Women on Corporate Boards of Directors and their Influence on Corporate Philanthropy

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ABSTRACT. This study examined the relationship between the proportion of women serving on firms' boards of directors and the extent to which these same firms engaged in charitable giving activities. Using a sample of 185 *Fortune* 500 firms for the 1991–1994 time period, the results provide strong support for the notion that firms having a higher proportion of women serving on their boards do engage in charitable giving to a greater extent than firms having a lower proportion of women serving on their boards. Further, the results suggest a link between the percentage of women on boards and firm philanthropy in the areas of community service and the arts, but found no link between women boardmembers and firm giving to support education or public policy issues. The implications of the findings and some areas for future research are discussed.

KEY WORDS: boards of directors, corporate philanthropy, female directors, firm reputation, inside directors, outside directors

In recent years, the number of women serving on corporate boards of directors has been steadily increasing. Although still relatively small in number, there is some anecdotal evidence that the number of women serving on a firm's board does exert some influence on the level of a firm's involvement in activities related to corporate social responsibility (CSR) (Stanwick and Stanwick, 1998; Wang and Coffey, 1992). One component of CSR, the firm's level of charitable giving and how it is influenced by the number of women serving on the firm's board, has been the subject of some limited research interest in recent years (Ibrahim and Angelidis, 1994; Wang and Coffey, 1992).

Background

Women are slowly gaining on men in their practice of philanthropy, especially in the realm of corporate philanthropy. As the percentage of women serving on corporate boards steadily increases, women will play a larger role in determining how firms allocate their budgets for charitable activities. Professional fundraisers and development officers should be prepared to learn more about those factors that motivate women in their charitable giving. Being knowledgeable of these factors will assist the professional fundraiser in allocating his/her limited time and resources, and should improve his/her chances of reaching fundraising goals (Newman, 1996).

Recently, several characteristics about women and their motivation to give to charity have been identified primarily through interviews and questionnaires. Women report that they tend to favor new projects over existing causes, they favor funding specific projects rather than unrestricted gifts, and they gravitate to scholarships and social programs (Gutner, 2000). Further, women report they are generally more responsive to giving in a crisis situation than are men. Women tend to view charitable giving as a means to help others and the community at large, and as a way

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to express gratitude and their moral beliefs (Newman, 1996). It has also been observed that women, more so than men, desire updates on how their charitable dollars are being used, and tend to view charity as a means to secure additional friendships and involvement in the community (Marx, 2000).

While evidence is growing that women are motivated by different factors than men toward charitable giving, do women, and more specifically women serving on boards of directors, contribute significantly more or less to charitable causes than their male counterparts? And which charitable causes do women prefer to support? The answer to these questions is vitally important for the professional fundraiser, and serves as the focus of the present study. Prior studies have observed that women do have a greater orientation toward charitable giving than men, but there is only anecdotal evidence that women actually give more than men when given the opportunity through their firms' philanthropic programs.

In the few studies that have examined the link between female directors and their firms' involvement in charitable activities, the explanations offered as to why female directors may be more favorable toward charitable giving than men have been somewhat ambiguous. Some argue that women are simply more inclined toward philanthropic causes than men, especially educational and social projects, and may be less sensitive to the economic needs of the firm (Gutner, 2000; Ibrahim and Angelidis, 1994; Marx, 2000; Stultz, 1979).

It has been argued that female directors may be more inclined to promote their firms' charitable giving programs due to the sense of empowerment they receive through the act of giving (Marx, 2000). Perhaps, women view philanthropy as a source of power and a means by which to make their presence known on the board (Marx, 2000). This notion of empowerment, if valid, might stem from the types of board committee assignments often given to female boardmembers. For example, women often receive assignments on "soft" committees, such as their firms' public affairs committees. In contrast, men are generally favored on committees having a greater impact on firm governance, such as the compensation, executive, or finance committee (Bilimoria and Piderit, 1994; Shrader et al., 1997). Perhaps, the power to give may be a means by which women, at least in their own minds, can partially overcome any perceived disadvantage in firm governance.

Female directors often have backgrounds in such diverse fields as law, education, or nonprofit activities, and therefore, may be more sensitive to a firm's CSR activities than male directors (Harrigan, 1981; Kesner, 1988; Stultz, 1979). Female directors having backgrounds in nonprofit activities often have goals that run counter to those of stockholders, and may place less emphasis on firm performance than male directors (Wang and Coffey, 1992).

