# Gender and Corporate Social Responsibility: It's a Matter of Sustainability

AUTHORS: Rachel Soares, Senior Associate, Research, Catalyst Christopher Marquis, Ph.D., Associate Professor, Harvard Business School Matthew Lee, Doctoral Candidate, Harvard Business School

The recent global financial crisis not only illustrated the intrinsic problems with quick-return investments but also underscored the importance of a long-term investment perspective. Corporate leaders, boards, and investors alike all know that corporate sustainability—positioning a business to grow and thrive well beyond the next quarter—is here to stay.<sup>1</sup> Making judgments about the long-term health of a company can be challenging, but now stakeholders have a new benchmark to consider: the presence of gender-inclusive leadership, both in the boardroom and at the executive table.

Prior Catalyst research has established that companies with the highest representation of women leaders financially outperform, on average, companies with the lowest.<sup>2</sup> In fact, companies that maintained board gender diversity in at least four out of five years significantly outperformed those with zero women directors.<sup>3</sup> Even as a commitment to gender-inclusive leadership, particularly when sustained over time, is associated with higher returns on the short-term balance sheet, the benefits of gender-inclusive leadership extend beyond financials. New data from Catalyst and researchers from Harvard Business School suggest that gender-inclusive leadership and corporate social responsibility (CSR) are linked. Companies and society win when business leaders are gender diverse.



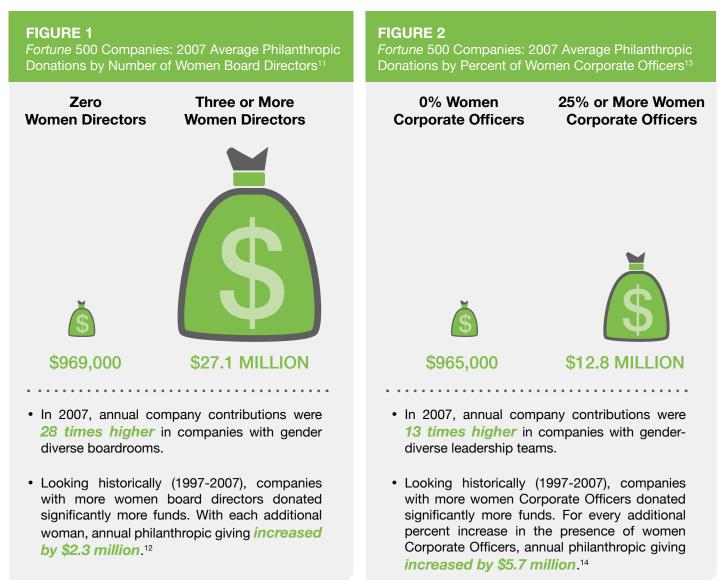
# Leadership Is Associated With Increased Corporate Social Responsibility

Researchers from Harvard Business School examined how corporate leadership and organizational structure influence CSR by utilizing the most visible form in the United States: corporate philanthropy.<sup>4</sup> Focusing specifically on how women leaders might impact CSR, researchers from Harvard Business School and Catalyst conducted follow-up analysis. Compared to companies without women executive leaders, we found that companies with gender-inclusive leadership teams contributed, on average, more charitable funds.<sup>5</sup>

## **Corporate Social Responsibility:** A Definition

A core focus of corporate sustainability is stakeholder relations, of which corporate social responsibility (CSR) can be one facet.<sup>6</sup> A company committed to CSR acts as a good corporate citizen, expanding the definition of success beyond profit maximization to also consider the organization's impact, both positive and negative, on the world.<sup>7</sup> Globally, CSR activities can span four areas: the workplace, the marketplace, the community, and the environment.8 Leading companies go beyond compliance, approaching CSR proactively, taking voluntary actions in advance of stakeholder pressure.9 CSR frequently makes good business sense by improving business outcomes such as risk management, corporate and brand reputation, and the recruitment and retention of employees.<sup>10</sup>

#### Gender-Diverse Executive Leadership is Associated With Higher Contributions



### More Women Leaders, Not Just Big Budgets, Means Higher Levels of Corporate Social Responsibility

It's not only a matter of companies with more women leaders being larger and having more money to donate or of companies with more women being clustered in industries with higher levels of charitable giving. After controlling for key factors that might influence the amount of donations, including financial performance, company size, and industry, the presence of women leaders in *Fortune* 500 companies still has a significant, positive effect: *more women leaders is correlated with higher levels of philanthropy.*<sup>15</sup>

Going beyond correlation-proving that gender-inclusive

leadership actually *causes* companies to be more socially responsible—can be difficult given all the factors at play. Additional evidence does, however, point to genderinclusive leadership positively impacting CSR.

