Institutional context matters: board diversity and ESG outcomes in the UAE

Article

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Institutional Context Matters: Board Diversity and ESG Outcomes in the UAE

Abstract

Purpose – This study empirically examines the impact of board diversity on environmental, social, and governance (ESG) outcomes in organizations from the United Arab Emirates (UAE). The study aims to extend prior literature by covering the impacts of the institutional context on board diversity and ESG outcomes.

Design/methodology/approach – Using a thematic analysis of interviews with 42 UAE board members, this research uncovers the effects of institutional context on ESG outcomes. The study focuses on the impact of culture, the influence of regulatory bodies, and the relationship between critical board diversity traits and ESG.

Findings – Three major themes emerged from the data: the impact of institutional context and culture, the impact of regulatory bodies, and critical board diversity traits' relationship with ESG. Our findings indicate that the institution's cultural and regulatory context impacts board diversity and ESG. Our findings also demonstrate that the board's functional diversity (educational and occupational diversity) and age diversity impact ESG outcomes.

Originality/value – This research contributes to Resource Dependence Theory (RDT) by indicating the specific resources diverse directors bring to a corporate board. The study also highlights how institutional context dictates the types of resources directors seek for effective

ESG implementation, providing a novel insight into the board diversity's role in ESG performance.

Keywords: Environmental, Social, Governance (ESG); Corporate Governance; Board of Directors; Board Diversity; Resource Dependence Theory; United Arab Emirates (UAE)

Institutional Context Matters: Board Diversity and ESG Outcomes in the UAE

1. Introduction

Deviating from the popular focus on quantitative measurements (Miller et al., 2022), a growing body of research contends that qualitative probes and invasive research methodologies will be more effective in examining board decisions and behaviors (Hillman, 2015). Especially if the study has never been undertaken in a particular context, such as the UAE. Qualitative research methods would provide an in depth understanding of the ESG practices of boards and the significance of ESG to their operations. Further, present board diversity and ESG research scarcely investigates the perspectives of board members on the matter. Lack of data impedes research on board member perspectives, particularly in emerging economies where the obstacles to adopting board diversity may be different from that of developed economies (Baker et al., 2020). Incidentally, the vast majority of studies assess board diversity from a gender viewpoint (Husted and de Sousa-Filho, 2019). Less research investigates both functional and age diversity (Harajoto et al., 2015). Scholars discern a lack of emphasis on other aspects of demographic diversity in board studies. They argue that, despite the apparent relevance of gender, researchers should also include age, education, culture, and experience (Baker et al., 2020; Ponomareva et al., 2022).

An emerging stream of literature has found that national institutional arrangements influence board diversity (Grosvold and Brammer, 2011), ESG outcomes (Pucheta-Martínez and Gallego-Álvarez, 2020; Duque-Grisales, and Aguilera-Caracuel, 2021; Meng et al., 2022), and board diversity and ESG combined (Husted and de Sousa-Filho, 2019). This is critical to investigate given that research indicates that internal firm factors—such as board members—are the most influential predictors of ESG performance (Crace and Gehman, 2022). Additionally, researchers indicate that a religious setting influences social responsibility behaviors (Koleva, 2021). In particular, institutional settings influence corporate governance by affecting the extent of participants' interest (Aguilera and Jackson, 2003). Prior studies have recommended researchers to investigate the institutional context in more depth to determine whether contextual factors influence the application of ESG practices (Schmitz et al., 2019; Galbreath, 2013). The UAE's ambition of becoming a worldwide leader in green development (Hussein and Bashir, 2021), with a relatively young working age population (GMI, 2022), proportionately globalized population (UAE, 2022) and one of the globe's highest per capita incomes (IMF, 2021) make it an alluring backdrop for this study.

Our analysis takes both the RDT and institutional theory into consideration. The RDT is used to investigate the contributions of board members, whereas institutional theory is used to explore how contextual institutional factors impact board members' engagement with ESG. In this paper, we examine how board diversity contributes to ESG outputs of a firm and how institutional variables impact ESG implementation. This study contributes to the emerging literature on board diversity and its link to ESG by addressing the under-researched characteristics of diversity (function and age) and evaluating it using a qualitative methodology to better understand the institutional circumstances that impact the relationship.

The purpose of this study is to examine how board functional and age diversity affect ESG outcomes and to what degree the institutional environment influences these results. The paper makes a three-fold contribution. First, it examines the impact of functional and age diversity on ESG outcomes. Second, it clarifies the effect of the institutional environment in the UAE on board diversity and ESG outcomes by analyzing the impact of culture, religion, government legislation, and work–life balance. Third, it assists institutions in determining the extent of their effect on ESG outcomes and may aid in the development of future policy by illuminating corporate directors' motivations.

2. Literature Review

2.1 Board diversity and ESG

Board diversity and ESG research examines a number of distinct study streams, including rationale (Fairfax, 2005), performance (Zhou et al., 2022; Yu et al., 2018; Harjoto et al., 2015), reporting of the metrics (Katmon et al., 2019), analysis of various board compositions (Harajoto et al., 2015) and the cumulative impacts of diversity (Beji et al., 2021). Olson et al. (2006) assert that invisible aspects of board composition (i.e., education, occupation, and age) serve as proxy indicators for psychological elements, such as cognitive style in influencing strategic decision-making. Numerous studies on company performance have examined various aspects of diversity and their effects on an organization's ESG performance. Table 1 summarizes the empirical research on board diversity (beyond gender) and ESG published in 3- or 4-star journals ranked by the Academic Journal Guide (previously the ABS list).

Insert Table 1 here

A number of studies have been conducted on the topic of board age diversity, but the findings have been inconsistent. Beji et al. (2021) discover that corporate governance, human resources, human rights, and environmental efforts are all connected with age diversity, while Katmon et al. (2019) and Harajoto et al. (2015) find a negative relationship between board diversity and corporate social responsibility (CSR) disclosure/ESG scores respectively. Functional diversity is a subject that has received little attention. Post-graduate directors have a positive link with the overall CSR score (Beji et al., 2021), and board educational diversity has a positive impact on CSR disclosure quality (Katmon et al., 2019). Harjoto et al. (2015) discovered an association between expertise diversity and overall ESG performance. As a result, we believe it is reasonable to investigate functional diversity, age diversity and ESG outcomes since there is a gap in linking these domains.

