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## Article

# Board and Top Management Social Sustainability Work in Cluster Organizations

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**Abstract:** This case study aims to analyze how boards and top management in regional cluster organizations contribute to social sustainability commitment for themselves and their member organizations with specific focus on gender equality and diversity issues. The study adopts a case study research approach, where interviews, observations and secondary data constitute the basis for in-depth analysis. To deepen the case analysis, four theoretical perspectives are applied for pattern-matching: stakeholder, resource dependence, agency and institutional theory. Results of the study show that the boards are aware of stakeholder requirements, have necessary resources and expertise, and are well aware of the importance of social sustainability, but they act traditionally by focusing on economic incentives and responsibility. Board members act symbolically by transferring social responsibility to the top management of these cluster organizations through their applications for funds. From agency and stakeholder perspectives, the fund application regulates roles and responsibilities between the parties. Top management legitimates the responsibility by initiating projects and initiatives to strengthen social sustainability in a substantive way in member organizations. The study contribution shows that the board's mission and role have symbolic significance for building social responsibility, while top management contributes substantively.

**Keywords:** social sustainability; cluster organization; board composition; top management

## 1. Introduction

Achieving sustainability is one of the most significant challenges discussed in research [1]. The concept of sustainability has evolved to three major pillars, often described as the triple bottom line [2]: the economic, environmental and social aspects of sustainability. While the economic and environmental aspects of sustainability were well recognized early, the social aspect, concerning empowerment, equality and diversity, has recently gained more legitimacy in sustainability research [3].

Board diversity composition and influence on social sustainability issues are widely discussed by practitioners and researchers as contributing to an organizational openness accepting different people regardless of gender, nationality and disability [4,5]. For instance, the UN Sustainability Development Goals 2030 (SDGs) highlight the human aspects of sustainability, which has forced (more or less) increased interest in discussing the social aspects of organizations. For this reason, boards and management have a central role and influence on business strategy and policy objectives in how to manage human resources [4].

This study focuses on gender equality and diversity, especially how demographic characteristics (sex, age, nationality and ethnicity) can be integrated as part of the cluster organizations' (CO) operations with the support of the boards and top management. From a business perspective, researchers advocate diversity for contributing to a broader spectrum of work-relevant knowledge, experience and perspectives [6], improved stakeholder relations [3], better public image [7] and

a broader understanding of certain market conditions [8]. Furthermore, diversity is expected to increase organizational innovativeness [9,10], also having impact on economic performance [11,12]. An additional argument is that diversity in boards and top management can open up opportunities affecting organizational deployment and social sustainability initiatives [13]. This means that board gender composition can set the agenda for stakeholder transition to sustainability, which also influences societal development. Few studies have so far examined the consensus between board and top management on the importance of social sustainability and how it contributes to gender equality and diversity being integrated as a substantive CO initiative.

In investigating a company's transition to a social sustainability agenda, the corporate social responsibility (CSR) research distinguishes between whether this work is done in a substantive or symbolic way [14,15]. While substantive actions are embedded and integrated into the organization in ways that reinforce corporate legitimacy, symbolism only contributes to the appearance of a commitment [14]. This raises the questions on how and if organizations have the necessary skills, experience and capacity to manage a new, more comprehensive situation with respect to social sustainability. Fundamental changes require strong support from business strategies and organizational culture, placing extra demands on the governance and management of the organizations [16]. Organizations wanting to become leaders in the area of sustainability need support from board members and top management to develop new viewpoints and experiences [17]. Board members are considered especially key players in organizations' sustainability work because they are also responsible for how organizations meet a wide range of internal and external stakeholders' social interests [18].

Previous research on board and top management importance for social sustainability implementation has mainly focused on larger organizations, while supportive organizations have been less considered. During the last decades, several COs have been established in Sweden aiming to support technical innovations, create network opportunities among member organizations and increase the start-up rate, with influence on the labor market due to new job opportunities. [19,20]. Wältermann et al. [20] studied how formal and informal cross-cluster networks collaborate, paying special attention to the private and public COs role in funding. According to them, the COs role is to handle the mechanisms that involve connecting companies in the clusters with different stakeholders to improve regional competitiveness. Noticed is that the number of COs has increased dramatically worldwide, but still there is no uniform definition of their mission. In this article, a cluster organization (CO) is defined as an organization created to act as an intermediary between different actors in and outside a regional innovative cluster.

Governmentally driven and funded, the Swedish COs' main mission is to foster regional economic growth and development, increasing the competitiveness of regional business. In addition to improving economic positions, gender equality and diversity are expected to contribute to regional growth, innovation capacity and competitiveness. According to the Swedish Agency for Economic and Regional Growth ([www.tillväxtverket.se](http://www.tillväxtverket.se)), financial directive, social equality and diversity are expected to contribute to increased employment and a more inclusive work environment that also promotes society. Board members and top management therefore have a great responsibility to ensure that the so-called horizontal criteria (required in funding) are well integrated into all COs' operations.

This study examines how the COs' board directors and top managers contribute to social sustainability for the organization and member companies with attention to gender equality and diversity. In the case study, we assume that consensus between the parties is needed to develop substantively integrated social sustainability in COs' operations.

Research on board influence on the COs' role in mediating knowledge support to member organizations has focused mainly on their contributions related to high-tech, knowledge-based, creative industries [21]. How to manage the economic-social dilemma of being financed by EU funds while simultaneously meeting sustainability requests integrated as horizontal criteria in different CO projects has been regarded as less worthy of study. This article fills a gap within the board and top

management research field because it aims to analyze how boards and top management contribute to social sustainability commitment for cluster initiative organizations and their member organizations, with specific attention to gender equality and diversity issues.

