

Corporate Social Responsibility, Firm Value And Board Cultural Diversity: An Empirical Approach In The European Context

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Abstract

The purpose of this study is to examine whether corporate social responsibility (CSR) commitment and board cultural diversity affect firm value in the European context. The theoretical framework suggests that firms with high CSR involvement and greater board cultural diversity are more likely to increase their value. An empirical study was conducted based on 2,250 observations of European firms over the period 2018-2022 based on market capitalization, environmental, social and governance (ESG) score and foreign directors. The result of the study showed that the company value is positively influenced by the engagement in CSR activities and the presence of foreign directors.

Keywords: CSR, Board cultural diversity, firm value, European context

1. Introduction

Corporate Social Responsibility (CSR) emerged in the United States through philanthropic actions after World War II, with an initial trend towards "business ethics". The publication of Bowen's book in 1953 provided a new vision for CSR in the United States. The concept has evolved over time. In fact, in recent years it has spread internationally, particularly in Japan, Europe and developing countries (Flayyih & Khiari, 2023). Therefore, this increased emphasis on CSR is seen as beneficial to society and the environment (Li et al., 2019; Gualandris et al., 2015) and aims to enable companies to achieve economic, social and environmental performance (Abdulzahra et al., 2023). Thus, by raising awareness of its role in society through actions beyond its legal obligations, the company can increase its wealth, as pointed out by Friedman (1970), where "CSR makes it possible to make a profit" and improve its reputation in the market (Jo and Harjoto, 2012). On the other hand, CSR allows the firm to reduce specific risks and improve innovation (Vishwanathan et al., 2020¹). It is important to note that to date, there is no single internationally agreed set of criteria for evaluating CSR practices. However, there are various environmental, social and governance (ESG) objectives that companies and investors seek to achieve.

Nevertheless, it is difficult to design an effective and balanced corporate governance structure that fully mitigates agency conflicts (Witt et al., 2022; Aguilera et al., 2018; Boivie et al., 2016). This highlights the role of corporate governance mechanisms, social trust, and societal norms in deflecting misconduct that affects firm value (Aguilera et al., 2021; Kanagaretnam et al., 2018). It also encourages firms to communicate effectively with stakeholders by reducing information asymmetry (Abass et al., 2023). A study by Masulis et al. (2012) on the role of foreign independent directors in corporate governance and performance found that the presence of foreign independent directors on the board is detrimental to firm performance. This finding is explained by the lower ability of the foreign independent director to exercise effective control over the firm, due to the higher costs of coordination.

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However, a substantial body of research shows that cultural differences affect decision making and financial performance. Studies use culture as a national characteristic to explain differences in business practices across countries (El Ghouli and Zheng, 2016; Bryan et al., 2015; Zheng et al., 2012). Other studies focus on cultural differences and their impact on financial performance (Karolyi, 2016, Ahern et al., 2015; Beugelsdijk and Frijns, 2010). According to Rao and Tilt (2019), research on how diversity in terms of nationality/ethnicity and educational background can influence CSR activities is still very scarce.

In Europe, the Green Paper "The Corporate Governance Framework in the European Union (2011)" states that a board is effective when it is diverse. Diversity is expressed in terms of nationality, experience and gender, and these board characteristics have not been widely studied.

Furthermore, the results of the studies have shown a divergence of results in different contexts. The aim of our research is to investigate the impact of the company's commitment to CSR and the culture of the board members on the value of the company.

Our research will be conducted in the European context on a sample of 450 multinational companies operating in ten different sectors in twenty countries over a five-year period, from 2018 to 2022. This choice is motivated by the fact that CSR is rapidly evolving in Europe, and legislation is in the process of being enacted for future years, such as the European Directive of December 2022, which will be enforced in July 2024.

2. Theoretical background : research hypotheses

2.1. CSR and firm value

According to the European Commission (2001), CSR is defined as "a concept whereby companies voluntarily integrate social and environmental concerns into their operations and interactions with stakeholders".

Thus, better CSR can lead to better relationships with stakeholders such as investors, government, banks, etc., which is beneficial for the company. Moreover, Kim et al. (2018) as well as Cheng et al. (2014) confirm that companies with better CSR reputation have better access to finance and demonstrate ethical and responsible behavior towards stakeholders. Similarly, according to stakeholder theory, the value of the firm also depends on the implicit demands of stakeholders (Cornell and Shapiro, 1987).