2.2 United Arab Emirates

Out of humble beginnings, the UAE now has a diversified, sustainable economy built on global knowledge and renewable energy (CPC, 2022). Known for its thriving tourism industry (Bodolica et al., 2021), the prevalence of successful family businesses (Dupuis et al., 2021), and a large proportion of youth (Ben Jaafar et al., 2022), the UAE is becoming one of the world's highest per capita income countries (IMF, 2021). The population of the UAE is globalized, with over 200 nationalities represented (UAE, 2022) and an expatriate community that accounts for 88% of the population (GMI, 2022). For this research, we chose the UAE because of the country's hugely diversified population, as seen by the aforementioned figures.

The UAE is a Muslim nation and is regarded as religiously tolerant (UAE, 2022). Therefore, a lot of the UAE culture and traditions stem from the Islamic faith. The greatest way to provide charity in the Islamic faith is anonymously (Rianne, 2009), known as "Silent Giving". This phenomenon is highlighted by the innumerable anonymous donors who consistently make significant, generous gifts to UAE organizations (The National, 2015). The UAE is noted for its rapid adaptation to new initiatives and breakthroughs that have attracted global attention (CPC, 2022). It is the first country to implement a four-and-a-half-day workweek in 2022 (Alghoul and Aamir, 2021). Additionally, the UAE passed a Circular Economy Policy, which has many major aims that contribute to the country's ambition of becoming a worldwide leader in green development (Hussein and Bashir, 2021). The UAE is committed to fostering contentment and is one of a few countries to establish a Ministry of Happiness (UAE, 2022).

2.3 Resource dependence theory

The RDT has become the most often recognized theory in the literature on board diversity. This is partly due to its assertion that a board member's role includes providing key resources to the firm (Pfeffer and Salancik, 1978). This may be performed by advising, networking, accessing markets, credibility, and developing competence. The board of directors' role, as per the RDT, is to provide resources to the business. The theory maintains that diverse board members will contribute a variety of experiences and talents, enabling them to provide valuable resources to the firm. According to Pfeffer and Salancik (1978), the composition of the board of directors must fit the business's resource needs in order for the board to provide the firm with the resources it requires. The idea is predicated on the premise that a business performance is inextricably linked to the possibilities available to it, which allow it to obtain the required resources. According to the RDT, a diverse board would give more resources in the form of skills, expertise, and counseling, as well as market entry opportunities (Enache and Garcia-Meca, 2019), which could in turn affect their ESG performance. The RDT has been utilized in the literature to explain the link between board diversity and ESG. Beji et al. (2021) argue that diverse board members contribute significant resources to the organization and have varied perspectives on how to enhance initiatives.

2.4 Institutional theory

Since this research addresses the institutional context of the UAE as a factor of board diversity and ESG outcomes, it is necessary to examine the institutional theory to comprehend its implications. The institutional theory stresses environmental concerns as essentially behavioral and cultural in nature rather than technical or economic (Hoffman and Jennings, 2015). The institutional theory is built on three pillars – regulative, normative, and cultural-cognitive – which, in conjunction with associated behaviors and tools, are considered to provide social existence with consistency and significance (Scott, 2013). The first pillar, regulatory, encompasses the capacity of establishing rules, assessing compliance with those laws, and influencing and managing sanctions to a certain degree (Scott, 2013). Economists often prioritize the regulatory component of institutions, claiming that noncompliance has a high cost (North, 1990). The second pillar is referred to as the normative pillar and encompasses norms and values (Scott, 2013). Belief is an institutional characteristic that impacts management by establishing normative outlooks that become areas of focus for corporate decision-making (Aguilera and Jackson, 2003). The third pillar, the cultural-cognitive component of institutional theory, refers to the collective beliefs that shape the way social issues are resolved and provides a framework for comprehension (Scott, 2013). An individual's external cultural framing has an effect on how they receive and retain information. The term ‘culture’ encompasses the individual's cultural identity not only on a local level, but also on an institutional level. A society's religious or cultural practices can frame the way individuals comprehend certain issues.

2.5 Recent literature

Recent research highlights the significant role economic and environmental factors play in achieving sustainable economic development, particularly post-CoP-28 held in the UAE (Chopra et al., 2024). The study utilizes the Environmental Kuznets Curve (EKC) framework to explore the relationship between various economic variables and carbon footprints in high-emitting countries (Chopra et al., 2024). Similarly, the contribution of indigenous communities to Sustainable Development Goals (SDGs) emphasizes the need for inclusive policies that incorporate indigenous knowledge and promote social change (Bansal et al., 2024). Research by

Bansal et al. (2020) attempts to understand, analyze, and interpret the role of social entrepreneurs towards sustainable development, significantly contributing to the existing literature by evaluating the government's policy framework with respect to social entrepreneurship and its alignment with SDGs. Moreover, a systematic literature review on environmental management practices shows their positive impact on firm performance, suggesting the need for comprehensive approaches that consider all potential variables (Bansal et al., 2022). The nexus between economic, social, and environmental indicators in South Asia further underscores the importance of promoting financial and human development while managing ecological footprints (Bansal et al., 2021). These studies collectively underline the multifaceted nature of sustainable development and the critical role of diverse perspectives in addressing ESG outcomes.

3. Methodology

Context continues to be crucial to understanding how institutions and individuals execute ESG (Pucheta-Martínez and Gallego-Álvarez, 2020). Studies examining board diversity and ESG outside the Western hemisphere (Husted and de Sousa-Filho, 2019; Katmon et al., 2019) have highlighted the entrenched nature of contextual factors on corporate governance and ESG outcomes but have rarely addressed the specific contextual factors within these nations. As an Islamic nation, the UAE has garnered recognition in recent years not only for its economic growth, but also for its noteworthy humanitarian efforts (Behery and Anadol, 2020). The country's cultural foundations include a mixture of Islam, Arab customs, and globalized culture. The UAE is still young, and its sense of identity is still in the process of forming, compared to several nations with a longer history (Behery and Anadol, 2020). In such a nation, board relationships and ESG outcomes may be highly influenced by the local environment.

