



Leibniz Institute of Agricultural Development  
in Transition Economies

***The Effects of Gender Composition and Board Diversity on  
Corporate Social Responsibility of Ukrainian Agroholdings***

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- Corporate farms with:
  - Large size, e.g. 10,000 ha to above 500,000 ha (UCAB, 2015)
  - Improved access to finance (UCAB, 2013)
  - High capital intensity and new technologies (Valentinov, 2007)
  - Higher productivity (Hockmann et al., 2009; Balmann et al, 2013)
  - Corporate governance (Chaddad, 2014)
  - Bad reputation! (Deininger and Byerlee, 2011)

# Reputation of agroholdings



- Agroholdings accused of:
  - Defaults on financial obligations
  - Land grabbing and low land rent payments
  - Tax evasion
  - Non-compliance with crop rotation requirements
  - Unemployment/outmigration from rural areas
  - Non-ethical lobbying activities etc.
- Reasons:
  - High level of social unacceptance and distrust (Oleinik, 2005)
  - Narrow base of shareholder constituency entwined with policymakers, in particular in Central and Eastern Europe (Berglöf and Pajuste, 2005)

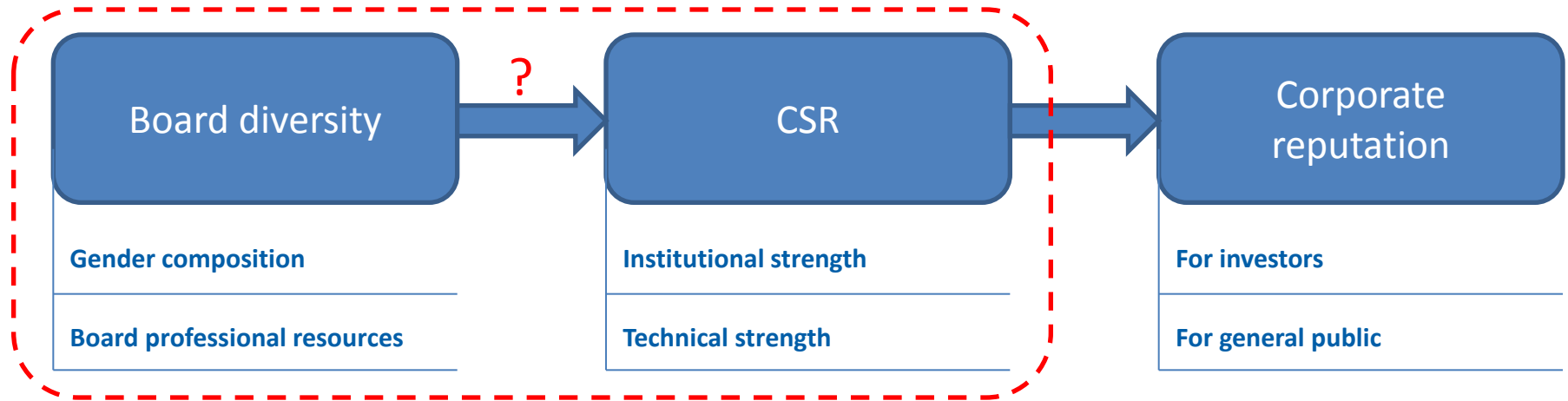
- Corporate reputation a.k.a. „social approval asset“ is one of the most important strategic intangible assets for firms (Flanagan and O’Shaughnessy, 2005)
- The firm perceptions of both the general public and investors have important implications for future shareholder value (Raithel and Schwaiger, 2015)
- Factors of corporate reputation: profitability, market value, media visibility, firm size, customer satisfaction, stakeholder familiarity, corporate citizenship, **corporate social responsibility (CSR)**, etc. (Fombrun and Shanley, 1990; Gardberg and Fombrun, 2006)

# Corporate reputation, CSR and board diversity



- CSR has important implications for corporate reputation (Fombrun et al., 2000; Branco and Rodrigues, 2006)
- Board gender and professional diversity have influence on CSR (Bear et al., 2010 ; Post et al., 2011)

# Corporate reputation, CSR and board diversity (cont'd)



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- Three case studies of agroholdings in Ukraine
- Gender composition – presence and role of women on board (Bernardi et al., 2009; Brammer et al., 2009)
- Board professional diversity – professional backgrounds of directors (Hillmann et al., 2000; Bear et al., 2010):

Insiders	<ul style="list-style-type: none"><li>• Current or retired members of management</li></ul>
Support specialists	<ul style="list-style-type: none"><li>• Executives of law firms, commercial and investment banks, accounting firms, advertising and PR agencies, and consulting firms</li></ul>
Business experts	<ul style="list-style-type: none"><li>• Executives of public corporations excluding insiders and support specialists</li></ul>
Community influentials	<ul style="list-style-type: none"><li>• Current and former academics, government officials, leaders of foundations and non-profit organizations</li></ul>