Therefore, it is not surprising that CSR is seen as a strategic tool to acquire legitimacy in terms of image and reputation and to increase the firm's potential in the market, thereby improving performance (Kim, 2019, Palazzo and Scherer, 2006).

In this context, Arevalo and Aravind (2011) have highlighted the reasons why companies engage in CSR activities. The determinants are mainly related to strategic motivations, which assume that the company engages in CSR activities primarily to improve its profitability. In addition to these economic reasons, moral considerations also seem to influence CSR, as companies have a moral obligation to society. The personal values of managers have also been considered as a motivation for CSR involvement (Hemingway and MacLagan, 2004).

However, it is important to know whether CSR has an impact on firm performance and market value (Cui et al., 2015, Margolis and Walsh, 2003, McWilliams and Siegel, 2001). Thus, previous studies show that there is a direct and indirect relationship between CSR and firm performance (Servaes and Tamayo, 2013; Surroca et al., 2010).

Moreover, Maury (2022) points out that CSR tends to add value to the firm only under certain conditions. In fact, CSR is at the core of a company's strategy, it can be part of its competitive advantage and can positively influence its value in the market (Porter and Kramer, 2006, 2011). Moreover, in terms of innovation and performance, companies that integrate CSR into their business strategies achieve better results (Bocquet et al., 2017; Kim et al., 2012). CSR investments that reflect ethical responsibility appear to increase firm value more when they anticipate and take responsibility for society (Fatemi et al., 2015).

Mc Williams and Siegel (2011), for their part, have shown that a commitment to CSR can be a driver of firm value when the benefits of that commitment outweigh the costs.

Kim et al. (2018) confirm that CSR actions are more useful when the level of competition is high. Managers should strive to create sustainable competitive advantages, strengthen existing advantages, and increase firm value.

El Ghoul, Guedhami and Kim (2018) assess the relationship between CSR performance and firm value in 53 countries and find that CSR performance is positively related to firm value, especially in countries with weak market institutions. Thus, they conclude that CSR activities mitigate market failures. Mikołajek-Gocejna, M. (2016) also found a positive relationship between CSR and financial performance.

We note that the majority of studies have found results in favor of a positive relationship between CSR and firm value. However, the existence of an insignificant or negative relationship between the two concepts has not been ruled out.

In fact, according to Friedman (1970) and early contributions to the literature linking CSR to firm value, they considered that CSR investments or activities entail additional costs and therefore reduce the value of the firm. Following the same logic, Kim and Lyon (2015) note that firms must be forced to make environmental improvements, otherwise they would not undertake them voluntarily because they consider them costly.

Similarly, Brammer, Brooks and Pavelin (2006); Boyle, Higgins and Ghon Rhee (1997); Vance (1975); found a negative relationship between ESG performance and financial performance.

However, some authors argue for an inverted U-shaped curve, especially when examining the relationship between environmental and economic performance (Schaltegger and Synnøstvedt, 2002), suggesting that there is an optimal level of environmental performance. In addition, Aupperle, McWilliams and Siegel (2000), Horvathova (2010) found that the relationship between ESG performance and firm value is insignificant.

In light of the above literature review and the prevalence of a positive effect of CSR on firm value, we announce the following hypothesis:

H1: Higher CSR commitment leads to higher firm value.

2.2. Board cultural diversity and firm value

Several studies have been conducted on corporate governance and firm value (Ben Fatma and Chouaibi, 2023; Bawai and Kusumadewi, 2021; Lee, 2012). The most studied governance mechanism is the board of directors. Lu et al (2022) classify board characteristics as follows:

- Board structure: board independence, separation of chief executive and chairman functions, board size, etc.
- Board diversity: gender, nationality, ethnicity, diversity of experience, etc.
- Individual demographics: age, tenure, education, gender, experience, social status, etc.

According to this classification, we find that the most important characteristic of boards of directors is diversity, which is in line with the Green Paper "Framework for Corporate Governance (2011)", which states that diversity is essential for board performance.

In the literature, cultural diversity is mainly associated with differences in nationality or ethnicity (Dodd et al., 2024; Dodd and Zheng, 2022; Martínez-Ferrero, Lozano and Vivas, 2021).

In this context, Zakaria et al. (2021) point out that foreigners on boards contribute positively to firm value because potential investors assume that the presence of foreigners on the board reflects that the firm is under competent management.

Oxelheim and Randøy (2003) add that investors believe that firm value is higher for firms with foreign directors on the board.

