

# Application of ESG measures for gender diversity and equality at the organizational level in a Korean context

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## Abstract

**Purpose** – Global gender diversity and equality indexes have been developed to promote gender diversity and equality at the country level, but it is difficult to see how those indexes are applied to organizations on a daily basis. The purpose of this study is to examine the application of environmental, social and governance (ESG) measures for gender diversity and equality at the organizational level in a Korean context.

**Design/methodology/approach** – Based on the institutional theory, the authors reviewed ESG measures for gender diversity and equality of women funds in four countries (USA, Canada, UK and Japan) and examined *The Women Fund* in Korea through document analysis and interviews.

**Findings** – ESG measures in four countries' women funds mainly assessed the percentage of women in the workforce, on boards and in leadership positions. In *The Women Fund*, gender diversity indicators consider the ratio of female to male employees, while gender equality indicators take into account gaps of male and female salaries and positions. This study's impact analysis indicates that the companies invested in by *The Women Fund* had higher return on assets and return on equity than those without the fund.

**Research limitations/implications** – Although women funds explored in this study exemplify the use of ESG measures to apply global gender diversity and equality indexes at the organizational level, research is needed to examine ESG measures and women funds and their associations. Possible topics include what needs to be measured in ESG, who should be involved, how ESG measures should be applied, what outcomes of using ESG measures would ensue in organizations and how ESG measures relate to regional and global gender diversity.

**Practical implications** – In promoting ESG measures that apply global gender diversity and equality at the organizational level, human resource development practitioners, as change agents, can help organizations develop socially responsible and ethical behaviors and transform organizational culture, practice and



systems, which may influence organizations' long-term survival and development as well as financial performance.

**Social implications** – As the government's support and policies guide and drive firms to develop and implement initiatives and programs, the launch and implementation of gender diversity and equality at the organizational level in the form of women funds require a certain level of collaboration between the government and the private sector.

**Originality/value** – This study on the application of ESG measures for global gender diversity and equality at the organizational level in the form of women funds is timely to engage organizations in dialogue regarding what needs to be done to promote women's participation and leadership roles in organizations in Korea and other countries.

**Keywords** Gender diversity, Gender equality, South Korea, ESG measures

**Paper type** Research paper

Recently, a law regarding gender diversity that requires at least one female board member to be present in large companies has been passed in Congress for the first time in South Korean (Korean) history (Kim, 2020). Compared to Western countries' board seats occupied by women, the Korean Government's effort for gender diversity is considered belated and insufficient. Although the country is one of the world's economic powers, almost all global rankings on women's status show alarming results. The Economist's (2019) glass-ceiling index, which assesses women's equal treatment at work, shows that Korea is ranked last among 29 Organisation for Economic Co-operation and Development (OECD) countries; for instance, boards of directors at publicly traded firms are 98% male. In addition, Korea's gender gap ranked 108th out of 153 countries by global standards of economic participation, education, health and political empowerment (World Economic Forum, 2020). The lack of progress in women's status is attributed to cultural and societal norms because there is an expectation that women carry responsibility for the domestic work (The Economist, 2019).

Global gender diversity and equality indexes such as The Economist's (2019) glass-ceiling and the World Economic Forum's (2020) global gender gap are useful tools to see gender inequality and gaps at the country level, but it is difficult to see how those indexes are applied to organizations on a daily basis. Amid the increased importance and inclusion of environmental, social and governance (ESG) measures in the evaluation of organizations' financial and social performance, gender diversity and equality are applied to ESG measures at the organizational level in hopes of promoting women's increased presence and leadership roles in organizations.

ESG measures influence organizations' corporate social responsibility (CSR) and ethical behaviors (Mun and Jung, 2018) and lead to organizations' long-term performance and sustainable development (Eccles and Serafeim, 2013). Research (Kotsantonis *et al.*, 2016) indicates that an emphasis on gender diversity and equality in ESG measures promotes both employees' productivity and organizations' financial returns; therefore, ESG investment might result in win-win situations for all stakeholders: investors, employees, organizations and the government.

To align with organizations' efforts to apply gender diversity and equality in ESG measures, human resource development (HRD) can play a role in social values such as business ethics, social responsibility and workplace democracy in the organization (Fenwick and Bierema, 2008; Garavan and McGuire, 2010). By getting actively involved in measuring ESG indicators that apply gender diversity and equality in organizations, HRD can develop and implement policies and intervention programs that promote gender diversity and equality at the organization level (Fenwick and Bierema, 2008). However, there is a paucity

of research concerning how ESG measures apply gender diversity and equality indexes at the organizational level and how HRD can play a role in the application of ESG measures for an organization's sustainable development (Garavan and McGuire, 2010).

To understand ESG measures for gender diversity and equality, we focused, in this study, on women funds that invest in women-friendly organizations because those funds assess gender-related practices and promote institutional change in the society using measurable indexes as benchmarks (Fowler and Hope, 2007). Women funds suggest that gender diversity and equality contribute to corporate sustainable performance and encourage companies to take actions for women's presence and leadership at the organizational level (Keefe and Krawcheck, 2018). The purpose of this study, therefore, was to examine the application of ESG measures for gender diversity and equality at the organizational level in a Korean context. To that end, we explored ESG measures of women funds in four countries (USA, Canada, UK and Japan) and examined *The Women Fund* that was recently launched in Korea. We also provided implications for HRD research and practice as well as the study limitations.

