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ORIGINAL RESEARCH PAPER

GENDER DIVERSITY, WORKFORCE COMPOSITION, AND CAREER DEVELOPMENT: THE ROLE OF FEMALE LEADERS IN BOSNIA AND HERZEGOVINA

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ABSTRACT

Gender diversity and the inclusion of women in leadership roles are increasingly recognized as critical drivers of organizational equity and sustainability, particularly through their influence on workforce diversity, employee development, and fair compensation practices. While these effects are well-documented in developed economies, evidence from transitional contexts remains limited.

This study explores the impact of female leadership on the social dimension of Environmental, Social, and Governance (ESG) performance in private sector companies in Bosnia and Herzegovina. Focusing on three key outcome areas—inclusive hiring, investment in employee training, and average employee compensation—it examines whether a higher share of women in decision-making positions correlates with stronger ESG-related practices.

Using original data from 131 firms that applied for the 2024 United Nations Development Programme's SDG Business Pioneers Award, the analysis reveals a positive association between female leadership and all three outcome variables. These findings suggest that gender-inclusive leadership contributes meaningfully to socially responsible business practices, even in transitional economies.

By providing empirical insights from Bosnia and Herzegovina, this study adds to the growing body of research on gender and sustainability. It highlights the potential of female leadership as a lever for advancing ESG goals and offers practical implications for policymakers and corporate actors aiming to align business strategy with inclusive and sustainable development.

Keywords: female leadership, gender diversity, ESG performance, career development

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1. Introduction

Gender diversity and inclusion, particularly in leadership positions, are increasingly recognized as central pillars of sustainable and inclusive organizational development. Numerous studies from developed economies have demonstrated that increased representation of women in senior management is positively associated with a range of desirable organizational outcomes. These include improved workforce diversity, more equitable pay structures, greater investment in employee training and development, and a more inclusive organizational culture (Catalyst, 2016; McKinsey & Company, 2023). Women leaders are also often linked to more participatory and empathetic leadership styles, which can contribute to resilience, innovation, and ethical governance (Bilimoria & Piderit, 2005; Post & Byron, 2015). While the benefits of gender-inclusive leadership are well documented in Western contexts, much less is known about how these dynamics operate in transitional and post-conflict societies such as Bosnia and Herzegovina.

In parallel, Environmental, Social, and Governance (ESG) frameworks have gained prominence as a multidimensional approach to evaluating corporate sustainability beyond traditional financial metrics. While the "E" and "G" pillars, environmental impact and governance quality, have received considerable attention globally, the "S" pillar, focused on social responsibility, remains under-theorized and under-measured, particularly in developing and transitional economies. Social performance encompasses areas such as workforce diversity, employee well-being, labor rights, and community engagement, domains where gender equity and inclusive leadership are highly relevant but often inadequately addressed.

Bosnia and Herzegovina (BiH) provides a particularly relevant case study for exploring these intersections. Despite formal legislative harmonization with European Union directives, including anti-discrimination laws and gender equality acts, the lived reality for women in the labor market remains marked by inequality. Female labor force participation rates lag behind EU averages, and women remain significantly underrepresented in executive positions across both the public and private sectors. Persistent structural barriers, including occupational segregation, caregiving burdens, and limited access to leadership pipelines, continue to limit women's advancement. In addition, social norms rooted in patriarchy and post-socialist institutional legacies reinforce traditional gender roles, particularly in corporate and political environments.

At the same time, the country's path toward European integration and increasing exposure to global sustainability standards, such as the EU Green Deal, Corporate Sustainability Reporting Directive (CSRD), and Sustainable Finance Disclosure Regulation (SFDR), are gradually reshaping the expectations placed on firms, especially in the private sector. For companies hoping to access foreign investment or become part of international supply chains, alignment with ESG principles is no longer optional. This creates both a pressure and an opportunity: the pressure to comply with externally imposed standards, and the opportunity to internalize socially responsible practices that can enhance organizational reputation, employee satisfaction, and long-term performance.

However, in practice, ESG implementation in transitional settings often suffers from formalism, where companies adopt check-the-box approaches to compliance without meaningful internal change. For example, firms may publish CSR reports or establish gender committees that exist only on paper, with little impact on actual practices. This raises concerns about "ESG-washing" or "pinkwashing", where gender equality initiatives are promoted superficially to satisfy investors or public opinion, without addressing deeper cultural and structural issues. Female leaders may be appointed as symbolic figures, with limited decision-making power, reinforcing tokenism rather than genuine inclusion.

In this context, it becomes crucial to investigate not just whether companies are adopting ESG frameworks, but how the presence of women in leadership positions shapes the quality and integrity of those efforts. Do female leaders merely serve as evidence of compliance, or do they actively transform organizational priorities, particularly in the social dimension of ESG? Are their leadership styles associated with greater investment in employee well-being, inclusive hiring, and fair compensation practices?