Two research questions are addressed:

- How are the boards of COs committed to managing social sustainability in their board missions and roles?
- How is the top management of COs committed to social sustainability and in relationship to member organizations?

Based on eleven in-depth interviews with board members and the top management of five CO cases, this study contributes to show how board composition has a low social sustainability impact on the top management of the CO organization. The study shows that issues related to gender equality and diversity are not given focus as an integral part of COs' operations and contribution to growth, innovation and competitiveness. The article proposes that board members include social responsibility as part of the board's role and mission.

## 2. Literature Review

Social sustainability is a complex concept covering everything from human aspects in an organization to how social issues affect society in a broader sense (see for instance the UN 2030 goals). In the sections below, attention is paid to social issues with a specific focus on gender equality and diversity discussed in board composition research. Four different analytical perspectives are then discussed as proposals and the basis for pattern-matching analysis, as suggested by Yin [22], to gain an in-depth understanding of how the cases work for social sustainability.

### 2.1. Social Sustainability

Discussing the social dimension of sustainability may be a new phenomenon, but gender researchers have a long history of promoting ideas assumed be leading to sustainable organizations. Boström [23] focuses on two barriers defining social sustainability, barriers also discussed in gender research [3]. The first perspective concerns "what it is," while the second discusses "how" gender is practiced in business operations. A common conclusion is that organizations must develop the capacity to translate the subjective "what" to "how" before human aspects can be taken into consideration in business objectives and activities [3].

However, gender research raises questions about how resources and opportunities are distributed among people of different gender, ethnicity, nationality, age, disability and social class, and to what extent these demographic characteristics affect job opportunities and career development [4,24,25]. Demographic issues are assumed to affect to what extent people with different characteristics are found in boardrooms and in senior management positions [4,5,24].

Until recently, women's underrepresentation in senior positions and in boardrooms has been widely discussed [26], but increasingly the absence of diversity in organizations has inspired research attention [27,28]. However, the focus on the proportion of gender and diversity has encouraged research focusing on quantitative matters, emphasizing the importance of closing the inequality gap among individuals with different characteristics [29].

In addition to discussing how gender equality and diversity (in terms of equal representation in different contexts) can be achieved, gender research has also adopted a qualitative approach, emphasizing the importance of heterogeneity in organizations from the business perspective. In the current debate, gender and diversity issues are related to efficiency [30] and how these provide benefits in business operations [26].

Boström [23] and Galupp et al. [3] discuss two barriers defining social sustainability, distinguishing between the substantive (what it is) and the procedural (how) part of social sustainability. According to them, both of these characteristics can be regarded from either internal or external perspectives. From a

substantive “what it is” point of view, social sustainability contributes to internal as well as external stakeholders’ development and growth by achieving goals like wellbeing, equality, inclusion and social cohesion, as well as opportunities for learning and self-development. Taking the procedural (how) aspects into consideration, social sustainability addresses how organizations’ relate to their stakeholders as far as transparency, communication, decision making and management are concerned [3,23].

The internal perspective is seen as an organization’s management concern related to human resource management processes within the organization. Based on this perspective, social sustainability is interwoven with other human management concerns, such as organizational health and wellbeing, equality and justice, and organizational citizenship [3].

The external perspective is discussed in terms of trust, legitimacy and transparency apparent in social communication going beyond organizational boundaries [3]. According to Galuppo et al. [3], social sustainability should be defined as responsibilities undertaken by the organization “towards the social community and its social and human capital” (p. 688).

One serious problem concerns whether the board and top managers act symbolically or substantively in the work on social sustainability. Hyatt and Berente [14] discuss how this affects the organization’s strategies. A substantive strategy includes a proactive, long-term and authentic commitment to act for serious improvements, while a symbolic strategy is drawn up ceremonially only to show that requirements for compliance, for example, have been met (just window dressing). Substantial work is done, according to Rodrigue et al. [15], to deal with some form of transformative change, while symbolic work is seen as a way for organizations to promote an appearance of a commitment. How COs adopt the responsibility to integrate social sustainability also has to do with board and top management composition in terms of gender equality and diversity, which is discussed in the next section.

## 2.2. Board Composition, Mission and Sustainability Role

Board members and top managers play a key role as strategic decision makers [4]. Managers pay attention to some strategic questions more than to others. This distinction is, according to Carballo-Penala and Castromán-Diz [31], about leaders’ motivation and attitudes to deal with certain strategic issues. After examining managers’ attitude and motivation to achieve ecologic sustainable development and effects on proactive implementation of sustainability-integrated strategies, their study showed that managers’ attitude and motivation towards sustainability issues and the organizations’ short-term economic performance are key determinants for proactive strategic decision making among managers [31].

The composition, missions and role of the boards have received considerable research attention. Pfeffer [32] investigated the corporate board’s role, considering it an instrument dealing with an organization’s environment. By investigating the size and composition of the board, it was found that these factors are rational responses to external environmental conditions. This raises the question of how they relate to today’s sustainability requirements. In particular, research interests today are mostly concentrated on investigating the board sustainability commitment of larger corporations, where attention is paid to their responsibility for equality and diversity discussed as an internal driver [24]. The traditional norm is board homogeneity, while modern research supports attention to board heterogeneity [5].