### Literature review

We reviewed institutional theory as a theoretical background of this study. Institutional theory provides a broad lens that encompasses social and political understanding of organizations' social responsibility practices including gender diversity and equality. After reviewing institutional theory and its applications to gender diversity and equality, we also reviewed the Korean context and ESG measures as background for an investigation of *The Women Fund* in Korea.

#### *Institutional theory*

Institutional theory research explains interactions of organizational operations with social norms, values and assumptions (Scott, 1987). Institutional theory focuses on behavioral influences of how organizations have socially accepted practices that involve suppliers, consumers, governments, employees, unions and organizations (DiMaggio and Powell, 1983).

Traditional scholars of institutional theory recognize governmental regulations as major top-down institutional pressures to which organizations have to conform (Scott, 2008). The recent view of neo-institutionalism embraces social obligations and expectations in their environments (Siegel *et al.*, 2019). The definition of an institution, therefore, is broad and includes regulations and social and cultural frameworks that link to normative and cognitive belief systems (Lounsbury and Crumley, 2007).

Campbell (2007) proposed contextual influences on organizational practices by governmental regulations, industrial self-regulations and other independent social contexts. Industrial self-regulation and independent social contexts are not influenced by the government and legislative powers but by social expectations. Industrial self-regulation includes organizations' rules, tacit industrial tacit norms and industrial associations that control organizational activities. Independent social contexts include non-governmental organizations, the academy (e.g. scholars and journals), investors and the press that ask for socially responsible practices, monitor organizations' activities and report the results.

Research indicates that organizations might not follow contextual forces, while decoupling their images from actual systems, structures and practices (Dillard *et al.*, 2004). Organizational behaviors that react to social expectations, therefore, can be used to construct an organizational image that differs from actual organizational practices (Deegan, 2002).

*Institutional roles for gender diversity and equality.* Increased social interest in the improvement of women's status and leadership has resulted in growing expectations on gender diversity and equality in organizations (Branisa *et al.*, 2014; Mun and Jung, 2018). Gender issues in the workplace that reflect public regulations and social and cultural norms are related to diverse stakeholders including the government, shareholders, customers, non-governmental organizations and employees. As gender diversity and equality is considered indispensable in society, the government actively advocates gender equality and empowerment of women; thus, governmental policies that accommodate social needs for gender equality can guide organizations.

Many organizations are concerned about their social reputations that shareholders and customers value for business sustainability; therefore, embracing governmental regulations and social norms of gender diversity and equality translates to organizations' efforts for social responsibility (Jeong and Harrison, 2017; Mun and Jung, 2018; Yasser *et al.*, 2017). Non-governmental organizations and employees also monitor institutionalized behaviors of organizations to see whether gender-related organizational behaviors are appropriate for public regulations and social norms (Campbell, 2007).

Gender diversity and equality in organizations is generally considered a means to support women who are low in status (Roberts and Soederberg, 2012). Research on institutional roles for gender equality found two factors that affect women's employment and career development: gender welfare policies and social/cultural expectations about gender roles (Iannotta *et al.*, 2016; Yasser *et al.*, 2017). The governmental welfare policies promote gender equality initiatives of organizations: maternity leaves, childcare support and female employment (Terjesen *et al.*, 2015). The welfare state that supports the well-being of people influences organizational practices and stakeholders' expectations on gender equality.

*Institutional influence of women funds.* Although the government and policymakers provide guidelines and legislative support for organizations that take gender equality seriously and that disclose their gender diversity practices, there is also a need to monitor, report and compare gender diversity and equality practices of organizations by going beyond governmental policies (Mallin *et al.*, 2013). The disclosure of organizational information, such as gender diversity and equality indices, is often used to measure the extent to which gender-related systems and behaviors generate financial competitiveness of organizations. Women funds that invest in women-friendly organizations in developed countries, for instance, use measures of organizational gender-related practices using disclosed information (Mun and Jung, 2018). Because organizational practices of gender diversity and equality are intertwined with welfare policies and social/cultural expectations that involve diverse stakeholders, gender diversity and equality indexes constructed from the disclosed organizational information are expected to consider contexts of institutional complementarities (Campbell, 2007; Iannotta *et al.*, 2016).

Institutional complementarity, which refers to interaction effects between different institutions, is a main source for encouraging organizations to conform to social expectations (Iannotta *et al.*, 2016). As women funds are expected to assess organizational gender-related practices using indexes and let people invest organizations that meet social expectations of gender equality, some organizations' proactive approach to gender diversity and equality may affect other organizations and society. Women funds that include disclosure of organizational gender equality practices and active use of gender diversity and equality indexes can lead to social exchange and mutual growth in ways that bring about institutional change in one organization to trigger another change in other institutions, resulting in positive spillovers (Deegan, 2002). When examining organizational practices for

gender diversity and equality, therefore, it is necessary to understand how institutional pressures and dynamics translate to changes in society from the perspective of social and cultural contexts (Suddaby, 2010).

