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Impact of Women in BOD on firm performance in Agricultural Cooperative

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Abstract:
The research explores the significant impact of female representation as the Board of Directors (BOD) on firm performance. Through a review of existing literature and comprehensive datasets, it is implied that women empowerment in boardrooms enhances decision-making, improves corporate governance, and contributes to better financial outcomes. This study emphasizes that promoting gender diversity at decision-making positions not only enhanced social equity but also ensured profits, providing important insights for corporate leaders and policymakers, and reinforcing the need to support female representation on boards to improve overall firm performance.
Keywords: *Female, BOD, firm performance*

1. Introduction

In the modern era of globalization, there has been a significant growth in the number of women occupying decision-making posts internationally. Whether in high-profile corporations or national parliaments, women empowerment thrives as a powerful trend promised to flourish in the near future. Likewise, in the context of the political demographics in Vietnam, the phenomenon is present in multiple echelons of power. Especially regarding regional cooperatives, female representatives stand higher and higher chances of election than ever before.

In fact, with the implementation of France's 2011 board gender quota law, findings show that the presence of women on boards increases firms' environmental and social (E&S) performance (Ginglinger and Raskopf, 2023). Furthermore, in research considering 4,101 directors of 30 Spanish companies over 2018 - 2017, women directors are reported to have improved economic performance as well as corporate social responsibility (Molinero-Díez, Blanco-Mazagatos, Garcia-Rodriguez & Romero-Merino, 2022). On another side of the globe, in China, a study finds that boards with three or more female directors have a stronger positive effect on green technology innovation than boards with two or fewer female directors, in line with the critical mass theory (Chu, 2024).

It is the aim of this research to explore the relationship between gender diversity and its impacts on argicultural cooperative in the [] region of Vietnam.

2. Literature review

2.1.Gender diversity in the Board Of Directors (BOD)

BOD is fundamental in both formulating and executing corporate strategy. Lying at the core of corporate decision-making, the BOD plays a crucial role in allocating resources as well as supervising strategy implementation. It is true that the BOD is pivotal in corporate governance (Fama & Jensen, 1983). As gatekeepers to management proposals, boards are entrusted with amending the charter and sanctioning major corporate decisions (Ke, Zhang, Zhou, 2024). In a comprehensive examination, a positive link between board faultlines and innovation performance is facilitated, indicating that diversity within a board can foster enhanced innovative outputs (Li, Li, Jiang, 2024). In the particular realm of gender diversity, board effectiveness strongly correlates with female representation in BOD. Longstanding research indicates that female directors demonstrate greater efforts through increasing board activity, which ultimately results in stricter oversight of managerial agenda (Adams and Ferreira, 2009, Farrell and Hersch, 2005). Therefore, board gender differences can affect board decisions and firm outcomes (Carter et al., 2003, Charness and Gneezy, 2012, Croson and Gneezy, 2009, Powell and Ansic, 1997) and gender diversity is required to maintain a well-structured board, boosting board monitoring and efficiency (Cumming et al., 2015). To elaborate, below the critical mass threshold, Board Gender Diversity (BGD) may not benefit the board as it potentially allows the formation of subgroups, dysfunctional conflicts, and distrust. However, at or above the critical mass threshold which translates to at least 30% of women, BGD serves as a prerequisite for better monitoring of management, greater resource provisions, and divergent thinking. (Wiley, Monllor-Tormos, 2018). In other words, according to contingency theory (Burns and Stalker, 1961; Fiedler, 1967; Lawrence and Lorsch, 1967), there is no one-size-fit-all board. Contextual factors serve as key determinants of the existence and the efficacy of certain board structures. Therefore, it could be inferred that the level of gender equality in a society directly impacts the quality of female directors as well as boardroom dynamics, both of which affect the efficacy of female directors (Belaounia, Tao, Zhao, 2020). In a multi-national panel comprising 1986 public firms from 24 countries or areas spanning from 2007 to 2016, firms with higher female board representation exhibit higher overall performance, less earnings management, and less excessive risk taking, in which all three relations are stronger in countries with greater gender equality (Belaounia, Tao, Zhao, 2020). Taken together, it is true that the impact of female directors on firm outcomes depends on a country's overall level of gender equality. For instance, equal access to education, economic, and political activities, as well as equal responsibility of family work are taken as key components in nearly all gender equality measures (e.g., World Economic Forum, 2018). With that being said, by reinforcing a critical mass, women in gender-equal countries are more likely to avoid marginalization. Liu et al. (2014) and Torchia et al. (2011) find that having at least female directors as critical mass is necessary for influencing board functions. Due to the larger presence of female directors in gender-equal countries, boardroom dynamics are less likely to have female directors marginalized. These arguments are clearly demonstrated in a survey-based paper of Mathisen et al. (2013), who show that in Norway (one of the most gender-equal countries in the world), the board dynamics experienced by female directors do not differ from the ones by male directors. Nowadays, women behave in ways contrary to existing board norms. Women impact the dialogue and interactions in the boardroom. Women are likely to behave, in that we do not find that women conform to gender stereotypes. Yet, we also find impediments to women directors' ability to gain influence, in that men directors may not always acknowledge them or afford them respect as equal board members.