Researchers in the sustainability field have paid considerable attention to how corporate management has incorporated social sustainability into their business agendas. They underline the importance of having diversity in board and management positions, arguing that diversity in work groups will bring in more innovation, creativity and problem-solving abilities [33]. Heterogeneous boards and management teams advocate the integration of social sustainability into business operations to a larger extent than homogenous teams primarily consisting of male representatives. Hyun et al. [34] notice that independent boards of directors are better at pursuing CSR issues, based on women contributing to more empathetic decisions. Ben-Amar et al. [25] see CSR as an internal driver in itself

but focus on how countries act differently depending on how board diversity applies coercive enablers or laissez-faire responses to sustainability. With focus on climate change response, they found that female representation on the board has positive impact on such issues. Nekhili and Gafaouri [4] have also noticed that gender diversity in boards contributes to valuable knowledge, and they suggest it should be seen as a strategic tool influencing business strategy and goal formulation. However, Rao and Tilt [5] present a critical view of board diversity, arguing that boards commonly lack knowledge of CSR issues, which mainly is because they see it as a voluntary commitment. According to this, a close relationship could exist between board diversity and CSR avoidance, which is especially evident in CSR reporting. This negative relationship could have an effect on key stakeholders but also on company image and reputation [5].

### *2.3. Four Analytical Perspectives of Social Sustainability*

Research on the board's mission and role commonly rests on four theoretical perspectives: stakeholder theory, resource dependency theory, agency theory and institutional theory. In the pattern-matching analysis, the perspectives relate to how boards and top management work for social sustainability (gender equality and diversity) in COs' operations.

The stakeholder perspective is closely related to Freeman et al.'s [35] assumption that companies need to take responsibility for internal and external relationships that affect, or are affected by other organizations in society. They argue that boards and top managers need to understand how they can control and form relationships with various stakeholders in society. This theory introduces a management perspective to creating organizational values by jointly managing different stakeholder relationships. This relationship is not one-way, but assumes that value creation is mutual and created by collaborative efforts between companies and stakeholders. In this study, the contribution of stakeholder theory is that it highlights the need for a new type of leadership attitude that thinks both ethically and financially in relation to internal and external stakeholders. Recent research focusing on how board and top management work for social sustainability has discussed how a stakeholder approach contributes to increasing a company's legitimacy in relation to stakeholders. According to Mallin and Micherlon [36], it can help to improve the company's reputation if boards and top management fulfill stakeholder requirements. Wellalage et al. [37] argue that management of social sustainability in relation to the stakeholders helps protect the company's license to operate.

Our analytical proposal from the stakeholder perspective presumes that prominent stakeholders put pressure on boards and top management to integrate social sustainability into the CO's and member company operations. Shared values contribute to serious integration of social sustainability in CO operations.

The resource dependence perspective relates to the fact that organizations need to develop relationships both internally and above all externally in order to manage changes in the environment [38]. Top managers may lack knowledge of environmental changes, which is why they need the support of external expertise to be updated. Pfeffer and Salancik [38], for example, studied the relationship between performance, ownership, the composition of the board and the tenure of top managers, which indicated that the latter have a positive impact on the studied companies' performance. Based on resource dependency theory, Del Carmen et al. [24] noticed how access to external diversity and gender resources affects and promotes decision-making processes. From a board composition perspective, women and diversity can contribute to resources and perspectives that do not apply if the board were to be traditionally homogeneous. The resource dependency perspective is therefore of importance in this article for two reasons: (1) the contribution of expertise knowledge from the board and top management in general, (2) the contribution of board and top management knowledge related to gender diversity and equality that affects CO social sustainability.

Our analytical proposal from the resource dependence perspective presumes that boards and top management expertise contribute to social sustainability knowledge in the CO's and member company



operations. Shared sustainability expertise encourages the partners to act seriously to integrate social sustainability into CO operations.

Agency theory has its roots in two different theoretical approaches: positivist and principal–agent [39]. The positivist approach is grounded on the governance perspective, where the contract between the principal and the agent can cause conflicts of interest based on the agent's self-interest contributing to monitoring costs [40]. This principal assigns the agent to do a job but cannot completely rely on that person due to his or her acting on behalf of self-interest. Hence, the board's role is primarily to monitor and control the opportunism of top management [39,40]. According to Jensen and Meckling [40], the principal–agent relationship can contribute to “the bonding expenditures by the agent” (p. 308). They found also that nonpecuniary relationships, both internal and external, could contribute to improving the corporate economic situation. In this research, the positivist approach is especially valid for studying the controlling relationship between the board and top management and their influence on social sustainability.

The principal–agent approach is a broader perspective compared to the positivist. According to Eisenhardt [39], this approach is more abstract and attempts to test hypothetically–deductively various theoretical implications that arise between the subject and different stakeholder relationships. This approach may be valid statistically to investigate COs' relationship with their member companies and other stakeholders in the community.

Although used as two different applications, Eisenhardt [39] argues that the two approaches share common assumptions about people, organizations and information management. To a large extent, they overlap with one another and can be applied to study different relationships between shareholders and stakeholders. This is the case of a CO's relationship structure being influenced by the board protecting shareholder interests and having an influencing role in their relationship with member organizations.

Our analytical proposal from the principal–agent perspective presumes that the boards' role as principal follows the owners' (funders) requirements to encourage the integration of social sustainability in CO and member company operations. Top management, as agent, agrees or disagrees on these decisions, depending on their own motives.