#### *Korean context*

Applying global gender diversity and equality indexes at the organizational level may differ by culture. In Korea's patriarchal culture affected by Confucianism and a military culture, women are considered less competent than men in the workplace and are expected to stay at home to take care of their families, while men are considered the primary breadwinners (Cho *et al.*, 2016; Rowley *et al.*, 2016).

According to the OECD's (2015) well-being report on domestic responsibilities, Korean mothers spend about 4 h a day on domestic chores, while fathers spend only 45 min including 6 min for children, which was 3 times shorter than OECD countries' average hours for men's domestic chores (OECD, 2015). Married female workers are extremely stressed because they share the same challenging work conditions as male employees, yet bear almost all responsibilities at home (Hong *et al.*, 2011). Military service, which is mandatory to all Korean men, has created a male-dominated culture in which women are not seen as having leadership qualities as men do (Rowley *et al.*, 2016). The country's large power distance exacerbates the devaluation of women's leadership as men have power in the family, the workplace and society.

In this context, the Korean Government can play a critical role in encouraging, and, at times, obliging organizations to advocate and promote gender diversity and equality. Recognizing gender issues prevalent in organizations, the Korean Government established the Ministry of Gender Equality and Family in 2001 (Kang *et al.*, 2018) and has since provided legislative and administrative efforts (e.g. the quota system) to enact gender diversity and equality (Oh, 2017). However, there are concerns about the effectiveness of the government's gender-related policies and programs which need to cascade down to all sectors (Kim *et al.*, 2013).

#### *Environmental, social and governance measures*

While global gender diversity and equality indexes measure the extent of gender (in) equality across countries (Branisa *et al.*, 2014), ESG measures that interest us are devised in ways that evaluate non-performance of activities in organizations that are manifested in women funds. The term ESG has been used in various contexts (e.g. socially responsible investments), but no agreed-upon definition is available. Bassen and Kovacs (2008, p. 2) defined ESG as "extra-financial information about challenges and performance of a company on matters that help the company assess current risks and opportunities and understand long-term trends of environmental changes in the industry."

Research provides evidence that ESG measures are positively related to corporate financial performance, though there exist negative relationships as well. In a meta-analysis of over 200 empirical studies, Friede *et al.* (2015) argued that the positive association between ESG measures and financial performance tends to be stable over time, though other studies (Eccles and Serafeim, 2013) do not agree with the direction of the relationship between the two.

ESG measures provide evaluation criteria for ESG performance and help companies commit to ESG-related activities and practices (Eccles and Serafeim, 2013). The ESG information disclosure plays a crucial role in promoting CSR and ESG performance (Chvátalová *et al.*, 2011). Efforts (e.g. MSCI ESG indices) have been made to disclose and

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assess ESG data to promote the accountability of performance and non-financial performance at the corporate level (Bassen and Kovacs, 2008; MSCI, 2018).

*Environmental, social and governance measures for gender diversity and equality.* Global gender diversity and equality is considered one of the ESG indicators that are expected to improve both CSR and profitability (Campbell and Minguez-Vera, 2008; Miles, 2011). Research shows that gender diversity in a firm's boards and management seats positively influences the firm's financial performance (Delgado-Piña *et al.*, 2020; Post and Byron, 2015; Strydom *et al.*, 2017), reputation (Bear *et al.*, 2010), social performance (Byron and Post, 2016), diversity initiatives (Glass and Cook, 2018) and sustainability (Miles, 2011). Gender diversity and equality promotes ESG information disclosure for companies' accountability and relates to ESG performance measures (e.g. environmental performance) (Miles, 2011; Velte, 2016), indicating that gender diversity policies (e.g. board gender quotas) need to be in place (Chen *et al.*, 2018; Terjesen *et al.*, 2015; Terjesen and Sealy, 2016).

The United Nations (UN) Global Compact, in collaboration with the UN Women, proposed Women's Empowerment Principles (e.g. establishing high-level corporate leadership for gender equality) and encouraged corporate leaders to sign the *CEO Statement of Support* and to take actions for women's leadership and empowerment (UN Global Compact, 2018). ESG measures for gender diversity and equality (e.g. MSCI Japan Empowering Women Index) comply with the Women's Empowerment Principles (MSCI, 2018).

## Method

The purpose of this study was to examine the application of ESG measures for gender diversity and equality at the organizational level in a Korean context. To guide our inquiry, we asked the research question: How is gender diversity and equality applied to ESG measures at the organizational level in the form of women funds in a Korean context?

