

Research finds gender-diverse boards are greener

August 31 2018



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Companies with a more balanced mix of men and women on their boards are better at protecting the environment and less likely to be sued for environmental law violations, according to new research from the University of Adelaide.

The study, published in the *Journal of Corporate Finance*, examined 1893 environmental lawsuits raised against the Standard and Poor's 1500

firms in the United States between 2000 and 2015, and identified direct links between [gender diversity](#) and corporate environmental violations.

The study found companies with greater [gender](#) diversity on their boards experienced significantly fewer environmental lawsuits, indicating that female directors contribute to reducing corporate environmental litigation. For example, for every female added to a board of directors in the sample, the average [lawsuit](#) exposure is reduced by 1.5%, which on an average environmental lawsuit (USD \$204 million) could equate to a saving of USD \$3.1 million.

The study's author and Adelaide Business School Senior Lecturer, Dr. Chelsea Liu says the explanation for the findings lies in gender socialisation and diversity theories.

"Gender diversity is what's important – female representation on boards is most important where the CEO is male, and less important if the CEO is female," says Dr. Liu.

"This can be attributed to diversity theory, which says that a group of people from more diverse backgrounds – gender, race etc. – tend to make better collective decisions, because they canvas a wider range of perspectives.

"Having a range of perspectives can result in improved corporate environmental policy, which in turn can reduce exposure to environmental lawsuits," she says.

"Gender socialisation and ethics theories suggest that girls are brought up to be more caring towards others which can enhance environmental decision-making in the boardroom," Dr. Liu says.

"Previous research also found that female executives are less

overconfident and more willing to seek expert advice than their male counterparts," she says.

Dr. Liu says with many countries (including Australia) debating whether to mandate boardroom gender quotas, the research provides timely evidence to a potential 'business-case' justification for increasing corporate gender [diversity](#).

"With corporate environmental responsibility becoming a more important social issue, these findings can have significant implications for policymakers, investors and managers," says Dr. Liu.

"Environmental violations not only have a significant impact on societies, but they can also cause devastating losses of shareholder value."

More information: Chelsea Liu. Are women greener? Corporate gender diversity and environmental violations, *Journal of Corporate Finance* (2018). [DOI: 10.1016/j.jcorpfin.2018.08.004](https://doi.org/10.1016/j.jcorpfin.2018.08.004)

Provided by University of Adelaide

Citation: Research finds gender-diverse boards are greener (2018, August 31) retrieved 3 May 2024 from <https://phys.org/news/2018-08-gender-diverse-boards-greener.html>

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