The few studies that have focused on boardmember gender and firm philanthropy have been enlightening, but have also had certain limitations. A study by Ibrahim and Angelidis (1994) examined the orientations, or inclinations, of corporate directors toward supporting CSR programs, including charitable giving activities. Their results supported the notion that female directors have a greater orientation toward charitable giving then their male counterparts. Nevertheless, a boardmember's intentions and his/her subsequent actions may be different. For this reason, Ibrahim and Angelidis suggest the need to examine if directors' orientations do, in fact, translate into subsequent corporate giving.

Another study by Wang and Coffey (1992) found a positive link between women and minority directors, and corporate philanthropy. While highly insightful, Wang and Coffey utilized a relatively small sample of 78 *Fortune* 500 firms. Further, their study failed to control for such variables as firm performance and firm reputation, two variables that should exert some influence on corporate giving.

While recognizing the important contributions of these prior studies, the present study attempts to build upon and extend these studies by more rigorously examining the link between female directors and their firms' involvement in philanthropic activities. The use of a much larger sample size of firms and the inclusion of additional control variables should help remedy some of the shortcomings of the prior cited studies, and should help clarify the nature and strength of the relationship between boardmember gender and charitable giving. Thus, the following hypothesis is offered.

Hypothesis 1: The proportion of women serving on a firm's board of directors is positively related to the firm's overall level of charitable giving.

As stated previously, the giving patterns of women are largely derived through interviews and questionnaires. There is little evidence to support the notion that women in leadership roles in organizations actually spend the firm's money in a manner consistent with their surveyed responses. The author is aware of no large scale study that has examined how female directors actually help prioritize their firms' actual expenditures for charity.

Women do report their desires to help others and the community through charitable programs. Women generally express an interest in supporting educational programs that, among other things, enhance educational infrastructure and technical support, and that provide scholarships and endowment funds. Women also express an interest in community service programs, such as helping the disabled, the homeless, hospitals, medical research, and specific organizations like the United Way and YMCA that strive to improve overall community welfare. Women also report their desire to promote the arts and various cultural activities, including the performing arts, museums, zoos, and libraries. On the other hand, women often fail to state very strong interest for organizations and programs involved in issues of public policy, such as groups actively involved with environmental issues, public interest law, public safety, and governmental efficiency.

Given these basic propositions about patterns of charitable giving among women, it seems reasonable to assume that female boardmembers should influence both the level of overall firm philanthropy, as well as the areas in which charitable dollars are expended. In an exploratory manner, and in an effort to gain some initial insight, the present study examines how female directors affect the direction of charitable spending. Thus, the following hypotheses are offered.

Hypothesis 2: The proportion of women serving on a firm's board of directors is positively related to the firm's level of charitable giving to educational organizations and programs.

Hypothesis 3: The proportion of women serving on a firm's board of directors is positively related to the firm's level of charitable giving to community service organizations and programs.

Hypothesis 4: The proportion of women serving on a firm's board of directors is positively related to the firm's level of charitable giving to the arts and cultural programs.

Hypothesis 5: The firm's level of charitable giving to organizations that seek to influence public policy is not significantly affected by the proportion of women serving on a firm's board of directors.

Research design

Sample

The initial sample included all firms that were continuously listed on the *Fortune* 500 for the years 1991 through 1994 (196 firms). Due to mergers and acquisitions, and the natural replacement of some firms by other firms over time, the majority of firms listed in 1991 were no longer listed in 1994. After further review, it was determined that insufficient data had been obtained on 11 firms, and those firms were dropped from the sample. The resulting sample consisted of 185 firms for which adequate information was available regarding the variables to be examined.

Measures

Dependent variables. A measure of each firm's total charitable contributions (GIVING) served as the dependent variable used to test Hypothesis 1 in the study. The amount of each firm's giving was obtained from the *Corporate 500 Directory of Corporate Philanthropy* and the *National Directory of Corporate Giving*. In calculating GIVING, the amount of each firm's charitable contributions, in both cash and gifts-in-kind (if any), for the 1991–1994 time period was determined. Since larger firms are generally better able to support higher levels of giving than smaller firms (Stanwick and Stanwick, 1998), the value of each firm's contributions was divided by the firm's average revenues during the same time period in order to control for the effects of firm size. Thus, GIVING is a measure of charitable contributions per dollar of sales, and as such, adjusts the dependent variable for the effects of firm size.