To answer the question, first, we explored ESG gender diversity and equality measures of women funds in four countries and compared their indexes. We chose four countries' women funds that *The Women Fund* in Korea benchmarked before developing its own. We accessed four women funds based on publicly available data from internet sources and reports. Internet sources we identified concerning four countries' women funds include: Evolve ETFs (2018), GPIF (2018), LGIM (2018), MSCI (2018), Pax Ellevest Management (2018) and RBC Global Asset Management (2018) (Table 1). As for Japan's woman fund, Government Pension Investment Fund (GPIF), we also accessed Goldman Sachs Research's (2019) report and Hiro's (2017) live presentation at the Forum for the Women Corporate Directors in Korea's First Year Anniversary.

To examine *The Women Fund* in Korea, we conducted interviews with three key stakeholders: John Lee, President of the Meritz Asset Management (MAM) that designed and developed the fund; YJ Ryu, President of the Sustinvest consulting company that supported MAM to collect and analyze the industry data; and BO Sohn, the then Chairperson of the Women Corporate Directors Korea that proposed to MAM to develop the fund, all of which contributed to the launch of the fund. In interviews, the first author asked questions concerning: the background of the fund, their unique roles, the development process of the fund, the benefits of the fund, the current state of the fund's visibility and penetration to organizations and the public, plans and final thoughts.

We examined *The Women Fund* (Meritz Asset Management, 2018) and the Sustinvest consulting company's industry data, both of which were accessed through the Women Corporate Directors Korea that welcomed our research on gender diversity and equality. We

Country (launch year)	USA[1] (1993)	UK (2018)	Canada (2017)	Japan[2] (2006)
Fund name	PAX Ellevest Global Women's Leadership Fund (PAX Fund)	L&G Future World Gender in Leadership UK Index Fund (GIRL)	Evolve North American Gender Diversity Index ETF (HERS)	GPIF
Benchmark	PAX Ellevest Global Women's Leadership Index	Solactive L&G Gender in Leadership UK Index	Solactive Equileap North American Gender Equality Index	MSCI Japan Empowering Women Index
Gender diversity and equality index				
Purpose	To invest in the highest-rated companies in the world in advancing women through gender diversity on their boards and in executive management	To help improve gender diversity standards in UK companies by investing in the companies that have achieved higher levels of gender diversity	To invest in equity securities of companies in Canada and the USA that have demonstrated commitment to gender diversity as part of their CSR strategy	To encourage gender diversity among Japanese companies, so that overall economic growth will be improved
ETF measure	Five gender leadership criteria having different weights: <ul style="list-style-type: none"> <li>• Representation of women on the board of directors</li> <li>• Representation of women in executive management</li> <li>• Female CEOs</li> <li>• Female CFOs</li> <li>• Signatories to Women's Empowerment Principles</li> </ul>	On each of four gender diversity measures, achieving over 30% representation will result in a higher score: <ul style="list-style-type: none"> <li>• The percentage of women on the board of directors</li> <li>• The percentage of female executives</li> <li>• The percentage of female managers</li> <li>• The percentage of women in the workforce</li> </ul>	Four categories including 19 gender equality criteria: <ul style="list-style-type: none"> <li>• Gender balance in leadership and the workforce</li> <li>• Equal compensation and work-life balance</li> <li>• Policies promoting gender equality</li> <li>• Commitment to women's empowerment</li> </ul>	Three categories including five key metrics: <ul style="list-style-type: none"> <li>• Attraction – Percentage of women among new hires</li> <li>• Retention – Percentage of women among the overall workforce</li> <li>• Promotion – Average tenure figures for men and women</li> </ul>
Distinctive feature	The first gender diversity ETF fund in the USA	The first gender diversity fund in the UK	The first gender diversity fund in Canada	Managed by the Japanese Government
Reference	PAX Global Women's Leadership Index Fact Sheet (Pax Ellevest Management, 2018)	L&G Future World Gender in Leadership UK Index Fund Product Profile (LGIM, 2018)	Evolve North American Gender Diversity Index ETF Fact Sheet (Evolve ETFs, 2018; RBC Global Asset Management, 2018)	Empowering women in the workplace (MSCI, 2018); Results of ESG Index Selection (GPIF, 2018)

**Table 1.** Four countries' women funds based on global gender diversity and equality

also reviewed media outlets (Lee, 2019; Ying, 2018) related to the fund and women's leadership in Korea.

To show the impact of *The Women Fund* on corporate performance since launched in October 2018, we did an impact analysis. *The Women Fund* has invested in 30 listed companies across diverse industries (Sasakawa Peace Foundation, 2020). We compared the relationship between diverse leadership and financial performance with women on boards and companies without women on boards. We also compared the financial performance of the companies that are invested in by *The Women Fund* to those without *The Women Fund* (Figure 1).