This inductive investigation was conducted in accordance with qualitative research design principles. The research is based on in-depth interviews with 42 board directors to extract information on their perspectives on board diversity and ESG. The initial interviews were conducted with directors contacted on LinkedIn and within the researchers' own network. The sample was built by asking interviewees for information on peers who sit on UAE boards and would provide their views for this study. Snowball purposive sampling (Noy, 2008) enabled the research to reach an adequate number of participants. Because directors are a limited and challenging group to penetrate, this strategy is appropriate for the nature of this study. When conducting in-depth qualitative interviews with 6–12 participants, Guest et al. (2006) found that theoretical saturation became apparent. Moreover, Mason's (2010) study on sample size in qualitative research indicates that factors such as the specificity of the population and the research context are critical in determining sample adequacy with 31 being the average. Additionally, Saunders and Townsend (2016) suggest that a range of 15-60 participants is typical for qualitative research in organizational contexts, further supporting the adequacy of our sample size given the unique and high-echelon nature of board directors. The sample size of 42 is deemed adequate as both data and theoretical saturation are achieved. This resulted in the collection and analysis of over 1,100 pages of transcripts. We recruited participants from diverse demographic backgrounds, as reported in Table 2.

Insert Table 2 here

The authors carried out a set of in-depth, semi-structured qualitative interviews in the UAE between 2020 and 2022. Semi-structured interviews were selected as a suitable strategy for eliciting detailed narratives about organized subject areas important to the central research topic.

In unclear circumstances in which participants may not be eager to disclose details, this method is beneficial. The questions followed a loose structure in which individuals’ profiles, current board experience, board context, board diversity, ESG practices and board of directors’ resources were explored.

The researchers refrained from using research terms and theories to avoid influencing the participants. While some questions were modified for appropriateness, the fundamental topic remained the same. The researchers adhered to stringent ethical standards. The interviews were recorded and transcribed with the respondents' written agreement. The respondents' identities were kept fully confidential. Rigorous ethical criteria were developed to reassure participants and to enable them to express themselves freely.

The analysis of data proceeded as follows. Multiple coding processes were used to conduct analyses. The transcripts were imported into the NVivo software and subjected to a first round of open coding (1st-order analysis), in which all inquirers rigorously evaluated the primary collected data and allocated descriptive codes. Preliminary coding was executed based on the broad groups of individual profiles, current board experience, board context, board diversity, ESG practices, and board of directors’ resources. A structure of inductive coding was constructed using both the NVivo-generated key phrases and the allocated codes. A second round of coding was conducted with consideration for the participants' own phrases, and significant topics that potentially link to the theoretical underpinnings were coded. After a few rounds of coding, we initiated axial coding in which first-order ideas were combined into second-order themes or integrated categories. We shifted between data and concept to grasp what we had distinguished as the most conceptual and theoretical contributing factors concerning the perspectives of directors engaging in ESG, motivations, and the steps taken to achieve it. Inquirers were able to make inferences about board diversity and ESG in the UAE as a result of the last phase of axial coding. The impact of the institutional cultural context, the institutional regulatory body, and how diversity elements relate to ESG were identified as the three central themes.

4. Findings

Through data analysis, three themes emerged. The findings are highlighted in Table 3 below.

Insert Table 3 here

First, we explored the effect of the institutional cultural setting on board diversity and ESG. When discussing ESG and diversity, participants mentioned specific cultural context considerations. Among them were silent giving and the cultural dynamism of the UAE. The UAE's culture and religion place a premium on anonymous contributions. This largely impacts the E and S components of ESG, as participants noted that older, more religious, and traditionally oriented persons refrain from disclosing contributions to society. Participants also highlighted the dynamic nature of culture. As the UAE is still in its infancy, its culture continues to develop. Participants cited globalization, modern education, and altering networking practices as influences.

Second, we investigated the impact of the regulatory context. Participants cited particular regulatory factors when addressing board diversity and ESG. Among them were national policies and work–life balance. The implementation of ESG initiatives appeared to be high. Participants attributed their ESG implementation incentive to government support, recognition, and tender preferences. The UAE's shift to a four-and-a-half-day workweek was viewed by participants as contributing to increased productivity and employee satisfaction.

Lastly, we explored board diversity and the impact on ESG practices. We found that participants attribute functional diversity and age diversity to ESG outcomes. Functional diversity encompasses both educational diversity and expertise diversity. Participants reviewed the contributions of younger directors to the E component of ESG as they examined age diversity through the perspective of environmental outcomes.

4.1 Institutional context: Cultural impact on ESG and board diversity

This theme consists of two subthemes: *Silent giving and the dynamic nature of culture.*

4.1.1 Silent giving

Religion may influence various facets of human societies, including ESG. Researchers found that climate change advocates were more likely to cite religion to draw moral rationales for climate action (Hoffman, 2011). In Islamic literature, the best approach to contribute socially in the Islamic faith is in private (Rianne, 2009). This phenomenon is exemplified in the UAE by the presence of many anonymous donors (The National, 2015). Islam teaches Muslims that giving voluntarily (*Sadaqah*) anonymously to charitable causes is far superior to giving publicly. This teaching can be found in both the *Qur'an* and *Hadith*, "If you disclose your *Sadaqaat* (almsgiving), it is well; but if you conceal them and give them to the poor, that is better for you." [*Quran* 2:271]. The research demonstrates this, as **P9** observes that, *"Philanthropists want to stay nameless for religious reasons, believing they would be better rewarded by Allah if they remain anonymous."*