Four additional dependent variables were obtained in order to examine the recipients of each firm's charitable expenditures, and to test Hypotheses 2–5. The variables EDUCATION, COMMUNITY, ARTS, and PUBLIC POLICY were derived in a manner similar to GIVING, with firm spending in each area divided by the firm's revenues during the 1991–1994 time period. Thus, each dependent variable was adjusted for the effects of firm size. Data on these four variables were obtained from the *Corporate 500 Directory of Corporate Philanthropy*.

Independent variable. The percentage of women serving on their firms' boards of directors (WOMEN) during the 1991–1994 time period served as the independent variable in the study. Female directors were identified through Dun & Bradstreet's *Reference Book of Corporate Managements*, and through each firm's annual reports for the selected years. The variable, WOMEN, was calculated by dividing the number of female directors on each firm's board by the firm's total number of directors.

Control variables. There is evidence that a firm's financial performance strongly influences its level of charitable giving (McGuire et al., 1988; Ullmann, 1985). Obviously, firms with strong earnings and profits are better able to support philanthropic causes. In contrast, during financially lean years and during economic downturns firms may be less able to engage in charitable activities. Thus, the inclusion of firm performance as a control variable seems appropriate. Firm performance as measured as average return on equity (ROE) during the 1991–1994 period was included as a control variable.

There is some evidence that a firm's propensities toward charitable giving may be influenced by its overall reputation. Obviously, firms should value their reputations, and philanthropy would appear to be a logical means by which a firm could support and extend a favorable reputation. Along these lines, Williams and Barrett (2000) found a strong correlation between a firm's reputation and its philanthropic activities. Further, they also found evidence that firms that are caught and sanctioned for their involvement in certain types of illegal activity can partially restore their tarnished reputations through charitable activities. For firm executives who are keenly aware of the potential link between firm reputation and charitable giving, philanthropy may assume a vitally important role in promoting a firm's success. Thus, in light of emerging evidence that a favorable firm reputation might encourage a firm to engage in charitable giving, firm reputation (REPUTATION) was included as a control variable in the analysis. A firm reputation score was obtained for each firm by using the 1995 *Fortune* Corporate Reputations Survey. The 1995 reputation survey was selected since it provides the firms' reputation scores at the end of the 1991–1994 time period.

Theory suggests that a boardmember's perspective (insider versus outsider) should influence how the boardmember views the firm's charitable giving activities. Inside directors work for the firm as company officers, and are generally more familiar with the firm's day-to-day, operational issues than are outside directors. In contrast, outside directors are, by definition, outsiders, and tend to be more independent and objective than insiders. With respect to charitable giving, inside directors might be more concerned about preserving firm profits and might resist giving away the firm's earnings. On the other hand, outside directors might be less concerned, since outside directors have no direct claim on the residual profits of the firm. Wang and Coffey (1992) observed such a dichotomy between the views of insiders and outsiders in their study. Therefore, the ratio of inside directors to outside directors (IN/OUT RATIO) was included as a third control variable in the present study. As with female directors, both inside and outside directors were identified through Dun & Bradstreet's *Reference Book of Corporate Managements*, and through each firm's annual reports for the selected years.

Analytical procedures

The hypotheses were tested using multiple regression, with each of the five dependent variables individually regressed on the independent variable and the three control variables in successive runs. In the usual manner, the signs and levels of significance of the variables were then analyzed as to their relationships with the dependent variables.

Results

The descriptive statistics are presented in Table I. The results of the multiple regression analysis are presented in Table II.

In Table I, several significant correlations were observed. As expected, GIVING was positively correlated with ROE ($p < 0.001$), with REPUTATION ($p < 0.01$), and with the independent variable, WOMEN ($p < 0.001$). Since firm performance is such a large component of a firm's reputation, a strong correlation between ROE and REPUTATION ($p < 0.01$) was also observed. This result caused some initial concern that multicollinearity among the variables might be present. The results of the collinearity diagnostics, however, indicated that the level of multicollinearity present did not pose a significant problem in conducting the analysis.

Also observed were several strong correlations among the dependent variables. This was expected, since firms generally contribute funds to organizations engaged in two, three, or all four of the charitable categories defined in the present study.

The average percentage of women serving on the boards of the sample firms was 6%, with a range of 0% to 26%. Surprisingly, 41 firms, representing 22% of the sample firms had no women serving on their boards of directors. The firms donated, on average, \$9.25 million annually in support of various charitable causes. The range in GIVING was from \$65 000 (lowest) to \$118 million (highest).