However, the diversity of nationalities and cultures among board members increases the likelihood of the emergence of problems related to intercultural communication (Lehman

and Dufrene, 2008) and fractions within teams (Pinto-Gutierrez, Pombo and Villamil-Díaz, 2018), which could have a negative impact on firm value.

In addition, Zainal et al. (2013) and Frijns et al. (2016) found that companies with foreign directors who have been working for five years underperformed, reflecting the slower progress of the company.

Based on the above literature review, we formulated the following hypothesis:

H2 : Board cultural diversity is associated with higher firm value.

3. Methodology

The main objective of our study is to examine CSR involvement and its impact on company value, as well as the impact of cultural diversity on company value in the European context.

3.1. Data collection

Our sample is made up of 450 multinationals operating in ten different sectors and based in twenty European countries where the head offices of the various multinationals are located in. The countries are: Austria, Belgium, Denmark, Faroe Islands, Finland, Germany, Gibraltar, Ireland, Isle of Man, Italy, Luxembourg, Netherlands, Norway, Poland, Spain, Portugal, Sweden, Switzerland and Great Britain.

The sectors covered by the study are based on the Global Industry Classification Standard (GICS) code: Energy (4.67%), Materials (11.56%), Industrials (Capital Goods, Business and Professional Services, Transportation) (26.67%), Consumer Discretionary (Automobiles and Automotive Components, Consumer Durables and Apparel, Customer Services, Media, Retail) (14%), Consumer staples (Food Retail and Pharmaceuticals, Food, Beverages and Tobacco, household products and personal care) (8.89%), healthcare (healthcare equipment and services, pharmaceutical, biotechnological and biological sciences) (8.89%), information technology (software and services, computer hardware and equipment, semiconductors and equipment for their manufacture) (6.89%), communication services (9.11%), utilities (4.67%) and real estate (4.67%).

Table 1: Distribution of observations by sector

GICS Code	Activity Sector	Frequency	Percentage	Cumulative percentage
10	Energy	105	4.67	4.67
15	Materials	260	11.56	16.22
20	Industrials	600	26.67	42.89
25	Consumer Discretionary	315	14.00	56.89
30	Consumer staples	200	8.89	65.78
35	Healthcare	200	8.89	74.67
45	Information technology	155	6.89	81.56
50	Communication services	205	9.11	90.67
55	Utilities	105	4.67	95.33
60	Real estate	105	4.67	100.00
	Total	2250	100.00	

To set up our model, we needed to collect financial information, governance data and data on the social responsibility score (ESG). All these data are collected from the Thomson Reuters RefinitivEikon database.

3.2. Variables and research model

We will consider three types of variables:

- The dependent variable is market capitalisation:

Following Serban, Mihaiu and Tichindelean (2022), we relate the value of the company to its market capitalisation. Indeed, if investors take into account the principles of social responsibility when making their equity investments, this will affect the price of the shares on the market and, consequently, the market capitalisation of the company. Both in the literature and in practice, market capitalization is seen as a measure of a company's value from a market perspective. Similarly, Kumar and Kumara (2021) argue that market capitalisation is an indicator that gives a clear picture of a listed firm's value.

This way of measuring the firm value from the market's point of view is consistent with the objective of our study, which is to analyse the impact of corporate social responsibility activities and board cultural diversity on market capitalisation.

The valuation of market capitalisation according to the Thomson Reuters RefinitivEikon database is made using the following formula:

Market capitalisation (marktcap)

= **(Total Number of Outstanding Shares + Free Float Shares) × Closing Price**

- The independent variables, which include the social responsibility score (ESG) and cultural diversity.

The ESG score used in the analysis was calculated and supplied by Thomson Reuters EikonRefinitiv, and ranges from 0 (lowest) to 100 (highest). In addition, the score is divided into four groups according to its position in relation to the three quartiles (each quartile representing the level of performance recorded).

According to Yilmaz, Hacıoglu, Tatoglu, Aksoy and Duran (2023), board cultural diversity is measured by the proportion of board members with a cultural background different from that of the company's headquarters.

- The control variables are the characteristics of the board of directors and the characteristics of the firm.

The characteristics of the board of directors can be summarised in the size of the board, the independence of its members, the dual role of the chief executive and the total remuneration of directors. The characteristics of the company can be summed up in the opinion expressed in the external auditor's report, the size of the company and its performance via the ROA ratio.