Several researchers paying attention to board and top management's importance for social sustainability rely on stakeholder and resource-based theory when discussing legitimacy [24,36], while Wellalage et al. [37] relies on institutional theory. According to institutionalists like Scott [41], the values created within the organization need to be congruent with what is expected of them in society to gain legitimacy. In this article, this means that society's expectations of COs need to be met by both the board itself and by top management in order to be perceived as serious. He argues, however, that this reciprocity can be particularly problematic in organizations that are governed by institutional requirements that may exist within a board setting, for example. According to DiMaggio and Powell [42], many changes occur as the result of processes making organizations more similar without being more efficient. These processes are discussed in terms of isomorphism—improving compatibility with environmental conditions by adjusting—being seen as appropriate given a certain context. Social sustainability could, based on this and stakeholders' needs and pressures, be seen as coercive isomorphism. From this perspective, the CO's boards and top management feel more or less forced to do the proper thing. However, Friedland and Alford [43] draw attention to the fact that isomorphism can also be based on symbolic action. They discuss how organizations can perform activities as ritual or symbolic actions mainly to gain legitimacy. These actions commonly are transrational—performed to fulfill underlying or other goals and primarily to gain legitimacy through these.

Our analytical proposal from the institutional perspective presumes that board and top management follow the requirements of social sustainability in society to achieve isomorphism. This action can be genuinely and substantively grounded, but also be symbolic in order to gain legitimacy to achieve transrational purposes.

Figure 1 summarizes the four analytical perspectives discussed above to analyze how boards and top management relate to social sustainability, here with focus on gender equality and diversity.



**Figure 1.** Four analytical perspectives of the cluster organizations' (COs) board and top management social sustainability.

### 3. Research Method

This study investigates how board and top management's mission and role address social sustainability and influence COs and member organizations. In recent years, policy makers and politicians have pointed out COs as significant contributors that create structural changes in local and regional economies [19,20]. The focus is on five COs located in a traditional male-dominated industrial region in central Sweden. Established in the first decade of the twenty-first century, the COs represent high-tech regional development areas: fiber optics, steel production, geographic information systems (GIS), IT development and education. The COs are nonprofit organizations primarily financed by public funds, and expected to contribute to economic growth, development and structural changes in the regional labor market. The funding requires them to (1) integrate horizontal criteria (sustainability) into the projects and (2) be leaders in implementing social sustainability with effects on the regional labor market. These two main factors drove the selection of cases—to have pronounced activity aimed at gender equality and diversity, and to have small and medium enterprises (SMEs) connected to the CO as members, influencing regional development.

#### 3.1. Research Design

To achieve a rich picture of how social sustainability is integrated in the five COs' business agendas, the researchers chose a single-case study design. According to Yin [22], a case study research strategy comprises an empirical inquiry aimed to investigate a real-life phenomenon, paying special attention to contexts where the boundaries between different events are not clear. According to Yin's [22] discussion, we assume that the four different theoretical perspectives that have been used for analyzing the data contribute to understanding the cases from different points of views. Analysis based on each theoretical perspective forms a pattern that describes how the cases relate to the different perspectives. According to Yin [22], pattern matching can show a pattern of how data from the theories match each



other (reinforce or show rival perspectives). Although five different COs were approached, we refer to the investigation as a single-case phenomenon in the board and top management contexts. The same people sit on several boards, and we assumed that they perform their different missions and roles in a similar way regardless of CO. The same conditions apply regarding financing contracts, horizontal criteria and requirements to develop social sustainability in business contexts and in society.

A second criterion highlighted by Yin [22] is to apply several sources to triangulate results from multiple perspectives. This means that case studies include more methodological approaches or constitute a comprehensive research strategy with several different variations [22]. In the study, we chose to illustrate the board and top management social sustainability mission and role via semistructured interviews, policy documents, reports, web pages and participatory processes. The study was part of a comprehensive research program, Sustainable Business Relations, at the university's Economic and Administration Department, conducted during 2017–2019. Through the program, we had the opportunity to collaborate with the COs' top management and to see how the board works in relation to its mission. This strengthened the credibility of other primary and secondary data collected.

### 3.2. Data Collection

Five board members and six top managers representing the five COs were individually interviewed in depth during the period from autumn 2018 to the end of 2019. The informants were selected based on having long experience and responsibility for COs and a good overview of how social sustainability issues are addressed and integrated as part of their activities. All selected board members have experience from previous board work and have expertise dealing with traditional board issues. Three female and two male board members were chosen to represent the board composition. Diversity in boards is important when addressing social sustainability because researchers have noticed that gender diversity in boardrooms has a positive impact on how social sustainability issues are integrated into business operations [44]. Requirements for gender diversity in top management were more difficult to fulfill when choosing representatives responsible for COs or central projects within them. In total, four female and two male representatives from COs' top management were interviewed in eleven interviews.

An interview guide with semistructured questions was developed. The main question addressed was how board members and top managers act to integrate social sustainability (addressing gender equality and diversity) into business strategies and projects. To ensure that the interviewees understood what is meant by social sustainability, the interviews began with a discussion of its meaning. The interviews were conducted face to face and lasted approximately one hour. Because the guide had open-ended questions, the follow-up questions were adapted to the answers that emerged from the two interview groups. The interviews were tape-recorded, fully transcribed immediately and coded.

Secondary data consist of web pages, which contributed to information about the COs' assignments and the board and top management composition and role. The web pages showed the number of member organizations connected to the CO and information on how social sustainability issues are communicated.

During the course of the project, we had the opportunity to attend other board meetings, including the studied boards, which provided information on what issues they addressed. We also had close contact with COs' top management and were able to get an understanding of what activities they prioritize for their members. In total, information gathered from interviews, secondary data, observations and CO contacts contributed to providing a valid and reliable picture of the material included in this study.