## Findings

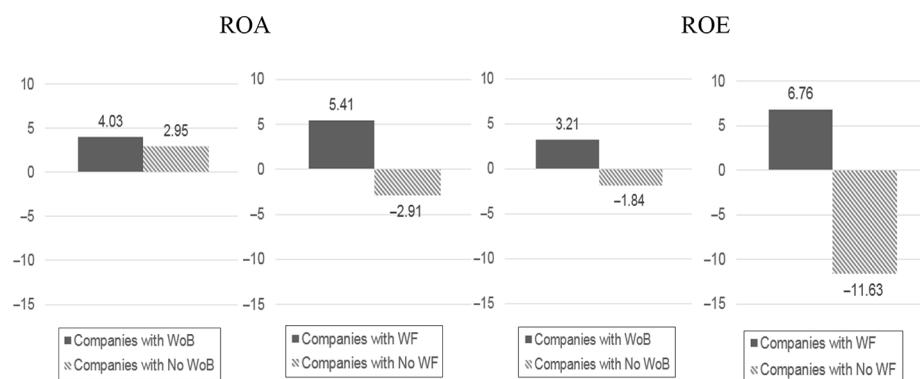
In this section, we present a summary of women funds in four countries (USA, Canada, UK and Japan) that we explored to examine *The Women Fund* in Korea.

### Four countries' women funds

Table 1 shows a summary of four women funds that were developed to apply global gender diversity and equality indexes at the organizational level.

USA. Several global gender diversity and equality funds (e.g. PAX Ellevest Global Women's Leadership Fund: PAX Fund) have recently been launched in the USA. The PAX Fund invests in companies (e.g. IBM, KeyCorp and Accenture) promoting gender diversity on boards and management using the PAX Ellevest Global Women's Leadership Index (PAX Index) as a benchmark (PAX Ellevest Management, 2018). The PAX Index measures companies on the basis of five evaluation criteria:

- (1) representation of women on the board of directors;
- (2) representation of women in executive management;
- (3) woman chief executive officers (CEOs);
- (4) woman chief financial officers (CFOs); and
- (5) whether the companies signed the Women's Empowerment Principles of the UN Global Compact.



**Figure 1.**  
Women board members and financial performance

**Source:** Financial Supervisory Service, Data Analysis, Retrieval and Transfer System, <http://englishdart.fss.or.kr/>

As of March 31, 2019, annual returns of the PAX Fund growth from 5.76% over a year to 10.69% over 3 years, to 7.54% over 5 years and to 10.99% over 10 years demonstrate that investments in gender diversity and equality result in organizational profitability over firms that do not invest in gender diversity (LaBreche, 2019).

*UK.* The UK is the first country to launch a 30% Club (<https://30percentclub.org/>) promoting gender diversity in leadership positions. Research (Joecks *et al.*, 2013; Strydom *et al.*, 2017) argued that a critical mass of 30% on boards is a pivotal point that makes the gender diversity positively affect corporate financial performance. In 2018, the L&G Future World Gender in Leadership UK Index Fund (GIRL) was launched as the first woman fund developed by an investment firm. Consistent with the 30% Club, the GIRL fund invests in companies that achieve over 30% representation in leadership positions and the workforce, using the Solactive L&G Gender in Leadership UK Index as a benchmark that assesses companies on the basis of four metrics:

- (1) a percentage of women at the management level;
- (2) a percentage of women at the executive level;
- (3) a percentage of women on the board; and
- (4) a percentage of women across the workforce (LGIM, 2018).

In April 2017, the government enforced all organizations with 250 or more employees in all public and private sectors to report gender pay gap data by law (Equal Pay Portal, 2019). To comply with this, the GIRL fund is required to include gender pay gap information (LGIM, 2018).

*Canada.* Investment firms have launched women funds (e.g. Evolve North American Gender Diversity Index ETF: HERS) based on global gender diversity and equality indices in Canada (Evolve ETFs, 2018). The HERS, the first woman fund in Canada, indicates that gender diversity leads to organizational performance improvement by positively influencing employees, consumers and organizational governance (Evolve ETFs, 2018). The Solactive Equileap North American Gender Equality Index (Solactive Gender Diversity Index) as the HERS' benchmark index, measures gender equality based on a scorecard of 19 criteria covering 4r categories:

- (1) gender balance in leadership and the workforce;
- (2) equal compensation (e.g. equal pay) and work–life balance (e.g. parental leaves);
- (3) policies promoting gender equality (e.g. training and career development); and
- (4) commitment to women's empowerment (e.g. gender audit).

HERS is distinctive in evaluating gender equality not just based on women's representation but on diverse criteria.

*Japan.* The current Abe Government has committed various efforts to promote women's participation and advancement in the workplace to boost Japan's downward economy (Goldman Sachs Research, 2019). Goldman Sachs Research (2019) predicts that Japan's GDP will increase by 10% when women's labor participation comes close to men's labor participation. To that end, the government developed the GPIF in 2006 and used the MSCI Japan Empowering Women Index (MSCI WIN Index) as one of the equity indices in 2017 to encourage companies to support gender diversity and equality in the workplace (Goldman Sachs Research, 2019; MSCI, 2018).

The MSCI WIN Index evaluates companies on the basis of three categories (attraction, retention and promotion) containing five key metrics:

- (1) a percentage of women among new hires;
- (2) a percentage of women among the overall workforce;
- (3) average tenure figures for men and women;
- (4) a percentage of women in senior management; and
- (5) a percentage of women on the board of directors.