Table 2 : Summary of variable measures

Variables	Definitions	Measures	Authors
Dependant variable			
Market capitalisation	MarktCap	Log Market capitalisation ; Market capitalisation= number of shares outstanding * stock price.	Serban, Mihaiu and Tichindelean(2022)
Independent variables			
ESG Score	ESG	The ESG score is a global score based on self-declared information in the environmental, social and corporate governance pillars.	Serban, Mihaiu and Tichindelean(2022)
Cultural diversity on the Board of Directors	BCult	Percentage of board members whose	Yilmaz, Hacıoglu, Tatoglu, Aksoy

		cultural background is different from that of the company's headquarters.	and Duran (2023) ; Martínez-Ferrero, Lozano and Vivas, (2021)
Board-related control variables			
Board size	BSize		Disli et al.,(2022) ;
Independence Board Member	IBM	Proportion of independent directors	Aksoy et al.,(2020) ; Kouaib et al.,(2020) ;
CEO duality	Duality	Dummy variable, 1 if CEO is also a member of the board, 0 otherwise.	Ciftci et al.,(2019) ; Naciti, (2019) ; Pathan and Faff (2013)
Board compensation	B_Comp	Neperian logarithm of total directors' remuneration	Broye, G., and Moulin, Y. (2012)
Firm-related control variables			
Auditors' opinion	Opinion	Dummy variable: 1 if certification with reserve, 0 otherwise.	Abdollahi, Pitenoiei and Gerayli (2020)
Firm Size	Size	The neperian logarithm of total assets.	Disli et al., 2022 ; Aksoy et al., 2020 ; Ciftci et al., 2019 ; Artiach et al., 2010

To assess the impact of corporate social responsibility and cultural diversity on company value, we conduct a panel regression using STATA 15. We test the following model:

$$\text{MrktCap}_{it} = \alpha_0 + \alpha_1 \text{ESG}_{it} + \alpha_2 \text{BCult}_{it} + \alpha_3 \text{BSize}_{it} + \alpha_4 \text{IBM}_{it} + \alpha_5 \text{Duality}_{it} + \alpha_6 \text{B_Comp}_{it} + \alpha_7 \text{Opinion}_{it} + \alpha_8 \text{Size}_{it} + \alpha_9 \text{ROA}_{it} + \epsilon_{it}$$

4. Results and discussion

4.1. Descriptive statistics

Our study is based on a sample of 450 multinational companies over five years, a total of 2,250 observations.

Table 3 shows the breakdown of observations by country. 25.78% of observations are made in Great Britain, followed by Germany with a rate of 14% and France with a rate of 12%.

Table 3 : Breakdown of observations by country

Country of the headquarter	Frequencies	Percentage	Cumulative percentage
Austria	40	1.78	1.78
Belgium	75	3.33	5.11
Denmark	110	4.89	10.00
FaroeIslands	5	0.22	10.22
Finland	120	5.33	15.56

France	270	12.00	27.56
Germany	315	14.00	41.56
Gibraltar	5	0.22	41.78
Ireland	35	1.56	43.33
Isle of Man	10	0.44	43.78
Italy	20	0.89	44.67
Luxemburg	15	0.67	45.33
Netherlands	95	4.22	49.56
Norway	40	1.78	51.33
Poland	35	1.56	52.89
Portugal	20	0.89	53.78
Spain	60	2.67	56.44
Sweden	205	9.11	65.56
Switzerland	195	8.67	74.22
United Kingdom	580	25.78	100.00
Total	2250	100.00	

Table 4 shows the descriptive statistics for the variables in the model. The market capitalisation variable has a mean of 22.57726 with a minimum of 18.818 and a maximum of 27.81746.

The descriptive statistics for the ESG variable presented in table 4 below reveal that the average score is 67.77. Given that this score varies between 0 (the lowest) and 100 (the highest), companies in Europe have a level of performance that varies from 6.71 to 98. This means that performance has improved significantly for these companies over the study period.

The variable Board cultural diversity has a mean of 21.79699. It varies between 0 and 100, meaning that our sample includes companies with 0 directors of a nationality other than that of the firm's headquarters and firms with 100% foreign directors.

As for the other control variables, on average, boards of directors are around 10.38 in size, 63.54% of directors are independent on average and 53.35% have dual status.

The smallest boards have 3 members, while the largest have 22.

In terms of duality, half of our sample is made up of companies with duality, since the average is 53.35%, and this is a dummy variable.