### 3.3. Data Analysis

The data were structured and analyzed based on the four theoretical perspectives and themes presented in the theoretical section (see Figure 1). Data were analyzed based on what Yin [22] calls a pattern-matching approach. In the analysis, we follow Yin's proposal to refer to different theoretical

perspectives to get a pattern that shows how the cases relate to the different theoretical proposals. The analyzed pattern helped us to illustrate in which areas the cases meet different challenges or not. That technology facilitated to strengthen the analysis and show agreement or disagreement on how boards and top management contribute to substantive and symbolic social sustainability within COs. Accordingly, the theoretical pattern-matching approach allowed us to identify rival perceptions and explanations. For identifying, analyzing and reporting pattern-matching themes from data, thematic analysis was used, following the suggestion of Braun and Clarke [45]. In the analysis, the interviews from each group were treated as two separate units.

#### 4. Result—The COs' Social Sustainability Work

During the 1990s, the political decision was made in Sweden that national business policy decisions should be made at the regional level. The goal was that increased regional influence and responsibility would contribute to an increase in jobs and company growth. The established cluster organizations (COs) became a central part of the so-called business promotion system. An important assignment since 2011 is to promote women's entrepreneurship based on their conditions and needs. Increased immigration has since necessitated integrating a diversity of people into working life in a more inclusive way.

The COs studied here were established during 2000–2010, having the primary mission to support companies within high-tech areas such as fiber optics, steel production, GIS and IT for digital development. All COs are established in a region with a predominance of male-dominated industrial companies. They are all funded by applying for economic support from public authorities, which in turn expect them to contribute to economic growth and regional development. Their region is characterized by traditional heavy industry, which through industrial transformation has contributed to social consequences with a high unemployment rate and low educational level. This has been a strong contributing reason for the supportive role of COs and activities. Thus, they have an important mission to contribute to social sustainability, which includes creating good conditions for attracting labor based on gender equality and diversity. The missions for which they receive funding include the integration of social sustainability requirements in activities to develop work conditions that contribute to economic growth, innovation and competitiveness of regional companies.

##### 4.1. The IC Case Background

CO1 was funded in the first decade of the 2000s by the Swedish Agency for Economic and Regional Growth and a regional development council. Their main mission is to initiate new collaborations between companies, universities and public sector organizations in the areas of broadband and sensor technology. About 100 member-partner organizations representing private companies as well as public organizations are attached to CO1. The size of the attached companies varies from individual entrepreneurs to multinational organizations. From its start-up until 2012, CO1 had a separate business unit for innovative leadership, which addressed gender equality and diversity. A number of activities were developed and offered to support member companies. Alongside educational programs and courses, a gender network was established among the members. The activities were followed and evaluated by researchers, with the results reported in several publications focusing on gender equality and diversity. The CEO and a project manager are appointed to work with sustainability issues. The project description used to apply for project funding forms the basis for the sustainability work.

CO2 is a corporate incubator owned by a regional development council. The main task is to support new businesses with coaching, financing, networking marketing and communication. The businesses operates "to create a sustainable and equitable financing culture". About 60 start-ups are registered members for one year. The CEO of CO2 is responsible for including sustainability in business strategies and educational programs.

CO3 was founded in the first decade of the 2000s by a regional development council and municipalities in the region. On their website, the organization describes itself as an organization "that is

one of Europe's leading cluster organizations in geographic information technology. The association runs research and innovation projects within GIS and helps companies and organizations reach new markets". The CO3 has about 30 member organizations, private as well as public. The organization is financed by a regional development council and the European Regional Development Fund. No special person is identified as responsible for sustainability issues.

CO4 was founded in the first decade of the 2000s and is financed by the Swedish Agency for Economic and Regional Growth, regional development councils and the European Regional Development Fund, along with county government, municipalities, enterprises and universities. CO4's main mission is to increase the attractiveness of the steel and engineering industry in the region, stimulate innovation in steel, create workshop incentives and increase cooperation between industry and academia. Approximately 150 organizations are connected to CO4. CO4 has developed and implemented a gender equality project with the aim of improving women's career opportunities in the research and development area. The project involves women who work on R&D issues at CO partners. A project manager is appointed to work with sustainability issues.

CO5 is financed by the regional development council, the European Regional Development Fund and a municipality in the region. CO5's main mission is collaboration in education, research and innovation in order to meet the development needs of companies. A project manager is appointed to work with sustainability issues.

In all five of the studied cluster organizations, the project description used to apply for project funding forms the basis for the sustainability work.

#### 4.2. The CO Board Composition and Social Sustainability Commitment

The boards' composition, shown in Table 1, shows that all boards have a relatively even gender distribution but are homogeneous in terms of age and national diversity. Of the 43 member organizations, only two have a foreign origin (~5%).

Table 1 shows that all boards have a relatively even gender distribution but are homogeneous in terms of age and national diversity.

The board members are well aware that board diversity is important. According to one of the board members, "it adds more perspectives to the decision-making process and provides different angles in how to develop and conduct business operations and activities."

Although the board members talk about the importance of addressing social sustainability, they have noticed that these issues during the last years have been "put on hold" due to economic problems, or that the CO organization has been reconstructed. According to one board member, the reconstruction of the COs' operational and economic business is the main reason for their ignoring the importance of pushing social sustainability further in terms of gender equality and diversity. The board member says, "Actually, we have not discussed the gender equality and diversity issue yet. That question has not yet come up. There have been a lot of questions of the kind that I just mentioned to get the whole business and the economy on their feet and be ready for the operational resources." According to the board members, the COs' relative short-term funding means that the organization is controlled under short-term and uncertain conditions, meaning that the main task of the board is to "secure future funding".

The fact that COs have undergone radical changes has also affected the composition of the board and caused radical changes in top management. The reason for these changes is that the CO organizations are in a phase of change that requires the board's adaptation, as well as different and other kinds of skills.