Other studies demonstrate that gender-inclusive leadership is linked to increased philanthropy as well as increases in other CSR areas, such as environmental CSR.<sup>16</sup> While it is plausible that companies committed to CSR could attract more diverse leaders, it is likely the connection works in reverse. Research examining the impact of gender-inclusive leadership, when taking time into account, suggests gender-diverse leaders are employed *before* increases in CSR are observed.<sup>17</sup>

#### Perspectives on Fairness May Influence the Amount of Philanthropy

A sense of fair play is a concern about issues of fairness and the distribution of resources in society.<sup>18</sup> Research suggests that people define fairness differently, and that this may lead them to approach CSR in distinct ways.<sup>19</sup> Operating with gender-inclusive leadership can provide diverse perspectives on fairness, which may broaden the company's understanding of CSR and generate a higher level of philanthropic activities.

### 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.

Focusing on the roles women play in the marketplace is one way companies can create success through CSR initiatives. 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.<sup>20</sup> RBC devised programs such as the Women's Entrepreneur Market Strategy to help women business owners make connections and access resources.<sup>21</sup> Catalyst acknowledges that both of these approaches embrace the importance of women as customers and suppliers, creating more opportunities for women and companies.

### 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. Genderinclusive 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.

Research Partners: American Express Company, BMO Financial Group, Chevron Corporation, Credit Suisse, Deloitte LLP, Desjardins Group, Deutsche Bank AG, Ernst & Young LLP, Hewlett-Packard Company, IBM Corporation, KeyBank, McDonald's Corporation, and UPS

© 2011 Catalyst

For more information on Catalyst, please visit our website. Unauthorized reproduction of this publication or any part thereof is prohibited.

Catalyst Publication Code: D107 ISBN: 0-89584-318-8

#### Endnotes

- 1 Knut Haanaes, Balu Balagopal, David Arthur, Ming Teck Kong, Ingrid Velken, Nina Kruschwitz, and Michael S. Hopkins, "First Look: The Second Annual Sustainability & Innovation Survey," *MIT Sloan Management Review*, vol. 52, no. 2 (Winter 2011): p. 77-83.
- 2 Nancy M. Carter and Harvey M. Wagner, The Bottom Line: Corporate Performance and Women's Representation on Boards (2004–2008) (Catalyst, 2011); Lois Joy, Nancy M. Carter, Harvey M. Wagner, and Sriram Narayanan, The Bottom Line: Corporate Performance and Women's Representation on Boards (Catalyst, 2007); and Catalyst, The Bottom Line: Connecting Corporate Performance and Gender Diversity (2004).
- 3 Carter and Wagner.
- 4 Christopher Marquis and Matthew Lee, "Who is Governing Whom? Senior Managers, Governance and the Structure of Generosity in Large U.S. Firms," *Harvard Business School Working Paper*, no. 11-121 (May 2011).
- 5 The companies included in this study are those that appeared on the *Fortune* 500 list in 1997, 1999, 2001, 2003, 2005, and 2007. Catalyst's *Fortune* 500 Census reports on women board directors for 1997, 1999, 2001, 2003, 2005, and 2007 and women Corporate Officers for 1997, 1999, 2000, 2002, 2005, and 2007 provided the count and percent of women executive leaders for each company. The *National Directory of Corporate Giving* provided the corporate philanthropy data for each company for 1997, 1999, 2001, 2003, 2005, and 2007. This resulted in a dataset comprising approximately 2,100 company-years.
- 6 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.
- 7 Ramon Mullerat, International Corporate Social Responsibility: The Role of Corporations in the Economic Order of the 21<sup>st</sup> Century, (The Netherlands: Kluwer Law International, 2010) and Christopher Marquis, Mary Ann Glynn, and Gerald F. Davis, "Community Isomorphism and Corporate Social Action," The Academy of Management Review, vol. 32, no. 3 (July 2007): p. 925-945.
- 8 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 and Archie B. Carroll, "Corporate Social Responsibility: Evolution of a Definitional Construct," *Business and Society*, vol. 38, no. 3 (September 1999): p. 268-295.
- 9 Grosser, "Corporate Social Responsibility and Gender Equality" and Christopher Meyer and Julia Kirby, "Leadership in the Age of Transparency," *Harvard Business Review*, vol. 88, no. 4 (April 2010): p. 38-46.
- 10 Emily V. Troiano, Workplace Trends: Today's Decisions, Tomorrow's Successes (Catalyst, 2008); Catalyst, Catalyst 20th Anniversary Awards Compendium (2007); Global Reporting Initiative and International Finance Corporation, Embedding Gender in Sustainability Reporting: A Practitioner's Guide (2009); 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; and 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.
- 11 We chose to examine the *count* of women board directors because of the relative stability of board size over time; using counts allows for