Table II presents the regression results. The overall regression model for GIVING was statistically significant ($p < 0.0001$), and the model R^2 was 0.27. Given the positive and highly signifi-

TABLE I
Descriptive statistics

Variables	Means	s.d.	Correlations								
			1	2	3	4	5	6	7	8	9
1. GIVING	0.0009	0.0012									
2. EDUCATION	0.0003	0.0005	0.77****								
3. COMMUNITY	0.0003	0.0006	0.75****	0.26**							
4. ARTS	0.0001	0.0002	0.67****	0.29***	0.57****						
5. PUBLIC POL.	0.0001	0.0001	0.40***	0.44***	0.03	0.17*					
6. ROE	0.1489	0.0867	0.36***	0.38***	0.12	0.19*	0.29***				
7. REPUTATION	6.4864	0.8458	0.27**	0.33***	0.07	0.14	0.16^{+}	0.27**			
8. IN/OUT RATIO	0.3667	0.2505	0.04	–0.01	0.04	0.04	–0.01	–0.02	0.20*		
9. WOMEN	0.0630	0.0543	0.30***	0.13	0.32***	0.25**	–0.02	0.12	0.02	–0.11	

N = 185.
$^{+}p < 0.10$; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$; $^{****}p < 0.0001$.

TABLE II
Results of multiple regression analysis

Independent variables	Dependent variables			
	GIVING (in total)			
	Parameter estimate*	Beta	T-statistic	prob > T
INTERCEPT	−0.001903 (0.001123)	0.000000	−1.694	0.0942
ROE	0.005006 (0.001585)	0.321351	3.158	0.0022
REPUTATION	0.000227 (0.000182)	0.129900	1.249	0.2152
IN/OUT RATIO	0.000194 (0.000602)	0.031575	0.322	0.7486
WOMEN	0.008772 (0.002683)	0.317482	3.269	0.0016
			prob > F	
	Model F-Value	7.412	0.0001	
	R-square	0.27		

Independent variables	Dependent variables			
	EDUCATION			
	Parameter estimate*	Beta	T-statistic	prob > T
INTERCEPT	−0.001195 (0.000524)	0.000000	−2.279	0.0254
ROE	0.002190 (0.000738)	0.316049	2.966	0.0040
REPUTATION	0.000184 0.000085)	0.235485	2.166	0.0334
IN/OUT RATIO	−0.000100 (0.000279)	−0.036552	−0.357	0.7219
WOMEN	0.001272 (0.001246)	0.103309	1.020	0.3107
			prob > F	
	Model F-Value	5.723	0.0004	
	R-square	0.23		

N = 185.
* Standard errors in parentheses.

TABLE II
Continued

Independent variables	Dependent variables			
	COMMUNITY SERVICES			
	Parameter estimate*	Beta	T-statistic	prob > T
INTERCEPT	–0.000529 (0.000733)	0.000000	–0.721	0.4731
ROE	0.002007 (0.001033)	0.210897	1.944	0.0556
REPUTATION	0.000021 (0.000119)	0.019417	0.176	0.8610
IN/OUT RATIO	0.000293 (0.000388)	0.078327	0.754	0.4529
WOMEN	0.006628 (0.001737)	0.392105	3.815	0.0003
			prob > F	
	Model F-Value	5.219	0.0009	
	R-square	0.21		

Independent variables	Dependent variables			
	ARTS			
	Parameter estimate*	Beta	T-statistic	prob > T
INTERCEPT	–0.000012 (0.000180)	0.000000	–0.069	0.9453
ROE	0.000444 (0.001033)	0.197936	1.752	0.0837
REPUTATION	–0.000004 (0.000119)	0.017848	–0.155	0.8773
IN/OUT RATIO	0.000039 (0.000388)	0.044465	0.410	0.6829
WOMEN	0.001191 (0.001737)	0.298627	2.783	0.0068
			prob > F	
	Model F-Value	2.949	0.0252	
	R-square	0.13		

N = 185.
* Standard errors in parentheses.

