

## From micro to macro: unraveling the nexus of diversity and ESG performance in European Listed Firms

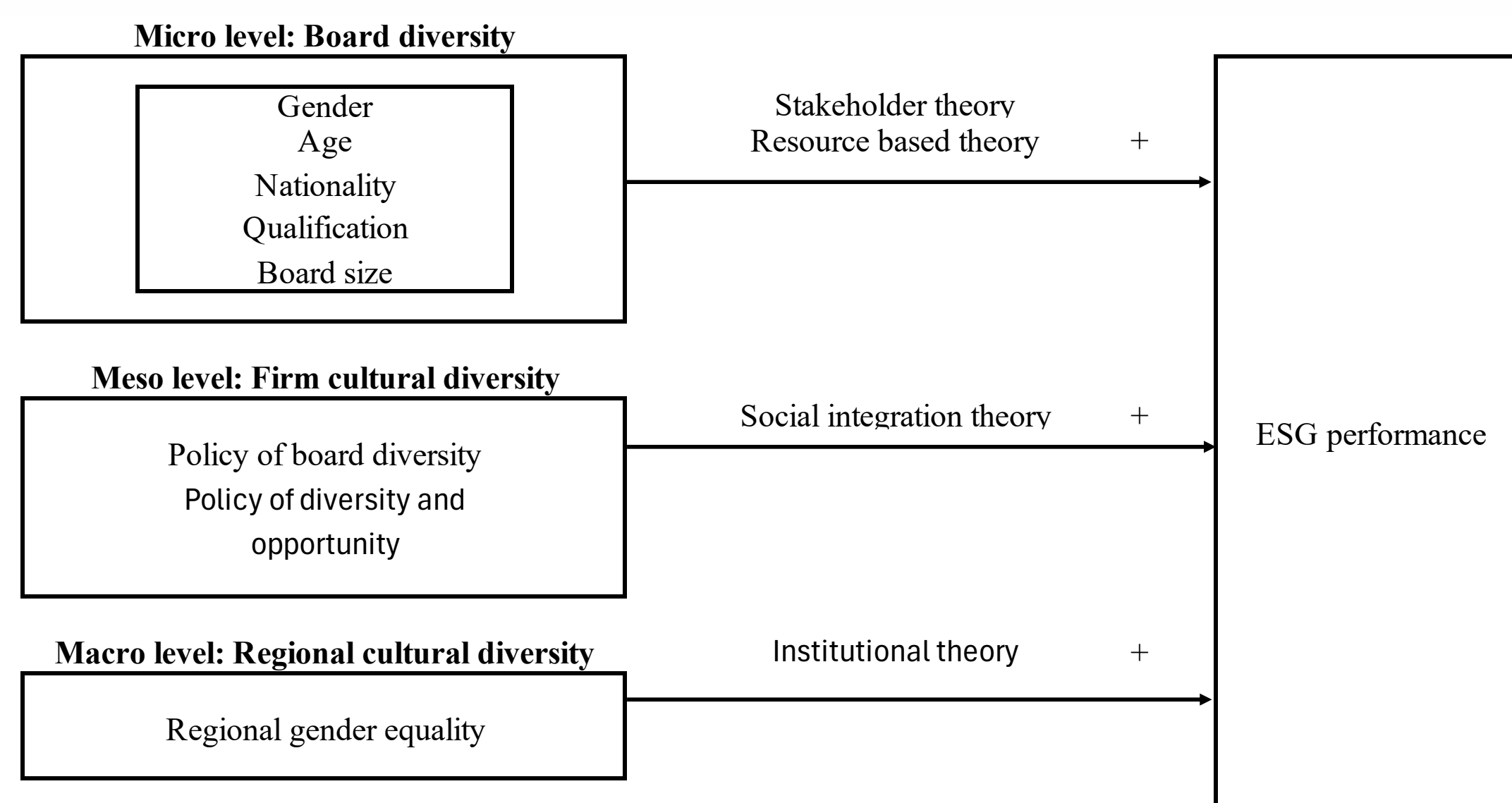
Corporate Social Responsibility (CSR) is a firm's commitment to enhancing long-term economic, social, and environmental well-being through its actions, policies, and resources (Du and Vieira, 2012).