Investing in companies that are committed to gender diversity and equality generate better returns and low risks (Eastman *et al.*, 2017). The current government's efforts have brought progress in areas needing gender diversity and equality: a dearth of female leaders, gender pay gaps, inflexible labor contracts and dual-track career paths, tax disincentives, insufficient caregiving capacity and unconscious biases and gender role stereotypes (Goldman Sachs Research, 2019).

*Comparison.* ESG measures in four countries' women funds assess global gender diversity and equality at the organizational level: the percentage of women in the workforce, on boards and in leadership positions. For gender diversity and equality to make a significant impact on organizational performance, it is important to raise the level of women's representation and leadership in organizations (Velte, 2016).

Canada's HERS stands out in terms of incorporating diverse measures of gender diversity and equality to focus not just on *numbers* but also to assess *equal compensation* and *work-life balance*. Organizational support to promote gender diversity and equality is critical to increase profitability and to enhance CSR and sustainable development (BNY Mellon and UN Foundations, 2018). To incorporate gender diversity and equality into ESG measures, there is a strong need to assess diverse organizational services, products, policies and programs to promote gender equality beyond women's representation (BNY Mellon and UN Foundations, 2018). Japan's GPIF was launched and managed by the government, whereas other women funds were launched by private investment firms. While policies and initiatives influence corporate ESG performance as in Japan (Steurer *et al.*, 2008), there is a lack of collaboration between organizations and governments in the development and implementation of ESG measures of women funds.

#### *The Women Fund in Korea*

According to *The Women Fund* (Meritz Asset Management, 2018), the goals are fourfold:

- (1) to increase the number of women in the workplace, which leads to better financial returns;
- (2) to promote women-friendly organizations as a global trend;
- (3) to meet the need to improve organizations into women-friendly cultures; and
- (4) to contribute to the national economic development from a long-term perspective.

To recruit interested individuals and companies for investments, *The Women Fund* considers that female employees are influenced by two factors: gender diversity and gender equality. While gender diversity indicators consider the ratio of female to male employees, gender equality indicators take into account gaps of male and female salaries and positions, given the fact that the gender pay gap in Korea is 35% compared to the OECD countries' average of 14% (The Economist, 2019).

In Table 2, the policy and program category measures a company's efforts to support its family friendly culture by scoring the provision of diverse employment programs for women, programs supporting employees' work-life balance and the certification of family

friendly companies. While the policy and program category is qualitative in nature, the performance category deals with quantitative measures in relation to gender diversity and equality including:

- percentage of female employees, executives and board members;
- percentage of promoted female employees, executives and board members; and
- gender differences in years of working in the company and monthly earnings.

The controversy category considers if a company has gender issues (e.g. sexual harassment), emphasizing organization’s institutional roles in monitoring issues that might damage their reputation.

*Comparison.* Korea has lagged behind four countries’ funds explored (Table 1) in terms of measuring gender diversity and equality indexes at the organizational level. *The Women Fund* is the first such effort. *The Women Fund* benchmarked diverse aspects of four women funds such as their distinctive features, benchmark indices and return rates, and applied their strengths to the fund and included women (employees and executives) ratios in the organization and considered compensation, promotion, tenure and women-friendly programs as measures, which are close to those of GPIF in Japan and HERS in Canada. While Japan’s GPIF fund was developed by the Ministry of Economy, Trade and Industry to promote women’s economic power for the benefit of the country’s economic development, *The Women Fund* has been developed by a private equity company without the government’s involvement in the process.

*The Women Fund* monitors occurrences of gender-related controversy in the organization. When a controversy occurs through real-time monitoring, the company is required to go through its evaluation immediately, thereby improving the assessment timeliness and effectiveness. This implies that *The Women Fund* emphasizes organizations’ institutional roles in monitoring and managing issues that possibly damage their efforts for gender diversity and equality. In addition, the fund’s inclusion of the certification of a family friendly organization is considered a distinctive component compared to other women funds. As the certification of a family friendly organization should be issued by the Korean Government, there is an opportunity that the government and private sector can collaborate in policies and initiatives for the fund in particular and gender diversity and equality in general.

Category	Sub-category	Measure
Policy and program	Organizational program	Diverse employment programs for women
	Organizational program	Programs for work–life balance
	Certification	Certification of family friendly organizations
Performance	Gender diversity	Ratio: Women of total employees (%)
	Gender diversity	Ratio: Women of unregistered executives (%)
	Gender diversity	Ratio: Women of registered executives (board members) (%)
	Gender equality	Ratio: Women executives’ (registered + unregistered) promotion (%)
	Gender equality	Ratio: Women executives’ (registered) promotion (%)
	Gender equality	Gender differences in employment years (years)
Controversy	Gender equality	Gender differences in earnings (times)
		Gender diversity and equality-related controversy

**Table 2.**  
*The Women Fund’s*  
gender diversity and  
equality measures

*Impact analysis.* To perform an impact analysis, we used return on equity (ROE) and return on assets (ROA) for profitability (Figure 1).