Silent giving refers to actions in which an individual chooses to remain silent about their good acts. Participants often noted that they avoid advertising their firm's accomplishments in terms of the E and S components of ESG. After probing deeper into this phenomenon, we conclude that this is not just due to religion but also the high context nature of culture (Hall, 1976) in the UAE has an impact. Participants argue that the UAE culture is more implicit, leading individuals to conceal their activities and accomplishments. Arab nations, according to Hall's (1976) criteria, belong to the group of high context cultures. According to the notion of high and low context cultures, high context cultures, such as the UAE, would value non-verbal communication, formality, indirectness and ambiguities (Hall, 1976). In contrast, low context cultures, such as the UK, prefer straightforwardness, conflict and confrontation (Hall, 1976). According to **P25**, *"People here are not as habituated to confrontation as they are in the West and they dislike competing with others, particularly when it comes to financial contributions and similar matters."*

Participants feel that generosity is ingrained in UAE culture in part because they look to leaders as role models for social conduct and believe that the UAE's leaders have taught people to be generous. According to Hofstede's (1996) criterion, the UAE would be classified as a high power distance nation. That is, the UAE is rather hierarchical, and leaders are likely to be looked up to and revered:

"*In the UAE in particular, we look to leaders as role models for how we behave ourselves socially... This fostered the development of a culture of giving and charity in the UAE. Sheikh Zayed taught us to be generous.*" **P2**

Researchers find that leadership sets the tone of the culture on the board (Kakabadse and Kakabadse, 2006). The normative component of institutional theory comprises norms and values (Scott, 2013), and in the case of the UAE, religion, culture, and leadership have established a system of standards and norms that impact the social behavior of its people.

4.1.2 Dynamic nature of culture

The dynamic nature of culture is evident in the disparate views regarding social giving among directors of various age groups. Respondents highlighted that diverse ages have a different approach to the E and S components of ESG. They suggest that boards composed mostly of older directors would not advertise the E and S components of ESG, since the majority of financial contributions remain anonymous. Participants ascribe this phenomenon to a range of factors. To begin, culture evolves gradually over an extended period of time (Tekic and Tekic, 2021), and the UAE culture is greatly influenced by globalization, which is exacerbated by the UAE's substantial expatriate community making up 88% of the population (GMI, 2022). Second, participants point to modern education and a greater grasp of contemporary marketing as a factor. Third, liberal capitalist economies may play a part in changing the way they engage in E and S.

As a consequence of globalization, cultural upheavals, and information interchange, participants believe that younger directors are more responsive to these new social giving concepts and are more aware of trends. This is illustrated in the findings by **P9**: "*As a result of globalization, cultures and information are being exchanged. Younger generations are more receptive to these new social giving terms.*" According to Tulviste et al. (2017), age disparities are more significant in Eastern nations, particularly on the conservation/openness to change characteristics. Younger generations emphasized adaptability, whereas older generations emphasized conservation. When it came to the significance of openness to change, younger individuals from different nations shared more common values than older ones.

Participants emphasized that older directors would use the term 'social giving' in a religious and traditional context while younger directors are capable of attributing social giving to the firm via philanthropy, marketing, and network development. The participants claim that this is due to contemporary schooling. They can recognize that classic marketing strategies are antiquated and instead use new marketing concepts that educate them on how to disseminate specific items. They believe that by doing so, younger directors may connect social giving to the firm's social identity. This, they argue, is why younger directors promote the firm more effectively than senior directors. As elucidated by **P25:** *"Many younger generations take marketing courses as part of their degree. younger directors will relate their education with social giving, and we will likely market their philanthropy more than the older generation."* According to research on the integration of social responsibility in business education systems, the majority of institutions demand they be taught throughout the MBA program as well as having an increase in student involvement in them (Christensen et. al, 2007).

Study participants held that building relationships is highly important. "*Individuals use generosity or charity identities to mingle, network with other businesses, and network with other board members and to develop ties with other businesses*" (**P1**), which they attribute to "*liberal capitalist ecosystems and economies.*" According to studies, including social responsibility in public relation functions prioritizes relationship development (Formentin and Bortree, 2019).

The disparities in directors' approaches to the "S" component of ESG are a great illustration of the cultural-cognitive pillar of institutional theory (Scott, 2013). According to participants, older directors are more religious, hence their external cultural framing impacts how they engage in the "S" portion of ESG, while globalization and contemporary education are thought to have a greater impact on the younger directors, hence, impacting how they connect with social concerns.

4.2 Institutional context: Regulatory body's impact on ESG and board diversity

The theme includes two subthemes: *Implementation of nationwide policies* and *Work–life balance.*

4.2.1 Implementation of nationwide policies

The participants reported widespread implementation of government initiatives, notably in the areas of ESG. Green initiatives, pearl initiative, *ma'an* (social) initiative, *hawkamah* (corporate governance) and circular economy policies were all discussed by participants. According to the participants, the large proportion of firm participation is due to government support, tender preference, *majlis* (exclusive access to the sheikh) preference, and exposure.

Singhania and Saini (2021) found that a nation's social and governance openness was driven by rules and found that the role of the nation's environmental commitment is essential. Numerous participants cited multiple cases of how government policy and initiative execution are aligned with corporate ESG standards.

"We constantly adhere to the UAE's policies and initiatives… the pearl project, the UAE's environmental government program… We examined ma'an through the lens of social… Hawkamah is for governance." **P30**

Here, the participant connects the pearl initiative, a government effort that the firm is implementing, the E component of ESG. "*We've done the pearl project… to classify businesses based on their carbon dioxide emissions, energy consumption, and waste disposal practices… and many more.*" **P30**.

The "S" portion of ESG was also adopted by using a government initiative. **P30** describes this initiative as *"upskill[ing] UAE citizens and handicapped persons via job training and other efforts such as coding and similar activities for the younger generation… integrating social programs inside the workplace in order to meet government-mandated sustainability indicators, including Emiratization."* The participant describes how the firm was able to establish and apply locally pertinent corporate governance frameworks using sources from *Hawkamah*, a governance institution: "*[We] must comply to particular rules, which include a whistleblower policy, a human* *rights policy, an employee equality policy, and other similar policies, as well as investment reporting."* **P30.** Since earlier researchers, such as Arvidsson and Dumay (2022), have discovered that investor and regulatory attention in Sweden has affected corporate ESG activities in recent years, it is not unexpected that businesses have decided to concentrate on ESG following attention from the regulatory body in the UAE.