As for directors' pay, the median and mean are almost equal, at 13.60312 and 13.67583 respectively. The distribution is therefore symmetrical.

In terms of company variables, the average qualified opinion was 91.51%, meaning that the majority of companies received a qualified opinion from an external auditor.

Company size represents an average of 22.67054 and a median of 22.59379. This is also a symmetrical distribution.

Finally, the last control variable is the ROA ratio. It has an average of 7.139263. The ROA fluctuates between a minimum of -113.99 and a maximum of 243.77.

Table4 : Descriptive statistics

Stats	MarktCap	ESG	BCult	Bsize	IBM	Duality	B_Comp	opinion	Size	ROA
N	2247	2250	2250	2250	2250	2107	2250	2250	2250	2250
Mean	22.57726	67.77045	21.79699	10.38178	63.54988	.5358329	13.67583	.9151111	22.67054	7.139263
sd	1.401858	15.29848	25.02972	3.450279	23.06429	.4988327	.8176422	.2787782	1.462265	10.65722
Min	18.818	6.713607	0	3	0	0	9.898655	0	18.0764	-113.99
p50	22.48938	70.29433	12.5	10	63.63636	1	13.60312	1	22.59379	5.66
Max	27.81746	95.98764	100	22	100	1	17.93125	1	26.74904	243.77

4.2. Multivariate analysis

Examination of the matrix below (Table 5) does not reveal any correlation coefficient that exceeds the critical level. They are below 0.8, as predicted by Kennedy (2002), which indicates the presence of a multi-collinearity problem. Consequently, none of the variables in our model presents a serious multi-collinearity problem.

The highest correlation coefficient is around 0.7650 for the association between firm size and market capitalisation. This is followed by a correlation coefficient of 0.5954 for the association between ESG score and company size. This result is in line with that of Ben Ammar and Chakroun (2018) and that of order 0.5262 for the association of the firm size and the remuneration of board members.

We find a positive relationship of board size, cultural diversity, independence of board members, and compensation of directors, with the firm's market capitalization of order 0.4177, 0.2934, 0.1165 respectively and a negative relationship of order -0.0047 between market capitalization and auditor's opinion. ROA shows a positive coefficient with firm value which corroborates with (Fatemi et al., 2015).

Table 5: Variables correlation matrix

	MarktCap	ESG	BCult	Bsize	IBM	Duality	B_Comp	opinion	Size	ROA
MarktCap	1.0000									
ESG	0.5098	1.0000								
BCult	0.2934	0.2605	1.0000							
Bsize	0.4177	0.4093	0.0490	1.0000						
IBM	0.1165	0.2495	0.1497	-0.1487	1.0000					
Duality	0.1069	0.0702	0.0144	0.1712	0.1137	1.0000				
B_Comp	0.4666	0.4408	0.3004	0.4564	0.0527	0.1437	1.0000			
opinion	-0.0047	0.0776	0.0699	0.0383	0.0212	0.0869	-0.0179	1.0000		
Size	0.7650	0.5954	0.2622	0.5811	0.0982	0.1575	0.5262	-0.0538	1.0000	
ROA	0.0907	0.0636	0.0067	0.1376	0.0291	0.0196	-0.0415	0.0262	-0.2377	1.0000

MarktCap : Market Capitalisation; **ESG** : ESG Score ; **BCult** : Cultural diversity on the Board of Directors ; **Bsize** : Board Size ; **IBM** : Independence Board Member ; **Duality** : CEO Duality ; **B_Comp** : Board compensation ; **Opinion** : Auditors' opinion; **Size** : Firm Size ; **ROA** :Return On Assets

Since we have data with two dimensions: individual and time, we estimate using panel data. In fact, it is necessary to choose between two models, using specification tests. These are the random individual effect model and the fixed effect model.

First of all, we need to test whether or not there is a specific effect between individuals and therefore conclude whether we are dealing with a homogeneous or heterogeneous panel. In our model, $p = 0.00$, which is less than 5%, so there is heterogeneity within our sample. We therefore need to use the Hausman test to choose the most appropriate method. In the present case, the probability is equal to 0.0000, less than 5%, so it's a fixed-effect model.

