

WOMEN ON THE BOARD AND THE ETHICAL BEHAVIOUR: THE CASE OF LATIN AMERICAN LISTED COMPANIES

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Abstract

Ethical issues such as social inclusion and gender equality are among the most relevant global challenges and have attracted the attention in the academic literature. The inclusion of women on top positions has been promoted by the action of some countries, which have enacted different laws and good governance codes with the aim of increasing the presence of women on the board of listed companies (Reguera-Alvarado, de Fuentes, & Laffarga, 2017). Some European countries are trying to reduce the gap between genders by imposing quotas for listed companies. For instance, Norway adopted a law requiring 40% of all publicly listed firms board members are women by 2008, while Spain, France and Belgium have issued similar laws to promote the gender equality (Carrasco, Francoeur, Labelle, Laffarga, & Ruiz-Barbadillo, 2015). Germany and Sweden have promoted a comply or explain approach, while the UK Corporate Governance Code requires for listed companies to disclose a summary of the policies and measures adopted to achieve the gender equality (Catalyst, 2011-2012; Adams & Ferreira, 2009). Nevertheless, in Latin America, the female representation on the board is scarce (5%) and its participation is under-represented compared with developed countries [for instance, Norway (44.2%), Sweden (27.3%), Finland (24.5%), Belgium (7.7%), Spain (9.3%)] (Catalyst, 2011-2012). In Latin America, good governance codes have not yet included practices related to gender representation, being their practices focused on the

board composition (size, independence, duality COB-CEO), with the exception of the Mexican corporate governance code, which in the last review include a practice related to the promotion of women as board members.

Within the literature on board composition, one of the recent and emerging issues, which have been rapidly gaining attention from both academics and practitioners, is the board diversity (Catanzariti & Lo, 2011). Gender diversity on the board has shown advantages from economic and ethical dimensions. From an economic dimension, the empirical results are unclear. Some prior studies associate gender diversity with positive financial performance (Joshi & Roh, 2009; Adams & Ferreira, 2009), while other studies evidence a negative relation (De Andres, Azofra, & Lopez, 2005). In the same line, female members on the board have the potential to influence financial performance and reporting (Rose, 2007). From an ethical approach, board diversity increases the firm's capability to lead the interests of the different stakeholders, while the presence of women usually has a higher perception of risks and have been socialized to care for the needs of stakeholders, representing these qualities a closer feeling towards and ethical behaviour (Harjoto, Laksmana, & Lee, 2015). It has been recognized that women have a more sustainable conscience in their private sphere, and this is projected to their public activity (Bernardi & Threadgill, 2010).

Different theories have been adopted to explain the link between women presence on the board and ethical corporate behaviour. For instance, agency theory suggests that female presence enhances the independence of the board from top management, motivates higher participation and inclusive communications, and may, therefore, be perceived positively by stakeholders (Bear, Rahman, & Post, 2010). In the same vein, the ethics of care theory supports that women on the board constitutes a driver of social responsibility, and promotes a leadership style more inclusive, democratic and attentive to the needs of others stakeholders (Pereira, 2017). In this sense, several studies have concluded that women on the board favour ethical behaviour in different dimensions, such as governance practices (Sung, 2012), company's sustainability performance (Segarra-Ona, Peiro-Signes, Mondejar-Jimenez, & Ceballos-Santamaria, 2014; Velte, 2016), and corporate reputation (Brammer, Millington, & Pavelin, 2009). Although recent studies have analyzed the impact of female participation on non-economic performance measures such as corporate social responsibility transparency, the research focused on women on the board and ethical behaviour is limited, being necessary the development of theoretical and methodological research on behavioural topics.

In light of the above context, the main research question attempt to respond: Does women representation on the board promotes a better ethical behaviour in Latin American listed companies? More specially, this study aims to analyze whether women on the board may positively

affect the corporate governance compliance, the adoption of ethical values, and the promotion of a stakeholder orientation on the largest listed companies from Argentina, Brazil, Chile and Mexico. Thus, this paper extends the existing literature on gender diversity and ethical behaviour in a region characterized by low rates of women on top positions, higher corruption indexes, and a framework characterized by an institutional weakness. Other contribution to the literature is the inclusion of two dimensions to measure the ethical behaviour that prior literature has not addressed in the region: corporate governance compliance and stakeholder orientation approach. Furthermore, we have composed a unique sample of 826 observations from the highest-ranked companies on the stock exchange indices in Argentina, Brazil, Chile and Mexico during the period 2004-2010. A panel data with fixed effects has been adopted to analyze the relation between gender diversity and ethical behaviour on Latin American listed firms.

This study contributes to the debate on gender equality on top positions and its effect on ethical behaviour. Differently from other studies, we include in the study three variables that reflect the ethical dimension: 1) corporate governance compliance, 2) ethical corporate values, and 3) stakeholder strategy orientation. To the best of our knowledge, this is the first study investigating the effect of female participation on the board on ethical behaviour in Latin America. Our study has practical implications for policymakers, companies and boards since our findings show that firms with women on their boards tend to be more ethically responsible, suggesting the necessity to increase their representation on the private sector.

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