4.2.2 Motives for implementation

Participants that indicated engagement in a significant fraction of government initiatives were probed further as to why they executed them. The participants suggested a variety of motivations driving government projects to be implemented. Government backing, recognition, tender preference, *majlis* preference, and acquiring legitimacy were among the motivations. According to **P1**, "*the government is extremely dynamic and supportive, as a result we want to support it.*" Additionally, participants reported that engagement in certain government programs and activities served as a necessity for attaining particular standards or competing for a tender. Further, it might boost their chances of being invited to the *majlis* and meeting the UAE's leadership, allowing them to develop relationships with the country's inaccessible elite.

"*Organizations who want to participate in a tender must comply with such measures… you will undoubtedly witness a natural magnetic pull for those firms, which will result in tender preference and Majlis preference."* **P15**

According to research conducted by Almezaini (2013), enterprises in the UAE rely heavily on securing government contracts, which may explain why involvement in government projects is so high. When examining the legitimacy of a firm, regulatory examination is one of the primary pillars (Deephouse et al., 2017). The regulatory factor refers to a firm's conformity with national laws and policies. It is thus expected that participants identified attaining legitimacy as a motive: “*they also get legitimacy with the government if they ever want assistance.”* **P42.**

4.2.3 Work–life balance

The adoption of a four-and-a-half-day workweek by the UAE is an important element of the regulatory pillar. Participants reported that the implementation of a shorter workweek has affected their work–life balance and employee morale in a social sense. As reported by **P16**: *"We have a highly productive workforce that maintains a healthy work–life balance. As a consequence, employee satisfaction is very high."*

Participants noted that the move to a four-and-a-half-day workweek was essential for maintaining work–life balance, wellbeing, and productivity. Employees with shorter workweeks reported greater levels of self-worth, social connection, job satisfaction, and compensation; experienced less mental distress; and performed better in terms of productivity (Ivancevich, 1974). According to **P41**: *"To maintain a healthy work-life balance, I believe the four-and-a-half workweek change increased our efficiency significantly."*

4.3 Diversity elements and ESG outcomes

The RDT argument asserts that diverse board members will bring a variety of experiences and skills, allowing them to offer significant resources to the company. Participants observed that diverse backgrounds and experiences enable boards to make better ESG-related decisions. According to Pfeffer and Salancik (1978), the makeup of the board of directors must match the company's requirements for the board to supply the business with the necessary resources. This is further supported by the participants of this study, who stated that ESG expertise on the board would affect ESG outcomes and that age diversity would benefit the environmental aspect of ESG.

Participants indicated that they believe ESG-related expertise would influence the ESG output. They believe that making ESG a primary duty, such as establishing an ESG committee or including ESG components on the board agenda, would be beneficial. According to **P10**: "*What we find advantageous is someone who has experience in it (ESG) or has been tasked with it."* As stated by **P10**, an ESG background includes *"academic degree, experience, or they've worked on a project in it."* This claim is largely unexplored in previous research. However, previous research has shown a relationship between ES performance and sustainability committees (Hussain et al., 2018).

According to Beji et al. (2021), there is a positive and statistically significant association between the presence of post-graduate directors and the total CSR score. In addition, board educational diversity was proven to have a favorable impact on the quality of CSR disclosure (Katmon et al., 2019). Our research validates this according to **P19**: *"I believe that increasing educational diversity on the board would make a sizable impact. Educational variety encompasses much more than what you study. Also, where and when did you study and education levels. That, I believe, makes a world of difference."*

Others believe that diversity has historically been connected with gender and that functional diversity should take precedence. This is corroborated by prior research which found a positive correlation between expertise and overall ESG performance (Harajoto et al., 2015). A participant demonstrates how an environmental problem was efficiently addressed. The following example suggests how bringing together individuals with expertise in technology, engineering, economics, and sustainability aided in making a more informed choice on a fish farm. The respondents observed that reorganizing a board to include a more diverse group of members would help the organization make better judgments.

"Having a diverse range of backgrounds and experiences while being gender agnostic… for instance, we're pursuing a fish farm. Fish farms can be extremely polluting, but there are technologies… that combine aquaponics and hydroponics and allow for the creation of a circular economy … having directors from a variety of backgrounds has benefited us." **P18**

While some continue to ascribe it to gender diversity, others say it is partly due to variety of experience. They believe that individuals with varying experiences are able to offer different perspectives. Environmental, sustainability, and strategic backgrounds were all acknowledged as backgrounds that could contribute to ESG outcomes. As reported by **P31**: "*It's beneficial to have a variety of diverse experiences so that you may generate a variety of various suggestions or ideas. I consider having different experiences, gender, and background."*

Participants made several references to age diversity while discussing the E component of ESG. They feel that directors who are younger will be more sensitive to environmental problems. Additionally, they emphasize that since environmental challenges disproportionately impact younger individuals, younger people would make better environmental choices on the board:

"I believe that having age diversity on the board causes the company to prioritize ESG. Younger directors have a greater grasp of the environment… My parents could not care less about plastics, petrochemicals, and emissions; they are unconcerned… my siblings and I are concerned. Because we were raised to believe that we were causing damage to the environment… we will be the ones to be affected by it and I think age plays a big role in that front." **P29**

Additionally, participants made frequent mention of age diversity while addressing the ESG's "E" component. According to **P39**: *"Younger generations have a somewhat different perspective on the environment. They are, by definition, more revolutionary, but younger generations will voice their opinions far more forcefully. The older accept it as is, as the cost of development."* Beji et al. (2021) find an association between environmental efforts and age diversity. Additionally, Cummings (2008) found that views toward environmental concerns can vary from country to country, with younger generations being more aware of the need to support environmental measures.

