Corporate's DEI and Corporate Performance

Taewoo Kim, Ph.D.
Accounting and Finance, CSUSB

CALIFORNIA STATE UNIVERSITY SAN BERNARDINO

Logo option

DEI in Accounting

Accounting literature finds how diverse perspectives of DEI make companies' performance different.
CEO or CFO gender difference is significantly associated with accounting conservatism, which supports the idea that the benefits of gender diversity increase the integrity of financial reporting driven by enhanced risk aversion and ethical sensitivity. (Ho et al. 2015; Francis et al. 2015)
Khlif & Achek (2017) report that female representation on the board, audit committee, CFO or CEO leads to more conservative reporting, higher level of social and environmental disclosure, less tax aggressiveness and higher audit fees.
García-Sánchez et al. (2017) find that the gender diversity and financial expertise on boards have more influence on the conservatism and earnings quality of banks.

CSR & DEI

Corporate Social Responsibility (CSR) is significantly associated DEI in that both DEI and CSR envision business communities that embrace broader economic benefits and more social inclusion.
Harjoto et al. (2015) find that board diversity is significantly associated with CSR.
Orlitzky et al. (2003) find that CSR is positively correlated with corporate financial performance.
According to Flammer (2015), the adoption of close call CSR proposals leads to positive announcement returns and superior accounting performance.
Kim et al. (2012) find that socially responsible firms are less likely to manage earnings through discretionary accruals, which implies that CSR induces better earnings quality.
In sum, CSR is value enhancing.

Research Implications

There is a methodological limitation to investigate the direct relationship between firms' DEI and performance due to potentially confounding effects. Despite the methodological limitation, future research with multidimensional perspectives on how corporate's DEI relates to its performance is warranted.

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