2.2.Firm Performance

While firms in developed economies exhibit higher firm performance with longer days' inventory on hand, firms in emerging economies have lower firm performance with longer days' inventory on hand, extended collection periods, and longer payable periods.

Conceptually, firms within an SEZ may be expected to be able to boost their growth performance. They are able to benefit from certain incentives (e.g., tax reductions) which allow them to generate surplus vis-a-vis non-SEZ firms, which can be invested in innovation or other productivity-enhancing improvements

2.3.The relationship of female representation in BOD on firm performance

Board gender diversity is positively associated with firm performance overall, especially in small firms, where female directors may have more influence. Empirically, a positive relationship between gender diversity and firm performance is present in multiple extensive studies (Campbell & Mínguez-Vera, 2008; Dezso et al., 2012; Farag & Mallin, 2017; Raddant & Takahashi, 2022; Terjesen et al., 2016). It is reasonable to state that women directors create a positive and significant impact on firm performance as measured by return on assets (ROA). The current studies exploring the role of a critical mass reveal that the mere presence of women on boards (WOBs) does not guarantee desirable levels of influence on board decisions or improvements in firm performance (FP). Rather, to mitigate tokenism, it may be necessary to have WOBs in sufficient numbers. Rather, to mitigate tokenism, it may be necessary to have WOBs in sufficient numbers. BGD was positively related to higher accounting returns (i.e., ROA, ROE, and ROIC), but unrelated to market performance. Younger, less busy and local women directors enhance private firm performance. Women directors significantly increase small firm profitability, and the effect is more pronounced for high-risk firms. The need for private firms to increase board gender diversity and consider women directors busyness, age, nationality and firm size when making board director appointments. Female directors improve firm performance through some additional channels such as diligent monitoring (Adams and Ferreira, 2009; Thiruvadi, 2012) and groupthink reduction (Srinidhi et al., 2011; Wahid, 2018). These theoretical arguments are largely supported by empirical findings. Most empirical studies on female directors and firm value document a significantly positive relation between the two (Aggarwal, Jindal, & Seth, 2019; Campbell & Mínguez-Vera, 2008; Carter, Simkins, & Simpson, 2003; Erhardt, Werbel, & Shrader, 2003; Isidro & Sobral, 2015; Liu, Wei, & Xie, 2014; Reguera-Alvarado, de Fuentes, & Laffarga, 2017). Besides overall performance, female board representation also affects some specific firm outcomes, such as the quality of financial reports. Many previous studies find that female directors reduce firm earnings management, including lower magnitude of discretionary accruals (Arun et al., 2015; Srinidhi et al., 2011) and fewer restatements due to irregularities (Wahid, 2018).

3. Real-life cases

Nguyễn Thị Hiền - CEO of Ha Thai Tea Company.

Throughout 17 years of formation and development, Hà Thái Tea Joint Stock Company, under the tenure of Chairwoman Nguyễn Thị Hiền in the Board of Directors and General Director, has established credibility with customers and contributed greatly to promoting Thái Nguyên tea as a specialty to international markets such as Korea, India, China, Russia, Sri Lanka, to name but a few. Under her leadership, Ha Thai Company has achieved numerous prestigious awards: the Vietnam High-Quality Goods Award, the Gold Cup for Food Safety and Hygiene, and the Top Service Product Certification in Vietnam. Notably, in 2016, the Silver Prize at the North American Tea Competition was awarded to the company’s Tôm Nõn tea product, promoting the Ha Thai tea brand globally and realizing the passion of a talented businesswoman who has devoted her life to tea cultivation.