Financing problems have also influenced the way in which COs conduct operations. These changes have required a different composition of the boards and another form of collaboration to seize opportunities for continued financing and development. One board member mentions, "The board is newly formed and consists of people from the municipality. So it's a local affair too to manage these changes."

**Table 1.** CO case composition.

Cluster Organization	Business Area	Funding	Composition of the Board (Sexes)	Nationalities	Board Member Age Range	Interviewees	Occupation
CO1	IT technology	Public	4 women 4 men	Swedish	47–65	Female BM *	Politician
it	Supporting start-ups	Public	3 women 4 men	Swedish, one of foreign origin	48–67	Female M Female BM Male M	Employee by CO Business owner Employee by CO
CO3	Geographic information systems	Public	2 women 6 men	Swedish, one of foreign origin	47–63	Male BM *	Business owner
CO4	Steel/industrial engineering	Public/private	5 women 3 men	Swedish	45–64	Female M Male BM *	Employee by CO Corporate manger
CO5	Education (IT)	Public	6 women 6 men	Swedish	45–65	Female BM *	Employee by contributor
						Male and Female M	Employee by CO

\* BM—board member, M—manager.

The board members believe that there are two reasons for existing gender equality on the board. First, applying for funds requires them to take into account so-called horizontal criteria (sustainability). One board member confirmed this by saying that *“we have the horizontal criteria that our financiers require to take into account.”* The second reason mentioned by one board member is that *“it looks good on photographs of the board, but if we scratch a bit on the surface, it’s probably quite traditional under there.”*

#### 4.3. The Boards’ Social Sustainability Commitment to Society

Although the board members mention that they do not actively work for social sustainability, they consider it important to promote these issues in society, in relation to the CO’s employees and other stakeholders in the community. One member argues, *“it is important that we, as representatives of the CO, present a good example and discuss the importance of social sustainability with our partners and in other contexts. Not least, from a regional perspective, if we want to get new businesses established and want companies to grow here with us, we must create new conditions and not be so traditional.”* They link social sustainability to the need to develop regional innovations when one says: *“We have regional responsibility in terms of developing strategies for innovation. When we work with regional development, we would like to include this perspective as well: inclusion, and this kind of horizontal criteria.”*

Generally, they are dissatisfied with the sustainability work being done. For example: *“You can easily see that some structures in this area, for example, are very male-dominated and require more work to get a better spread. Then you have to look at what work environments are required to make improvements. There are a number of different areas to learn to make it more comfortable for other people to actually participate in this development.”*

#### 4.4. The CO Top Management Commitment to Social Sustainability

Since its beginning, CO1 has carried out a number of projects in the field of sustainability. The Innovative Leadership project, for example, was a separate project that went on until spring 2015. Through education and research, member companies were encouraged to develop working norms consciously to become more attractive as an employer, manage talent, and increase efficiency and innovative power. Top management experiences from the project resulted in three book publications aimed at improving the members’ middle management potential and encourage them to see themselves as change agents and to promote gender leadership. Starting in 2018, the IC has been leading a program with the purpose to work with business promotion measures from an equality perspective.

After restructuring and new top management, CO2 started to work more consciously with social sustainability issues. All staff has undergone gender equality training, and the organization is part of a gender network with ambition, working constantly to improve knowledge of the importance of diversity in both their own organization and member organizations.

CO3 has not yet started to work with social sustainability issues. CO4 has worked on a number of projects with the aim of raising awareness that gender and diversity need to be taken into account in all business decisions to get competitive companies. To improve gender equality, the CO conducts training to increase the number of female managers in industrial companies. CO5 has initiated a gender equality project with the aim of getting more women interested in technology and IT.

These activities show that the COs have as one of their tasks to work for gender equality and diversity to improve the situation of the labor market. To be able to influence that development, both board members and managers believe that they first must acquire their own knowledge about the importance of gender equality and diversity, to understand what inequality means for individuals, organizations and society. In order to improve their knowledge, the top managers have participated in several courses and in networks dealing with social sustainability issues. One top manager says, *“in recent years, we have completed a number of courses for our member companies and organizations to increase their knowledge of how important it is to be a more equal workplace.”* A push towards greater social sustainability has been the SDG 2030 agenda, which according to one top manager has *“definitely*

*meant a move of the gender equality issue from the backyard to the living room—who does not want to lead a sustainable company?”*

All COs agree on the importance of taking into account social sustainability aspects in business activities and processes carried out within their organization and towards external stakeholders. Commonly, top managers develop their own expertise in the area of social sustainability through participation in various development programs carried out by universities and other organizations. This knowledge is further advanced by developing their own programs, where they encourage members and other stakeholders to implement relevant sustainability areas in their own organizations.

#### 4.5. The COs' Social Sustainability Role with Member Organizations

According to top managers, COs have two main missions in relation to their members. The primary mission is to support them in their technological development process to increase competitive opportunities. The secondary mission, which is a result of the primary one, is to work for changing societal structures. One top manager says, *“As an CO, we have taken on a role to be involved in developing society. It is not just a matter of assisting member organizations with technical know-how; we also need to ensure that there is a labor market that suits both men and women of different origins.”* The top managers see several societal challenges that are important to address. They argue that in rural areas with male-dominated industries, they must work to attract a more diversified workforce to be competitive in a global market context. They maintain that today's organizations must take advantage of all the expertise that exists in the region regardless of gender, nationality et cetera, in order to cope with tomorrow's skills supply. If competent workers are not demanded by the region's employers, they believed there might be a risk of a decline in the population in the region, which in turn affects the overall welfare, including business. One top manager argues, *“This region is, to a large extent, characterized by organizations that are male dominated and attract more men than women. We must change focus also to attract more women. It makes us more competitive. By the way, this applies not only to women; we must have a greater diversity in our organizations. Therefore it is important for us to integrate diversity issues into our business activities.”* The transition to change employment structure is not considered possible with simple solutions, but long-term modifications are required to change the stereotypical attitudes of companies and employees. *“In a long-term perspective, it is about changing attitudes and values not only among the entrepreneurs but in society as a whole.”*