5. Discussion

Research utilizing RDT argues that diverse board members bring critical resources to the firm in the form of skills and competencies without concrete evidence and perspectives from directors themselves (e.g. Beji et al., 2021; Katmon et al., 2019). Further, there is a paucity of research on the personal motives of board members' participation or contributions to ESG issues, which would further explain why they choose to allocate resources to its implementation. Understanding the institutional contexts leads to a better understanding of firm-level motivations for constructing a diverse board as well as understanding board members' motivations for ESG uptake.

Throughout this research, we provide evidence that not only does board functional diversity and age diversity have an impact on ESG outcomes, but also that the institutional context matters when exploring the relationship between board diversity and ESG. It is no coincidence that the institutional context of the UAE, which is institutionally characterized as "vastly different" (Koleva, 2021) from the western world, is heavily impacted by institutional country-level factors and would result in a different stance on board diversity and its relationship to ESG than in previous research.

We find that both boards of private and publicly traded firms in the UAE are influenced by the institutional framework, namely the regulatory body, the culture, and by the diversity on their boards, particularly functional and age diversity (see Figure 1). For example, boards embrace the government's voluntary ESG initiatives and comply with the voluntary modifications to the work week. This is motivated by recognition, procurement preference, legitimacy, and marketing. We find that cultural phenomena such as silent giving and the dynamic character of culture influence ESG outcomes.

Insert Figure 1 here

In response to Miller et al.'s (2022) appeal for more research applying intrusive methods, and Galbreath's (2013) call for studying the institutional context in more detail, we identified that our sample of 42 board members in the UAE had various perspectives on board diversity and are driven by institutional factors when it comes to ESG considerations, effectively illustrating the impact of their culture, religion and country-level policies when it comes to ESG outputs. From within the black box of boardroom interactions, our participants were able to offer specific instances of functional and age diversity contributing to ESG outcomes within the firm. Our results indicate the vital role of the institutional context (Husted and de Sousa-Filho, 2019), the breadth of diversity on the board (Baker et al., 2020), and the impact of functional and age diversity on ESG (Beji et al., 2021; Harajoto et al., 2015).

Researchers recognize the significance of resources in the context of corporate responsibility (Beji et al., 2021). Our analyses illustrate how the resources directors choose to utilize can depend on the institutional context. With the UAE now focusing on ESG efforts (Hussein and Bashir, 2021) our participants are motivated to align themselves with country-level values and are motivated by government support, tender preference and recognition. Further, the study illustrates how board functional diversity and age diversity uniquely impact ESG. According to RDT, diverse board members should provide additional resources in the form of skills, knowledge, guidance, and counseling (Enache and Garcia-Meca, 2019). Also, according to the institutional theory, firm practices are a result of their institutional environment (Scott, 2013). This research examines the impact of board age diversity and functional diversity on a company's ESG policies. In addition, we consider that institutional context impacts board diversity and ESG.

6. Study implications

The ramifications of this study and its conclusions for future research are evident. First, our research investigates the impact of the institutional context on corporate governance and ESG results. This paves the way for future academics to examine new regions through the prism of institutional settings. Second, this study is novel in that it focuses on the directors' own perspectives and so examines diversity's impact on ESG. Due to a paucity of data, prior study provides a limited understanding of directors' opinions and the impact of diversity (Baker et al., 2020). In accordance with the RDT (Pfeffer and Salancik, 1978), our analyses demonstrate how and why board members use their resources in connection to ESG results. The use of resources has not previously been examined from a motivational perspective.

This study and its insights have substantial practical implications. First, the results illustrating the effect of regional policies may assist government institutions in formulating policies that will assist them in achieving their goal of green development, social responsibility, improved corporate governance, and greater diversity among senior management teams. Second, the data reveal which forms of board diversity are more beneficial in terms of ESG outcomes. This might support businesses in the design of their boards. Also, our study reveals the board members' motives for achieving ESG results and may assist businesses and institutions in catering to these incentives in order to achieve increasingly effective ESG outcomes.

7. Limitations and future research

Although the paper provides some major and original additions to the literature on board diversity and both RDT and institutional theories, it also has a few limitations. First, the research employs a representative subset of 42 UAE-based board members. Future research may test the results with a larger sample size. Second, the results are based on interview questions with open-ended responses utilizing interpretative approaches. Through using quantitative methods and an objective approach, further research may validate the results. Methodologically, it would also be beneficial to adopt a longitudinal stance and revisit individual directors to determine how deeply they are impacted by their institutional context. And third, UAE-based research does not reflect the institutional frameworks of the rest of the Middle East or around the globe. Future scholars may duplicate this work in various national contexts.

8. Conclusion

In summary, the following contributions are made by this paper. First, our empirical results add to the developing stream within the RDT literature that acknowledges how studies must go beyond gender diversity when analyzing board diversity (Baker et al., 2020). Our results highlight the significance of functional and age diversity on boards, which, according to our research, helps organizations achieve ESG objectives. Second, while the significance of the institutional context for board diversity (Aguilera and Jackson, 2003) and ESG (Duque-Grisales and Aguilera-Caracuel, 2021) is recognized, we claim a national interpretation of institutional impacts. We enhance the current knowledge of how board members accomplish ESG objectives in the context of the UAE by considering institutional-level occurrences such as silent giving, the dynamic character of UAE culture, and the execution of national policies. Our research highlights how engagement with ESG activities across UAE boards may provide businesses and directors with legitimacy, recognition, tender preferences, *majlis* access, and networking opportunities. As a result, we contribute to the acknowledgment of the institutional theory (Scott, 2013) as a relevant supplemental framework to RDT for comprehending the institutional effect on enterprises. The study addresses a gap in the literature by analyzing, from a qualitative standpoint, the value of directors with diverse functional backgrounds and age diversity, and their association with ESG results. It paves the way for future academics to understand how to formulate hypotheses for future study and to have a deeper appreciation for directors' perspectives.