Hoàng Thị Hoa - Director of a Livestock Cooperative in Bắc Giang.

By investing in planting over 1 hectare of king orange (cam sành) and 0.8 hectares of sweet orange (cam ngọt) as well as raising 2 sows, 60 poultry such as chickens and ducks, 4-5 buffaloes, Ms Hoàng Thị Hoa has successfully developed livestock farming in combination with crop cultivation. As Hoa encourages flexibility by using feces as inorganic fertilizers, her economic model effectively cuts costs while helping improve soil quality, stimulating increased crop yield and quality. Moreover, products from crop cultivation, such as corn stalks and straw, could be used as green fodder for buffalo; small fish and shrimp from fish ponds could provide supplementary protein for pigs and poultry. Therefore, with the household economic model of combining livestock farming with crop cultivation, Ms. Hoa's family has an annual income of over 1.1 billion VND after deducting investment expenses.

Phạm Thị Huân - Chairwoman and General Director of Ba Huân Joint Stock Company.

Leading the way in innovation and technology application in production and business, the Ba Huân brand has become well-known and established its reputation not only with domestic consumers but also in the international market. Determined to uphold its commitment to quality and service, the company has continually advanced its practices and expanded its presence globally. Over nearly 20 years, under Huan’s leadership, Ba Huân Company has consistently been one of the active members of the Market Stabilization Program in Ho Chi Minh City and the southern provinces. The company's products have always maintained stable prices, even during times of food shortages. During the Covid-19 pandemic, Chairwoman Pham Thi Huan repeatedly refused to increase egg prices, demonstrating her commitment to stabilizing prices during the crisis.

Nguyễn Thị Thư - a farmer, founder of SANDA Hoa Binh Limited Liability Company.

In 2000, drawing from her childhood passion, Nguyễn Thị Thư founded SANDA Hoa Binh Company, opening several classes to teach the broomcorn broom-making craft thus ensuring the quality of each broom sold. Word of her success spread, leading to numerous orders from Japan, China, South Korea, Germany, France, and more. Her first shipment of broomcorn brooms to Russia, worth only 70 million VND, gave her the confidence to expand this product line. Now, she is flying to Qatar, receiving the Global Successful Businesswoman Award from the United Nations Conference on Trade and Development (UNCTAD). Nguyễn Thị Thư has become a successful female entrepreneur. However, in the Kỳ Sơn region (Hoà Bình City), she is known as a sincere and open-minded female director, an enthusiastic Chairperson of the Farmers' Association in Group 1 (Trung Minh Commune), devoted to community service and a model of successful agricultural business for many years.

Nguyễn Thanh Hoa - Director of HDC Architecture and Interior Design Consulting Joint Stock Company.

In 2013, when Nguyễn Thanh Hoa officially took on the role of director of the company, she managed the firm with just 3 employees. With joint effort by Hoa and her team, after more than 10 years of operation, the company has become one of the reputable units in the field of architecture and interior design consulting in the province. Nguyễn Thanh Hoa herself has been nominated as one of the outstanding young entrepreneurs in startups. During her entrepreneurial journey, young businesswoman Nguyễn Thanh Hoa has faced numerous difficulties and challenges, including issues with: human resource management, recruitment, and training; meeting the demands for sourcing and diversifying, and adapting to the negative impacts of the Covid-19 pandemic. Despite these hardships, Nguyễn Thanh Hoa has consistently sought suitable solutions to overcome obstacles, pivot the business, improve the quality of human resources, upgrade consulting services, enhance customer care, boosting the company's' growth.

4. Results

Q1: What are your opinions on the role of women directors in firm performance? How has gender diversity influenced board dynamics?