However, recently the top managers have noticed differences in how social sustainability is understood and communicated within the CO, among member organizations and in society. This is seen as the result of the CO projects contributing to spreading knowledge about the importance of an equal labor market for individuals, organizations and society. Top management sees this work as being constantly ongoing, and their role is to work to improve social sustainability issues as needed. *“There must be a precursor—otherwise the diversity issue is not kept alive and is allowed to fall back into a rut.”* In each CO there are people interested in social sustainability who take responsibility for these issues, and recently they have also started collaborating to strengthen issues related to social sustainability.

## 5. Analysis

This case study is based on the board and top management perspectives, with the assumption that substantive social sustainability work needs to be based on a top-down perspective in order to influence member companies. The pattern-matching analysis aimed at how the board relates to social sustainability and then explored how top managers work to support social issues in their operations and towards their members. The four theoretical perspectives were applied on the assumption that they can contribute to competing explanations, but together they can support our summary conclusion.

### 5.1. Board Composition and Commitment to Social Sustainability

Research aimed at social sustainability assumes the importance of knowing “what it is”, which needs to be further directed to “how” these issues are practiced in organizations to seriously



integrate them into business goals and operations [3]. Board composition is considered a central function in driving and developing internal capacity from knowing what it is to practice social issues [5,24]. Heterogeneous boards are considered to have positive impact on creating and driving organizations based on diversity and equality [29].

The case COs show that the boards are relatively heterogeneous in terms of gender but not diversity, and they reveal knowledge about the importance of integrating social sustainability in business agendas. Viewed from a social justice perspective, one could say that the inequality gap is closed [29], at least as far as women and men are concerned, but still open as far as other gender characteristics are considered. Some studies have found that having more women in boardrooms influences how organizations approach sustainability work [13]. This is not evident in the case of COs because social aspects of sustainability generally are ignored as part of the board mission.

We encourage prominent stakeholders to put pressure on boards to integrate social sustainability into CO and member company operations. The cases show that the transition to regional governance means that they have a responsibility to address social sustainability to safeguard important regional stakeholders' interest. According to Freeman [46], this means that social responsibility should not be seen as a simple add-on to business as usual. Social responsibility should be integrated into the business as an interconnection between economic and social factors that together contribute to creating organizational values. Despite the fact that the boards of the cases meet and are aware of the pressure from various stakeholders, their main attention is primarily directed towards how COs' operations meet economic requirements in the ongoing structural transformation process.

Our analytical proposal from the resource dependence perspective [38] suggests that boards need knowledge and expertise to contribute to social sustainability in CO and member company operations. Given this perspective, the board can contribute external expertise as a resource that is lacking in an organization. The CO cases show that the board members have good knowledge of its importance but also are aware of their shortcoming in terms of their role in addressing social sustainability in society and in COs. However, in terms of the social sustainability conditions to be applied, they mainly refer to the horizontal (gender equality and diversity) requirements in the applications that finance COs' operations.

When it comes to exerting influence over COs' activities, their roles are in line with what in agency theory is referred to as a positivist approach [39]. Our agency perspective proposal was that the boards' role is to follow the owners' (funders) requirements to encourage the integration of social sustainability in CO and member company operations. The Swedish government decided in 2011 that regional COs should pay attention to encouraging gender equality and diversity. However, the board chose to follow the guidelines set by the financiers as stakeholders on monitoring and controlling how the COs meet economic requirements. Introducing social sustainability into business strategies is more or less ignored or handed over to top management.

Our institutional theory proposal suggests that the board follow the requirements of social sustainability in society to achieve isomorphism. Their action can be genuinely and substantively grounded yet also be symbolic in order to gain legitimacy to achieve other purposes [42]. From this perspective, they legitimate COs' economic operations by protecting shareholders' interests. In this way, they follow traditional institutionalized patterns expected of them, where board role and legitimacy is created through economic control [41]. However, without social sustainability being applied in practice, this amounts to what Hyatt and Berente [14] refer to as a symbolic action. They point out that gender equality and diversity are necessary for improvements. Indirectly suggested, however, is that changes should be done by stakeholders who support social sustainability, not discussed as a substantive commitment within the framework of the board's mission.

## 5.2. Top Management Commitment to Social Sustainability

The theoretical proposal analysis, based on top managers' impact on COs and member companies, shows strong contrast compared to the board's contribution to social sustainability.

Our stakeholder proposal states that top management is well aware of and follows the requirements placed on them as representatives of COs. Whereas the board's social sustainability commitment is symbolic, top management follows Freeman's [46] stakeholder control system suggestion to have clear directives (application) and develop strategic programs that include/integrate gender equality and diversity in activities. These also fall within the project budget. From this perspective, top management actions contribute to developing internal and external stakeholder relationships that facilitate decision-making processes and management in a substantive way.

From our resource dependence perspective proposal, top managers have good knowledge and expertise (due to running several projects) contributing to social sustainability in CO and member company operations. Their actions contribute to knowledge about the benefits of social sustainability, also transferred into practical application through their collaboration with other stakeholders.

