Cultural and gender diversity for ESG performance towards knowledge sharing: empirical evidence from European banks

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Abstract

Purpose – *This study aims to investigate the effects of board cultural diversity (BCD) and board gender diversity (BGD) of the board of directors on environmental, social and governance (ESG) performance in the European banking sector using resource-based view (RBV) theory. In addition, this study analyses the linkages between BCD and BGD and knowledge sharing on the board of directors to improve ESG performance.*

Design/methodology/approach – *This study selected a sample of European-listed banks covering the period 2021. ESG and diversity variables were collected from Refinitiv Eikon and analysed using the ordinary least squares model. This study was conducted in the European context regulated by Directive 95/2014/EU, which requires sustainability disclosure. The original population was represented by 250 banks; after missing data were excluded, the final sample comprised 96 European-listed banks.*

Findings – *The findings highlight the positive linkages between BGD, BCD and ESG scores in the European banking sector. In addition, the findings highlight that diversity contributes to knowledge sharing by improving ESG performance in a regulated sector. Nonetheless, the combined effect of BGD and BCD negatively impacts ESG performance.*

Originality/value – *To the best of the authors' knowledge, this is the first study to measure and analyse a regulated sector, such as banking, and the relationship between cultural and gender diversity for sharing knowledge under the RBV theory lens in the ESG framework.*

Keywords *Gender diversity, Cultural diversity, Knowledge sharing, ESG performance, Bank sector, Resource-based view theory*

Paper type *Research paper*

1. Introduction

The need to steer economies towards sustainable attitudes and practices has been more relevant than ever owing to recent occurrences such as COVID-19 and climate change (Wang *et al.*, 2022a, 2022b). Over the last two decades, the banking sector has paid increasing attention to sustainable performance (Menicucci and Paolucci, 2022).

To translate sustainable practices into durable benefits, organisations are called upon to integrate sustainability into their main strategies and ensure adequate stakeholder awareness of business practices (Zumente and Bistrova, 2021). Hence, it is necessary for businesses to convey externally what they have accomplished over the year, perform stakeholder engagement initiatives and, thus, acknowledge the significance of knowledge-sharing issues (Scuotto *et al.*, 2017). Over the years, firms have voluntarily begun reporting environmental, social and governance (ESG)-related information to gain stakeholders' approval. This knowledge sharing also helps them gain a competitive advantage over their rivals (Della Peruta *et al.*, 2014).