more accurate comparisons. The critical mass for women on boards has been documented as three or more women directors. Vicki W. Kramer, Alison M. Konrad, and Sumru Erkut, *Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance*, Report No. WCW 11, (Wellesley, MA: Wellesley Centers for Women, 2006).

- 12 Significant (p<.01). We regressed the raw amount of corporate philanthropic contributions on the count of women board directors, controlling for the count of women Corporate Officers, count of total directors, count of total Corporate Officers, industry, firm size, firm financial performance, and time (using STATA xtreg command with random-effects and cluster subcommand).
- 13 We chose to examine the *percent* of women Corporate Officers because of the large range of total officers per company and over time; using percents allows for more accurate comparisons.
- 14 Moderately significant (p<.10). We regressed the raw amount of corporate philanthropic contributions on the percent of women Corporate Officers, controlling for the percent of women directors, industry, firm size, firm financial performance, and time (using STATA xtreg command with random-effects and cluster subcommand).
- 15 Companies with a higher percentage of women directors (p<.01) and a higher percentage of women Corporate Officers (p<.05) made significantly higher philanthropic contributions. We ran two regressions using STATA xtreg command with random-effects and cluster subcommand: (1) regressed logged corporate philanthropic contributions on the count of women board directors and (2) regressed logged corporate philanthropic contributions on the percent women Corporate Officers. Both regressions controlled for a number of variables: firm foundation size, firm financial performance, firm size, firm age, CEO age, industry, women's employment rate in industry, headquarter community economic environment, tax rate, and time.
- 16 Robert J. Williams, "Women on Corporate Boards of Directors and Their Influence on Corporate Philanthropy," *Journal of Business Ethics*, vol. 42, no. 1 (January 2003): p. 1-10; Jia Wang and Betty S. Coffey, "Board Composition and Corporate Philanthropy," *Journal of Business Ethics*, vol. 11, no. 10 (October 1992): p. 771-778; and Corinne Post, Noushi Rahman, and Emily Rubow, "Green Governance: Boards of Directors' Composition and Environmental Corporate Social Responsibility," *Business & Society*, vol. 50, no. 1 (March 2011): p. 189-223.
- 17 Philipp Krüger, "Corporate Social Responsibility and the Board of Directors," (working paper, Toulouse School of Economics, May 31, 2010).
- 18 Jeanine Prime and Corinne A. Moss-Racusin, *Engaging Men in Gender Initiatives: What Change Agents Need To Know* (Catalyst, 2009).
- 19 Felicia Pratto, Jim Sidanius, Lisa M. Stallworth, and Bertram F. Malle, "Social Dominance Orientation: A Personality Variable Predicting Social and Political Attitudes," *Journal of Personality and Social Psychology*, vol. 67, no. 4 (October 1994): p. 741-763 and Felicia Pratto, Deborah G. Tatar, and Sahr Conway-Lanz, "Who Gets What and Why: Determinants of Social Allocations," *Political Psychology*, vol. 20, no. 1 (March 1999): p. 127-150.
- 20 Catalyst, D&I Practices: 2010 Catalyst Award Winner Campbell Soup Company—Winning in the Workplace, Winning in the Marketplace, Winning With Women (2010).
- 21 Catalyst, D&I Practices: 2010 Catalyst Award Winner RBC—Client First Transformation: Achieving Business Results and Cultural Revitalization Through Diversity (2010).