Figure 1 shows a comparison of the relationship between women representation and corporate performance of the companies without women on boards and the companies with women on boards in the top 200 listed companies based on 2019 sales. The major finding indicates that firms with women on boards have greater financial performance than those without. We used the data from the Financial Supervisory Service's Data Analysis, Retrieval and Transfer System. As all listed companies in Korea are required to disclose the gender data of all executives from 2013, Figure 1 shows the data from 2013 onwards. The companies with women on boards have an average of 1.08 and 5.05 points higher ROA and ROE than those without women on boards. Figure 1 also shows a comparison of the financial performance of the companies invested in by *The Women Fund* to those outside *The Women Fund* in 2019. The companies invested in by *The Women Fund* have an average of 8.32 and 18.39 points higher ROA and ROE than those outside *The Women Fund*.

No other initiatives to incorporate gender diversity and equality into ESG measures other than *The Women Fund* have been developed in Korea and Asia, except Japan's GPIF fund (Ying, 2018). The positive result (Figure 1) indicates that more companies may join in developing gender diversity and equality indicators in their annual reports on ESG measures so that they can display how much they take gender diversity and equality seriously for their financial and non-financial performance.

## Discussion

ESG measures are developed with an increased recognition of global gender diversity and equality for organizational performance and sustainability. ESG measures incorporating gender diversity and equality assess women's increased presence in the workforce and leadership positions in management and on boards. To provide firms with guidelines and evaluation criteria for developing and enacting gender-related initiatives, global gender diversity and equality indexes are applied to specific ESG measures at the organizational level in the form of women funds. Four countries' women funds took initiatives in applying global gender diversity and equality indexes to ESG measures to promote women's presence and leadership roles in organizations, most effectively in women taking board and managerial seats.

*The Women Fund* in Korea has been developed to encourage firms to disclose ESG performance for gender diversity and equality in organizations. Because ESG measures are expected to make a positive impact on organizations' financial and social performance as in Figure 1, there is the possibility that HRD can play an important role in championing gender diversity and equality initiatives and establishing a strong foundation for the effective assessment of organizational practices for women's participation and leadership roles.

### *Implications for human resource development research*

Institutional theory highlights social, governmental and voluntary approaches to conforming to social expectations and contextual needs (Fernando and Lawrence, 2014; Scott, 2008). Although recent research emphasizes the creation of a culture of CSR using a bottom-up approach (Diochon *et al.*, 2018; Foote and Ruona, 2008), the government- and institution-driven approaches that direct organizational practices should not be neglected (Garavan and McGuire, 2010). In this sense, it would be interesting to investigate how ESG measures of gender diversity and equality are developed and applied in diverse contexts. In a heavily male-dominated and hierarchical Korean culture, for instance, regulatory authorities and resources need to provide organizations with clear evaluation guidelines.

Gender diversity and equality can be fully enhanced when both external (e.g. social and governmental) expectations and internal (e.g. HRD and CSR) capacities of organizations are seamlessly aligned (Mun and Jung, 2018).

Future research may consider the role of the government and institutions in evaluating, monitoring and encouraging organizations' ethical behaviors, which differs from the literature on CSR that focuses on the roles of management/human resource as insiders. The government and institutions can measure organizations' gender-related practices based on regulated protocols that reflect social needs. Data and outcomes obtained from ESG measures can be used for developmental purposes by HRD, managers, employers and government agencies.

ESG efforts including women funds are expected to contribute to performance improvement in organizations, and this study found that *The Women Fund* led to more profitability in firms. However, the relationships between ESG measures such as gender diversity and equality and organizational performance are still complicated (Eccles and Serafeim, 2013; Friede *et al.*, 2015). In addition, the long-term impact of women funds is not known because it has not been long since most women funds launched. Future research may investigate the impact of ESG efforts and women funds using various performance indicators including financial and non-financial performance from a long-term perspective.

Although women funds reviewed in this study exemplify the use of ESG measures to apply global gender diversity and equality indexes at the organizational level, research is needed to examine ESG measures and women funds and their associations. Possible topics include what needs to be measured in ESG, who should be involved, how ESG measures should be applied, what outcomes of using ESG measures would ensue in organizations and how ESG measures relate to regional and global gender diversity. Given national and cultural contexts in relation to the inclusion of ESG measures, women funds call for further investigation on how they reflect the gendered culture across countries, considering social, governmental or stakeholders' issues and expectations.

#### *Implications for human resource development practice*

In promoting ESG measures that apply global gender diversity and equality at the organizational level (Ardichvili, 2013; Garavan and McGuire, 2010; Sheehan *et al.*, 2014), HRD practitioners, as change agents, can help organizations develop socially responsible and ethical behaviors and transform organizational culture, practice and systems, which may influence organizations' long-term survival as well as financial performance; they can also help organizations improve ESG performance including gender diversity and equality by designing and developing various types of interventions. To that end, HRD practitioners need to understand ESG measures and get involved in the ESG evaluation process to provide HRD interventions and policies that are aligned with organizations' ESG efforts. Given that the disclosure of ESG information is related to an organization's financial performance (Chvátalová *et al.*, 2011), HRD practitioners need to report their ESG efforts and performance. Through leadership training and development for the awareness of gender (in) equality in the organization (Ardichvili, 2013; Hughes, 2018), employers and leaders can recognize the importance of ESG measures that apply gender diversity and equality at the organizational level.

