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Women directors and disclosure of intellectual capital information

Francisca Tejedo-Romero[a,*], Lúcia Lima Rodrigues[b], Russell Craig[c,d]

[a] Universidad de Castilla-La Mancha, Facultad de Ciencias Económicas y Empresariales, Plaza de la Universidad, 1, 02071 Albacete, Spain
[b] University of Minho, GOVCOPP, Gualtar Campus, Braga 4709, Portugal
[c] Portsmouth Business School, Richmond Building, Portland Street, Portsmouth, Hampshire PO1 3DE, UK
[d] Victoria University, College of Business, Melbourne 8001, Australia

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ABSTRACT

This paper uses a resource-based perspective and balanced panel data analysis to explore whether the representation of women on the boards of directors of Spanish companies is associated with an increase in voluntary disclosure of information concerning intellectual capital [IC]. We find that gender diversity is a complementary corporate governance mechanism that has a significant positive effect on levels of disclosure of IC information. This appears due to the presence of women on boards serving to prompt stronger monitoring and oversight behaviour. Our findings should encourage support for policies that will increase current levels of representation of women on corporate boards and influence the setting of corporate governance requirements relating to disclosure by capital market regulators.

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1. Introduction

We respond to a call to generate "knowledge and insights that can compel positive change in the representation and status of women on corporate boards" (Bilimoria, 2000, p. 25). We explore whether representation of women on boards increases the level of voluntary disclosure of intellectual capital [IC] information, including disclosures of knowledge-based intangibles (Erickson & Rothberg, 2015).

This study is timely because of the recent profusion of regulatory recommendations regarding gender balance on corporate boards (Masselot & Maymont, 2015). Increasing the representation of women on company boards has fast become a policy goal for many national governments (Senden & Visser, 2013). This study is important too because of the strong influence IC now has on long-term corporate value. If stakeholders are informed fully about how a company manages IC, they can better assess its capacity to sustain, and increase, long-term value. However, because access to information regarding IC generally has been asymmetric, stakeholders rely strongly on voluntary disclosures of IC to inform their decision making (Tejedo-Romero, 2016).

The first regulatory initiatives seeking gender balance on company boards were instituted in 2003 in Norway. Public companies were required to have at least 40 percent of either gender as board members by 2008. Such initiatives have spread throughout the world. For example, the Indian Companies Bill 2012 recommended that company boards include at least one woman director (Kamalnaath & Peddada, 2012). In Malaysia, the Code of Corporate Governance (2012) required public companies to have at least 30 per cent of women on their boards by 2016. In 2012, the European Union [EU] required publicly listed companies in member countries to voluntarily increase women on boards to 30% by 2015, and 40% by 2020 (EU, 2012). In Spain, the *Equality Law* (Law 3/2007) pressed companies to increase the proportion of women on boards to 40% by 2015.[1]

The empirical data we draw on are sourced in the voluntary disclosures regarding IC that were made in 125 sustainability reports of major Spanish companies, 2007–2011. The decision to study Spain is motivated by the historically low level of representation

* Corresponding author.
E-mail addresses: Francisca.Tejedo@uclm.es (F. Tejedo-Romero), lrodrigues@eeg.uminho.pt (L.L. Rodrigues), Russell.Craig@port.ac.uk, Russell.Craig@vu.edu.au (R. Craig).

[1] For further review of the global response to demands to increase female board participation, including discussion of the benefits of female representation, see Ben-Amar, Chang, and McIlkenny (2017).

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of women on boards in that country. In 2013, the European Commission (EC) reported that women represented 12.3% of board members of Spain's largest listed companies (IBEX 35 index), well below the EU average of 15.8%. The rate of increase of women on boards in Spain between 2003 and 2012 was 1% per annum. The EC observed that "at this rate of change, boards with at least 40% of each gender are 30 odd years away and the 2015 deadline stipulated in the quota law of 2007 will pass unmet" (EC, 2013).

We adopt a resource-based perspective to contend that boards perform better if members have diverse views, skills and professional experience (including in terms of gender). We conduct static and dynamic panel data analysis of the impact on IC disclosures of the representation of women on boards. We isolate the "proportion of women on boards" as the principal independent variable. Gender diversity is found to be statistically significant (1% level) in explaining the level of disclosure of IC information. When controls are introduced for four corporate governance characteristics (board size, board activity, independent directors, and ownership concentration) and three company characteristics (company size, listing on a sustainability index, and industry), gender diversity remains significant (1% level).

The variable "external independent directors" is related negatively to disclosures of IC information (10% level). Thus, voluntary disclosure of IC decreases slightly as the number of external independent directors increases – in contrast to the effect of appointing women to boards. The presence of more independent directors appears to substitute for the need to disclose more information. We find too that a higher level of board activity (as measured by the number of board meetings) means a slightly lower level of IC disclosure (significant at the 10% level). Board size and ownership concentration are not significant. In terms of firms' characteristics, size and industry are related positively to IC disclosure (5% level) and listing in sustainable indexes (10% level).