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Table 1. Summary of empirical studies

Author(s)	Diversity attributes	ESG metric	Sample	Guiding Theory	Main findings
Beji et al. (2021)	Education, gender, independence, age, nationality, and education level	CSR score	From 2003-2016, 120 businesses listed on the SBF120 index.	RDT and Agency theory	Gender diversity, outside directorship, foreign directorship, board independence and age on boards is linked to certain CSR score components. Post-graduate directors have a favorable and statistically significant correlation with the total CSR score.
Firoozi and Keddie (2021)	Geographical Diversity	CSR performance	From 2009–2017, 1,356 firms listed on the Toronto Stock Exchange.	Stakeholder theory and Image motivation	Some aspects of CSR benefit from geographical diversity of the board members.
Husted and de Sousa-Filho (2019)	Gender, CEO duality, independent directors	ESG disclosure	176 firms from Bloomberg ESG and Capital IQ databases from 2011–2014	Institutional theory	Board size and independence is positively linked to ESG disclosure, while female directors and CEO duality have a negative link.
Katmon et al. (2019)	Education, age, nationality, tenure, ethnicity, gender	CSR disclosure	200 Bursa Malaysia firms in 2009–2013	Resource-based view theory	Board education and tenure diversity have a positive effect on CSR disclosure quality. Gender diversity and CSR disclosure are positively linked. Age and nationality diversity are negatively linked.
Hussain, Rigoni, and Orij (2018)	Size, independence, CEO duality, gender diversity, sustainability committee existence	Sustainability performance	100 US corporations from Global Fortune 2013 from 2007–2011	Agency and Stakeholder theory	Increase of independent directors positively impacts E and S performance. Diverse boards enhance social sustainability. CSR committee promotes environmental and social performance.
Nadeem et al., (2020)	Gender	ESG value creation	Eikon data on U.K.-listed corporations on Thomson Reuters' ASSET4 from 2007 to 2017	Stakeholder theory	It was revealed that there is a considerable positive association between board gender diversity and stakeholder value generation. Gender diversity boosts not just economic returns but also social and environmental value creation.
Harjoto et al. (2015)	Gender, race, power, outside directorship, tenure, age, and expertise	MSCI ESG score	Between 2010 and 2015, the sample contained 379	Stakeholder theory	Diversification of gender, tenure, and expertise is favorably linked with overall ESG performance. Age diversity is negatively associated with certain ESG

	businesses from the S&P 500 Index.	measures. Outside directorship had a favorable correlation to certain ESG measures. Diversification of director power is connected with the total ESG index. Race diversity contributes to the overall ESG by alleviating ESG concerns.

Source: Compiled by the authors

Table 2. Participants' characteristics

Participant Profiles				
No.	***Gender, Age, Nationality***	***Educational background***	***Educational level***	***Occupational background***
1	M, 25, Emirati	Finance	Bachelors	Real Estate
2	M, 64, Emirati	Finance	Bachelors	Investment banking
3	F, 43, Emirati	Accounting and Finance	Bachelors	Audit
4	M, 45, Emirati	IT and Management	MBA	Software Engineering and Non-profit
5	F, 45, Emirati	IT and Management	Bachelors	IT
6	M, 40, British	Law	Bachelors	Investment banking and Law
7	M, 41, Emirati	Mathematics and Sharia Law	Masters	Soverign wealth fund and Sharia
8	M, 34, Emirati	Finance and Banking	Bachelors	Banking and Logistics
9	M, 42, Emirati	Medicine and Management	Masters	Surgery, Research, Healthcare management
10	M, 46, Emirati	Economics	MBA	Accountancy and Finance
11	F, 27, Emirati	Engineering	Bachelors	Consulting and Academia
12	F, 44, Emirati	Business and Law	Masters	Tech
13	M, 62, Emirati	Business and Politics	Bachelors	Banking and Investment
14	M, 58, Emirati	Math, Economics and Computer Science	Masters	Banking
15	M, 59, Emirati	Law	Masters	Law, Shipping and Marine
16	M, 49, Emirati	Communications	Bachelors	Management
17	M, 59, Netherlands	International Management	Masters	Banking
18	M, 56, French/American	Economics, Law and Finance	PhD	Investment Banking, Developing, Consultancy
19	M, 34, Pakistan	Management	Masters	Supply chains and Logistics
20	M, 36, Emirati	Aerospace Engineering, Mathematics and Business	Bachelors	Finance and Investment
21	M, 66, Canadian	Engineering and Business	MBA	Banking
22	M, 48, British	Professional Business qualifications	High school	Banking and Investment
23	F, 42, Emirati	Engineering	PhD	Consulting

24	M, 32, Emirati	Law	Bachelors	Law
25	M, 31, Emirati	Real Estate and Corporate Finance	Bachelors	Real estate and Investments
26	M, 32, Emirati	Finance and Philosophy	Bachelors	Financial underwriting and family business
27	M, 45, Indian	Accounting	MBA	Investment and Strategy
28	M, 45, Jordanian	Engineering	Bachelors	Energy
29	F, 32, Emirati	Management IT	Masters	Food and Beverage
30	M, 65, Emirati	Economics	Masters	Banking and Project finance
31	M, 40, Emirati	Science and Engineering	Bachelors	Oil and Gas
32	M, 41, Indian	Medicine and Business	MBA	Investment
33	M, 47, Emirati	Marketing	Masters	Marketing, Development and Sales
34	M, 58, Emirati	Chemical and Petroleum Engineering	Masters	Environmental protection
35	F, 48, British	Mathematics and Finance	MBA	Investment banking
36	F, 30, Emirati	Marketing and Psychology	Masters	Entrepreneurship and Real Estate
37	M, 47, Emirati	International Business	Masters	Shipping
38	M, 40, Indian	Management	Bachelors	Family business, Banking, Investment
39	M, 46, Emirati	Environmental and Business Sustainability	PhD	Marine assurance, Consulting, Sustainability
40	F, 42, Emirati	Consulting	Masters	Consulting
41	F, 27, Emirati	Finance and Banking	Bachelors	Finance and Investment
42	M, 31, Emirati	Economics	MBA	Real Estate and Food and Beverage