TABLE II
Continued

Independent variables	Dependent variables			
	PUBLIC POLICY			
	Parameter estimate*	Beta	T-statistic	prob > T
INTERCEPT	−0.000065 (0.000090)	0.000000	−0.730	0.4675
ROE	0.000324 (0.000126)	0.293488	2.565	0.0123
REPUTATION	0.000009 (0.000014)	0.073590	0.630	0.5303
IN/OUT RATIO	−0.000026 (0.000047)	−0.061089	−0.556	0.5798
WOMEN	−0.000130 (0.000213)	−0.066440	−0.611	0.5429
			prob > F	
	Model F-Value	2.374	0.0593	
	R-square	0.11		

N = 185.
* Standard errors in parentheses.

cant parameter estimate for WOMEN ($p < 0.01$), the results provide strong support for Hypothesis 1, that women on corporate boards are strongly linked to firm philanthropy in total.

The regression model for EDUCATION was significant ($p < 0.001$), however, the parameter estimate for WOMEN was not significant. The results failed to support Hypothesis 2, as no support was found for a link between female boardmembers and charitable giving by the firm to educational organizations and programs. This finding is surprising, as women often report a strong desire to support educational programs. This suggests that education is an area where the orientations of women toward supporting these types of programs and their ultimate actions may not coincide.

Hypotheses 3, 4, and 5 were each supported by the results. The results support positive links between women and firm charity to community services ($p < 0.001$), as well as firm charity to the arts ($p < 0.01$). Hypothesis 5 was also supported, as the results failed to find a significant link between women and firm contributions to organizations involved in public policy issues. Apparently, female directors possess no greater commitment toward issues of public policy than their male counterparts.

Discussion

Given the results, the initial impression is that female directors may be more inclined to use the firm's profits to help others, and are less concerned about the economic needs of the firm than their male colleagues. In reality, this perception may not be accurate. While the actual outlays for charitable giving are clearly evident, any benefits derived from a firm's charitable activities usually accrue later, may be difficult to measure, and are often overlooked. Although speculative, the act of giving might enhance a firm's relationships with other firms and organizations, and therefore, may positively impact the firm's future earnings to some extent.

Charitable giving has been shown to improve the morale of a firm's employees, and may significantly improve a firm's reputation. As Williams and Barrett (2000) point out, a major benefit from charitable giving may be to bolster the reputations of firms who have engaged in and have been sanctioned for their involvement in certain illegal acts. Considering these broader notions of what actions are in the firm's best interests, and in this era of "strategic philanthropy", the fact that female directors may have a higher propensity toward giving should not be viewed as neglecting the economic needs of the firm.

The lack of evidence to support a link between female directors and firm expenditures for educational programs was surprising, especially since women generally cite the need to support education. Educational institutions at various levels may receive funding through local, state, and/or federal sources. Many institutions, such as private colleges and universities, conduct active fundraising and capital campaigns, and may amass substantial endowments. In contrast, community service and cultural organizations often lack significant and consistent governmental support or endowment revenue.

Many argue that firms should help support education as part of their charitable programs. Such spending should serve to enhance the knowledge base and human capital of the firms' future pool of employees. Nevertheless, female boardmembers and possibly their male counterparts as well, might not view education as an area with pressing financial needs, given the various sources of funding that are available to educational institutions.

Those organizations relying upon charitable contributions as a significant source of their revenues should strongly consider the implications of this study. When seeking corporate funding, additional efforts should be made to identify the gender composition of the target firm's board. More extensive lobbying efforts might be directed toward those contributing firms having a higher proportion of women on their boards, especially by those organizations engaged in community service and cultural activities.

The underlying motives as to why women may be more charitable than men remain unclear. Perhaps, the notion of giving as a source of female empowerment has some merit. If valid, the committee assignments received by female directors may significantly impact trends in corporate giving in the future. While speculative, as more women serve on committees having more direct impact on firm governance, the need by women to use philanthropy as a vehicle for empowerment might subside. Such issues, however, might make an excellent avenue for further research.

Within individual firms, future research might address the number of female directors needed to affect their firms' giving policies. As Rosener (1995) points out, one woman on the board is often dismissed as a token, two women on the board might not be enough to significantly affect firm policy, but three or more women might create a block, or "critical mass", having major policy implications. Further examination of when such critical mass is reached within firms would be insightful. Does the addition of female directors beyond this critical mass affect firm philanthropy or other policies to a greater extent? Such questions were beyond the scope of the present study.

As the number of women serving on boards rises in the future, a better understanding of the dynamics of gender on corporate philanthropy and other firm policies seems warranted. While this study serves to extend prior research, the findings offer a partial glimpse into the role that gender plays in influencing corporate giving patterns. Further research in this area is strongly encouraged.

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