The relationship between the board and top management has often been described from an agency theory perspective [17,27,36]. Jensen and Meckling [40] define the relationship between the principal (the board) and the agent (top management) with the assumption that the parties draw up a contract where the principal assigns certain responsibilities to management. In the CO cases, the contract is represented by the application granted by the funders, represented by the board, which includes that top management should have horizontal sustainability criteria in their role and mission. One theoretical assumption is that since the agent can act in ways that differ compared with the principals, this person needs to be monitored (monitoring costs) or carry out activities that bind the agent to act in line with the principal (bonding costs) [40] (p. 308). In reality, it is impossible for the principal to control the agent completely, as it is difficult for the principal to monitor what happens in collaborative situations [40]. This begs the question whether a company has social responsibility; while companies as such do not have it, individuals in the organization make the relationship between the principal and the agent difficult to control [40]. This contrasts with the assumptions in CSR and social sustainability research, arguing that companies have a responsibility assigned them as an integrated part of top management's role and mission [16].

Our proposed institutional perspective assumes that top managers integrate social sustainability based on isomorphism [42]. The analysis shows that top management creates legitimacy for their assignments and roles in CO in different ways. They are sensitive to stakeholder requirements in various activities, have developed good knowledge of social sustainability and follow the guidelines according to the application, including budget.

Finally, the analysis of the CO board and top management social sustainability commitment shows how their engagements and actions are in contrast to each other. In general, both parties share awareness of stakeholder requirements and the need for knowledge to develop social sustainability in regional companies. Based on the agency perspective, their perceptions of assignments and roles differ. While the COs' top management conducts several projects aimed at promoting social sustainability in substantive ways, the board does not see that responsibility as a principal one. Substantive initiatives are taken by top managers to implement social sustainability with the intention of developing their own organization as a first step, in order to offer training in which member companies and board members participate as a second step. These social sustainability activities have intended, among other things, to increase the number of female managers but also to include diversity in their own and stakeholder organizations. From a positivist agency approach [39], this could be seen as a way of safeguarding self-interest in relation to the principal, represented by the board. Table 2 below summarizes the analysis.

**Table 2.** Board and top management missions and role.

	Stakeholder Perspective	Resource Dependence Perspective	Agency Perspective	Institutional Perspective	Social Sustainability Perspective
Board mission and role	Awareness of stakeholder pressures	Expertise of social sustainability	Economic mission and control	Financier legitimacy	Symbolic social sustainability engagement
	Social sustainability transferred as stakeholder obligation	Expertise not practiced	Social sustainability: Heterogeneous board composition Contractual agreements related to the agent	Legitimacy: Social sustainability image—not transferred into strategic action.	
Top management mission and role	Stakeholder: social sustainability Disseminated to members through activities and networking	Expertise: commitment of enthusiasts	Social sustainability: Integrated as part of CO's contract for member activities	Legitimacy: Training, specific projects and activities including the board	Substantive social sustainability engagement

## 6. Conclusions

This study analyzes how social sustainability is understood and communicated in the boards and top management of COs. The findings have provided practical contribution by showing that although board composition is heterogeneous (at least as far as gender is concerned), low attention is paid to social sustainability issues. These are considered important by the boards but seen as a stakeholder obligation and top management responsibility going beyond the board's mission and role. In addition, the board members refer to social sustainability as resting on COs through the contract; that is, the requirements that must be fulfilled through the approved application. In board meetings, primary attention is drawn to their institutional role and their mission to control and monitor economic issues.

The analysis of top management's commitment to social sustainability also contributes practically by showing that COs have initiated several projects to strengthen gender equality and diversity among member companies. They have also invited board members and other stakeholders in these projects to build networks that strategically give them regional legitimacy by strengthening the development of social sustainability. The interviews show that several of the top managers are passionate about driving the development forward.

From a theoretical analytical perspective, agency and institutional theories have contributed to showing differences in how the parties relate to social sustainability. The stakeholder and resource dependence theories confirm that both parties have good knowledge of stakeholder requirements and the importance of working for social sustainability. By analyzing data from agency and institutional theory, the main contribution is that the board (principal) gains legitimacy by following traditional assumptions about its mission and role in relation to the financiers. The boards are exercising control in the boardroom, where they substantively monitor how COs meet economic requirements, while social sustainability issues receive symbolic attention. From the agents' perspective, top management is governed by the contract and horizontal criterion (gender equality and diversity). Their focus is not only on economic requirements but also on meeting the needs of stakeholders to develop social sustainability as part of their own and member companies' operations.

This study also contributes to theory by showing that social sustainability requires commitment beyond those stated in principal–agent research. By applying the four theoretical analytical perspectives, this study shows the necessity to integrate these perspectives to understand how social sustainability contributes to development in society. The stakeholder perspective shows pressures and demands from prominent stakeholders, resource dependence shows how knowledge and expertise support the development of social sustainability, agency theory shows the relationship between those who represent owners and performers of activities, and institutional theory provides support for how legitimacy is created through isomorphism or other underlying rationalities. These perspectives have contributed to show that the biggest difference in gaining legitimacy lies in how board and top management view their role in relation to owners' (here economic focus) and other stakeholders' (here integrated economic and social focus) needs.

From a practical perspective, COs, board members and policy makers will find the study relevant to address social sustainability issues from top-down and societal perspectives. Regulators and policy makers interested in promoting proactive social sustainability practice as suggested by research should be concerned with board members' attitudes towards social sustainability.

The study has several limitations. The most significant limitation is that the study is aimed at a few board members and top management in the middle of Sweden, which requires further research to understand the board's mission and role for social sustainability. We also suggest more research aimed at investigating the role of the board and management in large- and medium-size companies, to analyze if their commitments to social sustainability are more substantial. These can affect the development of more genuine board work for sustainability.

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