Commitment on sustainable development → ESG ratings (Pope, J. et al. 2004; Diez-Cañamero et al. 2020; Kuo, T. C. 2021).

In response to a call for studies that want to understand what factors affect performance ESG, we would incorporate different levels of analysis and we argue there are three important levels of analysis to simultaneously consider (Shin et al., (2023):

- board diversity (i.e., micro level);
- firm cultural diversity (i.e., meso level);
- regional cultural diversity (i.e., macro level).

### Theoretical framework and hypotheses development



**Hp 1:** Board diversity (i.e, gender, age, nationality, education, size) has a positive effect on ESG performance.

**Hp 2:** Firm diversity policy has a positive effect on ESG performance.

**Hp 3:** Regional cultural diversity has a positive effect on ESG performance.

### Data and Method

Variable	Definition
<b>Dependent variables</b>	
ESG score	Score from 0 to 100 that represent the ESG performance of a firm
<b>Independent variables</b>	
<b>Micro level: Board diversity</b>	
Token	Dummy variable taking the value 1 if a firm presents only one woman director, and 0 otherwise
Critical Mass	Dummy variable taking the value 1 if a firm presents at least three women directors, and 0 otherwise
Blau index gender	Variable with value from 0, when there is only one gender on the board, to 0.5, when the board has an equal number of women and men
Nationality	Proportion of Directors from different countries
Qualification	Standard Deviation of Total Number of Qualifications
Age	Standard deviation of the population of the ages of Directors for all the Directors
Board Size	Number of Directors
<b>Meso level: Firm cultural diversity</b>	
Policy board diversity	Dummy variable taking the value 1 if a firm has a gender diversity policy on the board, and 0 otherwise
Policy diversity and opportunity	Dummy variable taking the value 1 if a firm has a diversity and opportunity policy, and 0 otherwise
<b>Macro level: Regional cultural diversity</b>	
RGEI	Regionalization of the gender equality indicator known as the Gender Equality Index (GEI)

**Firms:** 573 from Germany, Italy, France and Spain.

**Time:** From 2013 to 2022.

**Databases:** BoardEX, Thomson Reuters, REGEM, The Orbis database (Bureau Van Dijk), and Quality of Government (QoG) Institute.

$$ESG\ Score = f((Token + Critical\ Mass + Blau + Age + Nationality + Qualification + Board\ Size) + (Policy\ board\ diversity + Policy\ diversity\ and\ opportunity) + (RGEI) + Control\ variables)$$

**Control variables:** CSR Sustainability Committee; Percentage of women executive; ROA; Firm size; Firm Age; Quality; Impartiality, Corruption and Knowledge intensive industry.

**Robustness Test:** ESG governance pillar, ESG social pillar, ESG environmental pillar and ESG combined scor.

We also tested our hypothesis considering every single country (i.e. Germany, Italy, France and Spain).

### Results

	ESG score	Standard error
Token	-0.690	(0.717)
Critical mass	2.475***	(0.755)
Blau index	9.568***	(2.360)
Nationality	2.708**	(1.302)
Qualification	1.136**	(0.572)
Board age	0.0321	(0.103)
Board size	0.493***	(0.0824)
Policy board diversity	3.319***	(0.514)
Policy diversity and opportunity	5.650***	(0.814)
RGEI	0.204*	(0.110)
Control variables	Yes	Yes

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

#### Managerial and policy implications:

- Promoting diversity in board of directors;
- Designing interventions for workplace diversity;
- Considering regional cultural context;
- Proactive management strategies.

#### Study limitation:

- Focus on listed firms in the European Union;
- Limited director attributes.

#### Future developments:

- Expand sample;
- Mixed method.