows that the average size of the board of directors of our sample companies is 8.8 with the largest of 14 members and the minimum board size of 4 members. The average ratio of gender mix is 0.09 with a maximum of 1.5 which denotes that the there are about one or two women on the board for large boards and none for smaller boards.

Table 2 Correlation Matrix among variables

	LNCSR	PROF	RISK	GENDER	LNTA	LNBZ
LNCSR	1.000					
PROF	0.4461	1.000				
RISK	0.2155	-0.0458	1.000			
GENDER	0.5356	0.3195	-0.0526	1.000		
LNTA	0.6176	0.6139	0.1708	0.4155	1.000	
LNBZ	0.4607	0.4071	0.0476	0.6477	0.5658	1.000

The mean of CSR which is represented by charities and donations is about 1.5 billion in naira on the average and a minimum of 0. This may imply that firms with smaller board sizes have little or no CSR activities and is in consonance with existing literature.

Table 2 above presents the correlation among the dependent and the independent variables employed in this study. The results show that all the variables are correlated with the natural log of CSR. This means that, gender ratio, profitability, board size and firm size are highly correlated with CSR activities as in (Soares, Marquis and Lee, 2011). This suggests that, larger firms, bigger boards and more female board members increase corporately social responsible activities.

Table 3: The effect of Gender Diversity on Corporate Social responsibility
Dependent variable: Corporate Social Responsibility

Variable	Co efficient	Standard Error	Z value	P values
LNFS	0.3833811	0.640748	6.00	0.000***
LNBZ	-0.3049022	0.9602922	-0.32	0.751
GD	6.997815	2.982931	2.35	0.019**
RISK	-0.5844959	2.414937	-0.24	0.809
PROF	-0.0479377	0.1166334	-0.41	0.681
CONST.	8.225737	1.791239	4.59	0.000
R^2	0.7133			
Wald Chi	81.42			
Prob(F)	0.000			
Vif	1.91			
Hausman	2.70(0.7466)			

***,**,* denotes 1%,5% and 10% significance respectively

From the table above, the random effect model shows the outcome of our analysis. We find that a change in firm size as expressed by the log of total assets leads to an increase in corporate social responsibility activities. And this is statistically significant (βs=0.38,p>0.000) This finding is in tandem with existing literature which advocates that larger firms are more inclined to social responsibility.

Furthermore, we find that an increase in gender diversity leads to an increase in corporate social responsibility activities at a statistical significant level (β=6.99, p>0.019). Therefore, the more women on board, the more socially responsible the firms are. As such, the number of women on the board in our sample with range from 0.09-1.5 is sufficient enough to make strategic decisions capable of corporate sustainability and long term growth (Hillman et al, 2000; Wang and Coffey,1992; Fodio and Oba,2012, Soares, Marquis and Lee,2011).

The study finds that board size has a negative relationship with CSR activities. Hence, the larger the size of the board, the less likely they are to participate in CSR activities. Although this finding is not statistically significant, possible explanation may be that inasmuch as gender diversity is welcomed if firms increase their board sizes to include more than two women, the effect on CSR decisions may not be felt significantly or may give rise to conflicts n adhering to guidelines(Konrad and Komer, 2006)

Similarly, the research work finds that the firms' market performance as measured by Earnings per share has a statistically insignificant negative relationship with corporate social responsibility. Hence as the firms' profitability increases the less likely they are to participate in CSR activities. This implies that financial performance does not determine firms' decision to behave in socially responsible ways as suggested by existing literature. Based on these findings, we can argue that women as directors play a major role in CSR decisions. However, if their number on the board exceeds two or three, they may not be very effective in making decisions. More so firm's decisions to behave in socially responsible are not determined by their level of risk or their profitability.

Conclusion

This study examines empirically the relationship between gender diversity and corporate social responsibility decisions for conglomerates listed on the Nigerian Stock Exchange. The result of the analysis show that gender diversity which ranges from 0.9-1.5 aids in CSR decisions. However, increases in the board size and profitability have no significant impact on CSR. This paper contributes to existing literature by providing empirical evidence on the impact of women in CSR decisions and the adequate number of women that are required on corporate boards to make these decisions while meeting the interest of other stakeholders. More so, the study provides evidence to support the fact that profitability has no impact in CSR decisions.

Areas for further research in order to prove causality would be to gather primary data through interviews with board members about their influence on board processes (e.g. CSR decisions). Also, a bigger sample with different companies across different industries would also improve our understanding on the link between gender and corporate social responsibility

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APPENDIX A Output

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Random-effects GLS regression            Number of obs   =    70
Group variable (i): COY                  Number of groups =     6
R-sq:  within  = 0.0096                  Obs per group: min =   6
       between = 0.7133                                 avg =  9.3
       overall = 0.6195                                 max =   10
Random effects u_i ~ Gaussian            Wald chi2(5)    =  81.42
corr(u_i, X)       = 0 (assumed)         Prob > chi2     = 0.0000
------------------------------------------------------------------------------
   LNCSR |     Coef.   Std. Err.     z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    LNTA |  .3844811   .0640748    6.00   0.000     .2588968    .5100654
    LNBZ | -.3049022   .9602922   -0.32   0.751     -2.18704    1.577236
  gender |  6.997815   2.982931    2.35   0.019     1.151378    12.84425
     eps | -.0479377   .1166334   -0.41   0.681     -.276535    .1806596
    risk | -.5844959   2.414937   -0.24   0.809    -5.317685    4.148693
   _cons |  8.225737   1.791239    4.59   0.000     4.714972     11.7365
-------------+----------------------------------------------------------------
     sigma_u |         0
     sigma_e | .56176611
         rho |         0   (fraction of variance due to u_i)
------------------------------------------------------------------------------
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