- CSR organization in the company
- CSR implementation – adopted Kinder, Lydenberg, Domini (KLD) social rating (KLD Research & Analytics, Inc., 2006; Mattingly and Berman, 2006):



# Overview of 3 case agroholdings

Indicator	Case 1: MHP	Case 2: Astarta-Kyiv	Case 3: Svarog West Group
Size, ha	380,000	245,000	80,000
Specialization	Poultry and meat processing, grain, oilseeds, horticulture	Sugar, grain, oilseeds, soybeans production, milk production	Grain, oilseeds, sugar production, milk production, horticulture
Date founded	1998	1993	2006
Date of IPO	May 2008	August 2006	Non-public
Availability of CSR policy since:	2013	2008	2006
Annual CSR expenditure, \$ / ha	4.0	4.9	5.9
Number of board members of them...	7	5	6
...insiders	3	3	6
...support specialists	3	1	-
...business experts	1	1	-
...community influentials	-	-	-
...females	1	-	1
Founder / CEO and Chairman of the board the same person	Yes (founder)	Yes (founder)	Yes (CEO)

# Case study 1: MHP



- Women on board – 1 (CFO)
- Board diversity – moderate
- Inclusive decision-making, mid-management involvement
- Own social center organized as NGO
- Main CSR components (declared in CSR policy): employees, animal welfare, sustainability, environment protection, biosecurity, quality control, modern technology
- Main CSR drivers (case study): community / landowner loyalty, reputation for general public, financial performance
- Main CSR achievements (case study): social infrastructure, community / landowner loyalty, employee loyalty, reputation

# Case study 2: Astarta-Kyiv



- Women on board – 0
- Board diversity – moderate
- High top-management involvement – CEO also head of CSR committee established within the company
- Member of NGO on CSR issues, member of UN Global Compact
- Main CSR components (declared in CSR policy): corporate governance, transparency, accountability; employee loyalty, health and safety, human capital development; supplier management and environment protection; welfare of rural communities
- Main CSR drivers (case study): labor productivity and employee loyalty, reputation for investors, community / landowner loyalty
- Main CSR achievements (case study): social infrastructure; employee loyalty; high salary / high land lease payments / taxes paid!!! → reputation

# Case study 3: Svarog West Group



- Women on board – 1
- Board diversity – low
- Bottom-up approach – survey on community needs / issues
- Own charity fund organized as NGO
- Main CSR components (declared in CSR policy): employee safety, salary and qualification; community development through trainings on legal issues, grants, humanitarian aid; environment protection through new “green” technologies
- Main CSR drivers (case study): community development and employee loyalty, environmentally friendly products
- Main CSR achievements (case study): social infrastructure, improved human capital

- Community development (institutional strength) and employee loyalty (technical strength) as main components of CSR
- CSR as license to operate, risk reduction, and ethical instrument
- Presence of women on board plays little role in CSR
- Board professional diversity rather shareholder-oriented; financial controls as the main function
- The role of a CEO / founder is crucial
- Shift from the board of directors to operational level of CSR → agroholdings' top management and social / charity funds

# Top management and social funds: Overview of 3 cases

## Top management of agroholdings

Indicator	Case 1: CSR top-management MHP	Case 2: CSR top-management Astarta-Kyiv	Case 3: CSR top-management Svarog West Group
Number of top managers involved in CSR	4	6	6
Of them females	2	2	2
Roles of female managers	PR + CSR, IR	PR, HR	IR + GR, PR
Roles of male managers	GR, Land relations	GR, IR, Internal audit, Safety	GR, HR, Land relations

## Top management of outsourced social funds

Indicator	Case 1: "Social centre of MHP"	Case 2: CSR Committee of Astarta-Kyiv	Case 3: Svarog West Group's Charity Fund "Community Empowerment"
Number of management board members	6	6	5
Of them females	4	2	2
Head (Male / Female)	Male	Male	Female
Roles of females on management board	GR, PR, Legal, Development	PR, HR	Head, PR
Roles of males on board	Head, Finance	GR, IR, Internal audit, Safety	GR, Legal, Community influential

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- Strategic management perspective:
  - CSR disclosure important (Teece et al., 2007) → Women bring different perspectives and can better shape public opinion (Hillmann et al., 2002)
  - Women produce less integrated and better structured reports (Bear et al., 2010)
  - To the extent that they emphasize financial controls, outsider-dominated boards have lower emphasis on CSR, while the insider-dominated boards are more CSR prone to the extent that they emphasize strategic controls (Baysinger and Hoskisson, 1990)
- Social psychology perspective:
  - Group diversity hampers group efficacy and performance (Jackson and Joshi, 2004)
- Institutional perspective:
  - Ceremonial vs. instrumental institutions (Bush, 1987; Veblen, 1994)
  - CEO competence to safeguard the contractual relation (Fama and Jensen, 1983; Williamson, 1985)
  - “Reasonable value”, no self-evident principle of decision-making → creativity (Commons, 1924)
  - Corporations involve less in CSR if there is too much or too little competition (Campbell, 2007)

**Thank you for your attention!**