Collaboration between the government and the private sector has not been paid enough attention to in women funds, except in Japan's case. The Japanese Government supported firms' involvement in promoting gender diversity and equality by managing the GPIF fund

(Goldman Sachs Research, 2019). As the government's support and policies guide and drive firms to develop and implement ESG measures and initiatives, the launch and implementation of gender diversity and equality at the organizational level requires a certain level of collaboration between the government and the private sector (van der Esch and Steurer, 2014). The government ought to drive organizations to report and disclose their ESG information (Ely *et al.*, 2011; Kaley *et al.*, 2006) and data by enacting regulations and providing incentives to facilitate information disclosure (Kalysh *et al.*, 2016; Sojo *et al.*, 2016).

The Korean Government developed a gender equality framework corresponding to the global level. The current Moon Jae-in Government attempts to reduce gender employment gaps by setting standards for both public and private sectors and pushing forward an integrative framework of gender equality (Kim, 2019). As part of the affirmative action quotas, the government introduced policies for gender equality such as female manager appointment targets in the public sector and female faculty recruitment targets in public universities to take full advantage of female human resources (Moon *et al.*, 2013). Because of the lack of the private sector's involvement, however, it is challenging to improve gender diversity and equality indicators at the organizational level (Kim *et al.*, 2016; Lee, 2019). Establishing a system that measures gender diversity and equality will encourage organizations to follow socially desirable behaviors and will lead to social and cultural change. The Korean Government, therefore, is expected to oversee the development of valid measures of gender diversity and equality, encourage organizations to participate in disclosure of (gender-related) ESG information and support initiatives (e.g. women funds) that use the disclosed information.

As *The Women Fund* aims at "being a noise" and plays a role "as an outsider influence," as interview participants stated, to eventually bring in a culture change to Korean society, it is considered a mutual fund that involves direct marketing to institutions and individuals and that presents quarterly reporting to the public, which is different from four countries' private investment funds. It is designed to be managed by five board members who are respected for their outstanding reputation. For this fund to be recognized and distributed to meet the goal of gender diversity and equality at the organizational level, diverse players, who are not only the stakeholders involved in the development of the fund but also those who can make the fund known and function as intended, including the government, media, lawmakers, banks and informed individuals, are called on to be involved as well.

#### *Study limitations*

In this study, we explored four women funds based on publicly available data from internet sources and reports. As each country case has its own contextual differences, other supporting data such as interviews with those who manage women funds will provide hidden but rich narratives on related measures in the funds. Qualitative details that are gathered through follow-up interviews in four countries, therefore, will be useful to better understand the backgrounds, processes and areas for improvement of the funds.

Another concern has to do with evidence that ESG measures incorporating gender diversity and equality at the organizational level have an impact on firm performance. It is too early to conclude that there is an association between women funds and firm performance because the data have not yet been sufficiently accumulated. By accessing and analyzing ESG measure data for four women funds from multiple sources, we will be able to compare the economic impact of ESG measures on gender diversity and equality and corporate performance, together with its potential effect on economic development at the country level.

*The Women Fund's* stakeholders shared their frustration regarding the difficulty in accessing the data on gender diversity and equality in organizations. Because of the government's lack of monitoring of organizations' data on gender diversity and equality and their disclosure, organizations do not create the data and do not publicly share information; therefore, the fund developers face difficulty in collecting and analyzing the data, let alone conducting research on the topic.

### Conclusion

*The Women Fund's* key stakeholders stressed in unison that women's underrepresentation in almost all sectors is Korea's top challenge that needs to be tackled to sustain the country's long-term economic growth and to move forward to a more diverse, equitable and inclusive society at large. In this context, this study on the application of ESG measures for gender diversity and equality at the organizational level in a Korean context is timely to engage organizations in dialogue regarding what needs to be done to promote women's presence and leadership roles in organizations: Why is there a lack of data on gender diversity and equality in an organization? What are the organization's strengths and areas for improvement in line with gender diversity and equality? And what needs to be done to improve the organization's reputation to attract foreign investments? These are just a few questions that might stimulate dialogue for the importance of gender diversity and equality in organizations in Korea and other countries.

One of the immediate outcomes of the fund has to do with the recent legislature for gender diversity that requires at least one female board member to be present in large companies, which was mentioned in the beginning of this article. Although it is not perfect compared to advance countries' efforts for the increase of women board members in organizations, it certainly is good news for those who have worked to promote women's leadership in organizations as in *The Women Fund*.

### Notes

1. The US's PAX Ellevest Global Women's Index Fund was launched in 1993 and its name was changed to PAX Ellevest Global Women's Leadership Fund in 2018 (PAX Ellevest Management, 2018).
2. Japan's GPIF fund was originally launched in 2006 and incorporated MSCI Japan Empowering Women Index as a benchmark in 2017 (GPIF, 2017).

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