Source: Compiled by the authors

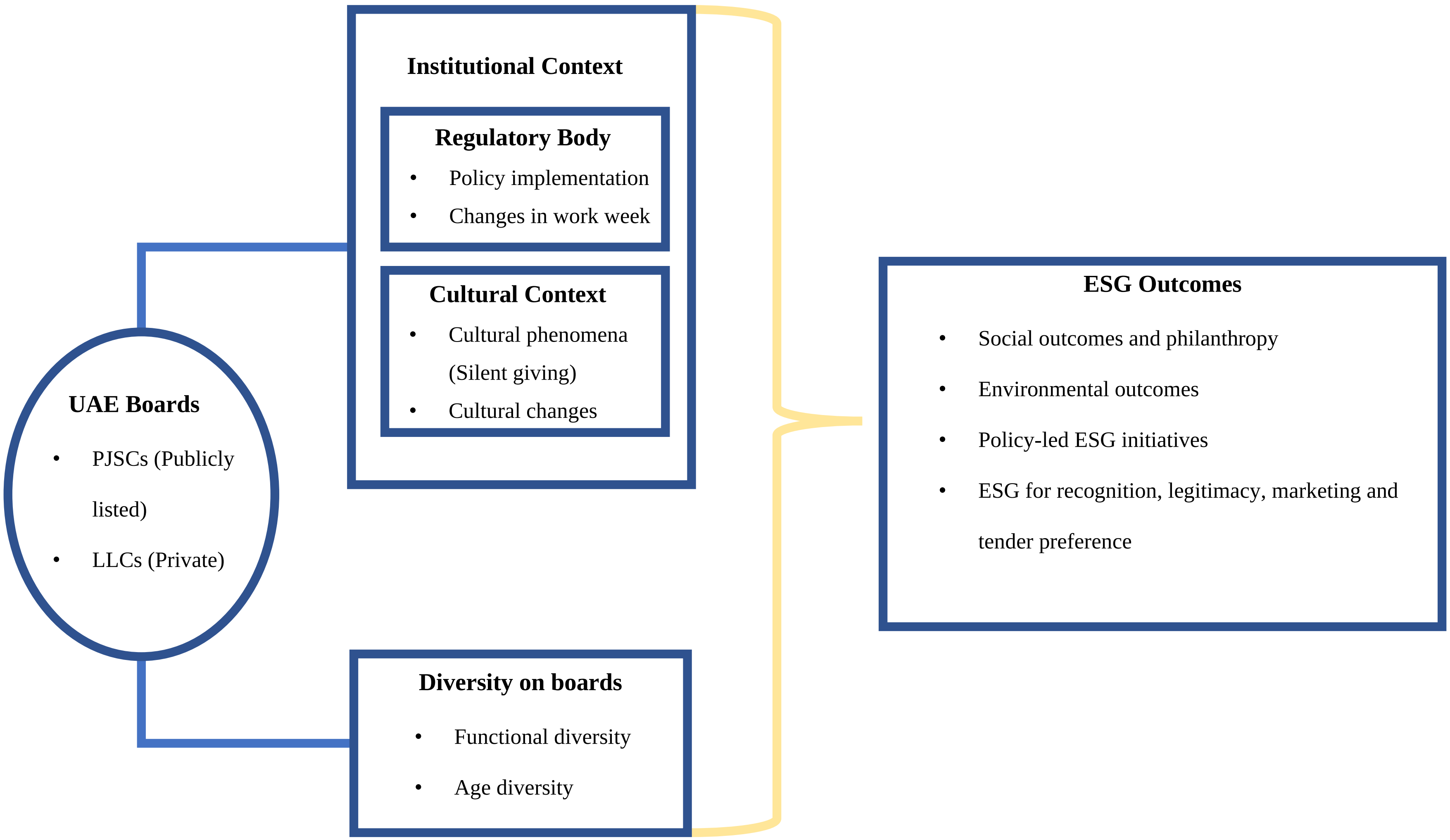
Table 3. Summary of findings

Theoretical Construct	Second-order Themes	First-order Codes	Illustrative quotes
Institutional context culture impacting ESG and board diversity	Silent giving	Religion	"Philanthropists want to stay nameless for religious reasons, believing they would be better rewarded by Allah if they remain anonymous." **P9**
		Culture	"People here are not as habituated to confrontation as they are in the west and they dislike competing with others, particularly when it comes to financial contributions and similar matters." **P25**
	Dynamic nature of culture	Globalization	"As a result of globalization, cultures and information are being exchanged. Younger generations are more receptive to these new social giving terms." **P9**
		Education	"Many younger generations take marketing courses as part of their degree. younger directors will relate their education with social giving, and we will likely market their philanthropy more than the older generation." **P25**
		Networks	"Individuals use generosity or charity identities to mingle, network with other businesses, and network with other board members and, to develop ties with other businesses." **P1**
Institutional context regulatory body impacting ESG and board diversity	Implementatio n of nationwide policies	ESG policies	"We constantly adhere to the UAE's policies and initiatives… the pearl project, the UAE's environmental government program… We examined ma'an through the lens of social...Hawkamah is for governance." **P30**
		Motives for implementation	"Businesses get recognition. They are commended for their attempts to implement policies such as the circular economy and green initiatives. It's fantastic from a marketing standpoint, but they also get legitimacy with the government if they ever want assistance." **P39**
	Work–life Balance	Productivity	"To maintain a healthy work-life balance I believe the four and a half weekend change increased our efficiency significantly." **P41**
		Wellbeing	"We have a highly productive workforce that maintains a healthy work-life balance. As a consequence, employee satisfaction is very high." **P16**
Diversity elements and how they relate to ESG	Functional diversity	Educational background	"I believe that increasing educational diversity on the board would make a sizeable impact. But, educational variety encompasses much more than what you study. Also, it is where and when did you study and education levels. That, I believe, makes a world of difference." **P19**
		Expertise	"Having directors from a variety of backgrounds has benefited us [in ESG outcomes]." **P18**

Age diversity	Younger directors and environmental outcomes	"Younger generations have a somewhat different perspective on the environment. They are, by definition, more revolutionary, but younger generations will voice their opinions far more forcefully. The older accept it as is, as the cost of development." **P39**

Source: Compiled by the authors

Figure 1. Visual representation of findings



Source: Compiled by the authors