The results of applying a fixed-effects model to the panel data are summarised in the table below:

Table 6: Model results

MarktCap	Coefficient	t	P>t
ESG	.0028395	2.03	0.042
BCult	.0018561	1.92	0.050
Bsize	.0016181	0.19	0.851
IBM	.0005733	0.52	0.601
Duality	.0159661	0.33	0.740
B_Comp	-.0228078	-1.12	0.263
opinion	.0172588	0.48	0.633
Size	.6183937	15.75	0.000
ROA	.0113503	7.61	0.000
_cons	8.476816	9.66	0.000

The ESG Score variable has a positive coefficient. It is significant at the 5% level, so this variable has a positive effect on the firm value. Consequently, we can conclude that the more a company is involved in social responsibility activities, the more its value is improved. This confirms hypothesis H1, which states that greater CSR commitment leads to greater firm value.

This result is consistent in the literature with those of Qiu et al. (2021), Ferrell et al. (2016), Gao and Zhang (2015), Margolis et al. (2009), and confirms the premises of the resource-based view (RBV) theory, which states that a firm's resources can provide it with a competitive advantage that can increase the firm's value. According to this theory, CSR activities are considered to be a resource for the company insofar as companies can use these activities to develop specific skills that can lead to specific economic benefits (McWilliams & Siegel 2011, Russo & Fouts 1997, Hart 1995).

In addition, such involvement in CSR could include innovation in the ecological field, which is also considered to be an internal resource for the company, leading to a competitive advantage (Chen et al., 2006).

The use of CSR activities or strategy can also provide the company with a good reputation for leadership and sustainability (Lourenço et al. 2014).

The variable Board cultural diversity "BCult" has a positive coefficient. It is significant at the 5% level, so this variable has a positive effect on the value of the company. Consequently, we can conclude that the cultural diversity of directors increases the value of the company. This confirms hypothesis H2, which states: Boardroom cultural diversity is associated with higher firm value.

This result is consistent in the research literature with those of Zakaria (2021), Jindal and Jaiswall (2015) and Oxelheim and Randoy (2003). This confirms the premises of the upper echelon theory, which states that every organisation is a reflection of its leaders. It reveals that the results of the organisation's strategic choices and certain levels of performance are predictable by observing the characteristics of the managerial environment.

Upper echelon theory suggests that the behavioural characteristics of the management team provide a unique explanation for corporate decision-making and financial performance.

Indeed, managers act according to their personalised interpretation of the situations they face. This can be extended to the behaviour of directors since they are also in a position to make decisions.

This result could also be explained using signal theory. In fact, foreign citizenship in the ranks brings a positive signal because this is perceived as a competitive advantage on the part of investors which attracts them to make investments that have an impact on increasing the firm's value. This is supported by the research findings of Jindal and Jaiswall (2015), who concluded that diversity of citizenship has a positive effect on firm value.

The control variables representing the characteristics of the Board: Board Size "Bsize", Independence Board Members "IBM", CEO duality "Duality" and Board Compensation "B_Comp", are not statistically significant.

In the literature, this is consistent with the findings of Kumar and Singh (2012), Hermalin and Weisbach (1998) on board independence, Loulid and El Khou (2020) on board size and composition of Moroccan firms, and Fernandes (2008) on board compensation.

The control variables that represent the characteristics of the company: size and performance have a positive and significant impact at the 1% level. This corroborates the results of Iliev and Roth (2023).

In fact, the larger the firm size is, the greater the confidence of investors is, leading to an increase in the firm value. (Komara, Ghazali and Januarti, 2020)

5. Conclusions

The purpose of this research is to study and analyze the impact of the company's commitment to CSR and cultural diversity on the board of directors on firm value.

First, we focused on the relationship between CSR and firm value by conducting a literature review that identified the different types of relationships that exist between these two concepts, which allowed us to announce our hypothesis.

We then examined the relationship between cultural diversity on the board of directors and firm value. This diversity can be understood as a difference in nationality or ethnicity. All this allowed us to announce our second hypothesis.

Our contribution was based on the fact that we considered the study of a characteristic of the board of directors that has not been sufficiently exploited in recent research.

Our attention was also drawn to the rapidly expanding European context, where legislation is proliferating both in terms of governance and corporate social responsibility (CSR).

In terms of methodology, we used various empirical tests based on 2,250 observations of European companies over the period 2018-2022.

Using market capitalization as a measure of firm value, we tested the effect of engagement in CSR activities, measured by the ESG score, and director diversity, measured by the percentage of directors with a culture different from that of the company's headquarters. The results show that these variables have a positive impact on firm value.

We also recommend that further research include other factors that may influence firm value related to governance and CSR commitment.

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