This study adds to the corpus of empirical evidence that has investigated whether increased representation of women on boards leads to favourable outcomes for stakeholders and improves board effectiveness. The findings aid understanding of how gender diversity increases voluntary disclosures (in this case of IC information) in listed companies. The study reveals that increased representation of women on boards is likely to improve board oversight, enhance transparency, and reduce information asymmetry in respect of IC information. The results partially vindicate public policy in Spain (and other countries) which impose(s) quotas on the representation of women on company boards. Resource-based perspectives help to explain the positive contribution of women in terms of the different personal-social attributes, and the gender-related values they bring to boards (Eckes & Trautner, 2000).

The remainder of this paper is organised as follows. Section 2 reviews relevant literature and outlines the regulatory setting in Spain. Section 3 describes research method. Section 4 presents results and discusses findings. Section 5 draws conclusions and enters recommendations for further research.

2. Theoretical framework and regulatory setting

Despite strong research into the effects of corporate governance on disclosure (Cerbioni & Parbonetti, 2007) much is still to be learnt about the effect of corporate governance on the quantity and quality of voluntary disclosures (including of IC information). Understanding the effect that the appointment of women to boards of directors has on voluntary disclosures is inadequate, especially in societies such as Spain which are viewed predominantly as "masculine." The lingering legacy of the Franco regime (1939–1975) renders Spain an ideal setting to study the traction gender diversity initiatives are having on corporate behaviour. Franco "actively opposed the advancement of women's rights [. . .] and established numerous policies against women's paid employment" (Valiente, 2002, p. 767, p. 773).

2.1. Theoretical framework

Our central premise is that increased representation of women on boards is associated with an increase in voluntary disclosures of IC information. Theoretical support for this premise is provided by resource-based perspectives (Arroyo, Fuentes, de, & Jiménez, 2016). In particular, a board of directors provides a valuable resource that renders competitive advantage to a firm (Arosa, Iturralde, & Maseda, 2013; Branco & Rodrigues, 2006). The EU Corporate Governance Framework (2011) points out that board members should have diverse views, skills and professional experience – these are all value-creation characteristics emphasised by resource-based perspectives. Diversity in members' profiles (including gender) gives the board a range of competencies, a pool of resources and expertise, a set of different leadership experiences, and a capacity to generate new ideas (Quintana García, 2016).

Women directors invest a board with leadership behaviour that is communal, is strong in considering strategic issues and policies pertaining to corporate social responsibility, and possesses "a concern with the welfare of other people and being affectionate, helpful, kind, sympathetic, interpersonally sensitive, nurturing and gentle" (Neilsen & Huse, 2010, p. 138). The EU Green Paper (2011) considers diversified expertise essential in ensuring that a board understands a company's financial objectives, and the impact of its business on different stakeholders. Gender diversity is considered to enhance the collective intelligence of a board and to "contribute to increasing the pool of talent available for a company's highest management and oversight functions" (p. 7). (For further review of the benefits of board gender diversity, see Liao, Luo, & Tang, 2015).

Gender representation regulations have been based on belief that women will improve commercial effectiveness (Quintana García, 2016) by increasing the competency, expertise, collective judgement, and intelligence of a board (EC, 2011). There is strong contention that company performance will improve because women are better than men at multi-tasking, risk management and communication (Schubert, 2006); and because they have a "more participative and process-oriented" communication style (Lucas-Pérez, Mínguez-Vera, Baixauli-Soler, Martín-Ugedo, & Sánchez-Marín, 2015, p. 267). Additionally, because women directors bring different viewpoints to the boardroom, they will inevitably increase transparency and reduce information asymmetry (Srinidhi, Gul, & Tsui, 2011, p. 1613). In this regard, Abad, Lucas-Pérez, and Minguez-Vera (2015, p. 23) report evidence from Spain "that gender-diverse boards improve the information environment by ameliorating information asymmetry problems" in the capital market.

Two major factors explain the propensity of women directors to reduce information asymmetry. The first is that women employ "a more trust-building leadership style than men", such that their commitment to "trust-building requires more information exchange and lower information asymmetry" (Srinidhi et al., 2011, p. 1614). The second is that "female directors exhibit greater diligence in monitoring" (Adams & Ferreira, 2009; Srinidhi et al., 2011, p. 1611). Better monitoring by gender-diverse boards is claimed to lead to better oversight of managers, enhanced transparency, and a "richer information environment" (Lucas-Pérez et al., 2015, p. 267). Such an environment is likely to witness the disclosure of IC information because higher levels of representation of women on boards "implies a better knowledge of the market and better identification with customers and employees" (Lucas-Pérez et al., 2015, p. 268). Market, customer and employee matters are strong components of IC disclosures. Furthermore, studies have

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