A1: *"Adams and Ferreira (2009) have identified the inclusion of female directors as a potential means of increasing the company's sensitivity and responsiveness to stakeholders' needs and expectations. This is because the female board members' communal characteristics introduce diverse perspectives, values, and experiences into the boardroom (Adams and Ferreira 2009; Mazumder 2024"*

" Academic research has produced evidence generally consistent with the assumption that female directors bring about incremental, positive impacts on governance (Adams and Ferreira, 2009, Campbell and Minguez-Vera, 2008, Gul et al., 2011, Gul et al., 2017)."

Q2: Do you think female representation in BOD will continue to thrive in the near future? Why?

A2: *"Using data from BoardEx for 8,590 US public firms from 2000 to 2020, we find an upward trend in gender diversity during this period for firms of all sizes. Among the largest firms (1st quartile based on total assets), the average percentage of females on the board increased from 10% to 28%. Societal pressure and larger representation of females in top management positions may have contributed to this trend. Meanwhile, the average age of directors has also gone up. However, age diversity among directors on the same board has decreased. Board size stays relatively constant after 2005, and we find that firms were substituting younger male by older male directors, as well as substituting male by female directors.(Oliveira, Zhang, 2022)"*

Q3: What are the challenges you faced as a female leader in your communal cooperatives?

A3: *"While both executive FIDs and non-executive FIDs tend to be high-caliber woman leaders that may have experienced intense filtering in their respective professions, the underrepresentation of women in top-tier leadership positions in the corporate sphere is particularly noteworthy…….Such a disparity could* *subject executive FIDs' actions to greater scrutiny and thus lead to harsher career outcomes ex post should an executive FID fail as a director. (Cao, Upadhyay, Zeng, 2024)."*

Q4: What specific actions do you believe governments could take to encourage gender diversity in BOD?

A4: *"The countries that have achieved gender diversity on boards have legislated mandatory quotas and significant sanctions (Bertrand et al., 2019; De Cabo et al., 2019)."*

"Mandatory quotas aim to convince corporate leaders that the organisation they lead could be more inclusive without losing, and in some cases even increasing, efficiency (Dobija et al., 2022)."

Q5: How has your boardroom experience changed over the years, especially as *conversations around gender diversity have evolved?*

"It is reasonable to state that women directors create a positive and significant impact on firm performance as measured by return on assets (ROA). The current studies exploring the role of a critical mass reveal that the mere presence of women on boards (WOBs) does not guarantee desirable levels of influence on board decisions or improvements in firm performance (FP). Rather, to mitigate tokenism, it may be necessary to have WOBs in sufficient numbers. Rather, to mitigate tokenism, it may be necessary to have WOBs in sufficient numbers. BGD was positively related to higher accounting returns (i.e., ROA, ROE, and ROIC), but unrelated to market performance. (Adams and Ferreira, 2009).

Q6: What role does transparency in board selection processes play in improving gender diversity?

A6: "The assumption of good governance is explicit in the recommendations of policy consultative bodies (Higgs, 2003, Tyson, 2003). Female directorship has become more widespread throughout the world (Catalyst Group, 2007, Rose, 2007) partly due to these regulations and other strong nudges from governments."

5. Conclusions

The research aims to investigate how female representation in BOD affects firm performance. By collecting and analyzing different datasets domestically and globally, it is true to establish a positive link between female board representation and firm performance. As far as statistical and economic significance is concerned, women's presence in high-profile posts remains beneficial. To elaborate, having women on boards improves corporate governance, enhancing firm performance in the long term. This research then goes on to point out the increasing impact of gender diversity across multiple industries including energy, and finance, to name but a few. In other words, this study helps reconcile the mixed evidence from previous research on the relationship between board gender diversity and firm performance, especially studies that focus on domestic data. The empirical results suggest that future research in corporate governance using international datasets should consider differences in national governance quality to ensure consistent outcomes. Furthermore, the study offers valuable insights for policymakers regarding board diversity legislation. While gender quotas in public organizations may be justified based on social justice, merit, or political agendas, applying the same approach to corporations, where economic performance is paramount, can spark controversy. This research provides an economic rationale for such policies, showing that board gender diversity benefits firms and should be encouraged (or even mandated) only in countries with strong national governance. Otherwise, enforcing gender quotas in countries with lower governance quality could reduce firm value and harm the economy.

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