This study addresses these questions by analyzing the relationship between female representation in leadership roles and three specific ESG-related outcomes: inclusive hiring practices, investment in employee training and development, and average employee salaries. The analysis draws on original data from 131 private companies in Bosnia and Herzegovina that applied for the 2024 United Nations Development Programme's SDG Business Pioneers Award—a unique dataset that offers insights into sustainability practices in a transitional economy.

By focusing on female leadership as a potential catalyst for social sustainability within the ESG framework, this study aims to contribute to multiple strands of academic and policy discourse. First, it adds to the literature on gender and leadership by providing empirical evidence from a largely understudied region. Second, it enriches the debate on ESG by shifting attention to its often-neglected social pillar and exploring its relevance beyond advanced economies. Third, it provides context-specific insights that can inform public policy, corporate governance reforms, and development cooperation in the Western Balkans.

Moreover, the symbolic and practical impact of women in leadership in transitional contexts should not be underestimated. In societies marked by political instability, weak institutions, and post-conflict legacies, female leaders often challenge dominant paradigms of authority and introduce more collaborative, socially attuned approaches to governance. Their presence can disrupt entrenched hierarchies and pave the way for more inclusive institutional cultures, both within companies and in the broader socio-political arena.

While the quantitative scope of this study is limited, its findings suggest that the presence of women in leadership is positively associated with more equitable and socially responsible practices in the workplace. The study also raises important questions about causality, motivation, and institutional design: Do female leaders prioritize social investment because of personal values, professional experiences, or organizational mandates? How do external pressures (such as donor expectations or EU alignment) shape these dynamics? And what kinds of organizational cultures enable women to lead authentically, rather than being instrumentalized as symbols of compliance?

Ultimately, this research seeks to bridge the gap between gender studies, organizational behavior, and sustainability science in transitional economies. In doing so, it aims not only to map correlations, but to generate a deeper understanding of how gendered leadership interacts with institutional structures to shape more just and sustainable organizational outcomes.

2. Literature Review

The relationship between gender diversity in corporate leadership and organizational outcomes has been the subject of extensive research. Building on the theoretical frameworks developed by scholars such as Bilimoria and Piderit (2005), Post and Byron (2015), and Hillman, Shropshire, and Cannella (2007), several studies suggest that increased female representation in leadership correlates positively with a company's commitment to diversity and inclusion initiatives. This premise is further supported by Ellemers et al. (2019), Catalyst (2016), and McKinsey & Company (2023), who associate gender-diverse leadership with improved workforce composition, characterized by higher representation of women and other underrepresented groups.

Ely and Meyerson's (2000) seminal work on "diversity as strategy" emphasizes that organizations embracing diversity are more likely to attract and retain diverse talent, ultimately improving performance. Post, Lokshin, and Boone (2021) argue that greater female representation in top management fosters more inclusive decision-making and strengthens a company's focus on social responsibility. Likewise, Dadanlar and Abebe (2023) provide evidence that companies led by female CEOs are significantly less likely to face discrimination lawsuits, suggesting a reduction in diversity-related misconduct. Dwivedi et al. (2023) further stress the role of diversity-valuing CEOs in enhancing psychological safety and retaining female talent. These insights align with broader research by Wolf (2013) and Wittenberg-Cox (2008), who underscore both the ethical and economic value of women's participation in leadership.

One consistent theme in the literature is the link between female leadership and employee development. McDonald (2016) and Ancona et al. (2007) note that women leaders are more likely to promote learning-oriented organizational cultures. Bass and Avolio's (1994) transformational leadership theory and Eagly's (1987) social role theory both suggest that women tend to exhibit leadership traits such as individualized consideration and a focus on well-being—traits that enhance mentorship and professional growth. These ideas are empirically supported by studies such as the Peterson Institute

(2016) and the ILO (2019), which find that female managers are more likely to implement formal training programs and improve working conditions. Francoeur et al. (2019) and Eagly and Carli (2007) also find that gender-diverse boards tend to invest more in CSR activities and boost employee satisfaction and engagement.

Compensation and wage equity are also linked to gender diversity in leadership. Ahern and Dittmar (2012) observe that companies with greater female board representation tend to offer higher executive compensation for women. Kunze (2021) and Levi et al. (2014) confirm that gender-diverse boards contribute to narrowing the gender wage gap and promote more equitable resource distribution, while Galli and Tridico (2021) show that this extends to employee salaries across the organization. These findings point to systemic improvements in internal equity linked to inclusive leadership.

More recent research expands the analysis to include innovation and ethical governance. Dezsö and Ross (2012) and Miller and del Carmen Triana (2009) link female leadership with improved creativity and problem-solving. Studies by Ho et al. (2015) and Labelle, Francoeur, and Lakhal (2015) connect gender-diverse boards to fewer ethical violations and stronger transparency. Brammer, Millington, and Pavelin (2009) and Bear, Rahman, and Post (2010) further argue that female leaders enhance stakeholder trust and improve corporate reputation.

In the ESG context, Glass, Cook, and Ingersoll (2016) show that companies with women in senior roles demonstrate greater environmental responsibility. Ben-Amar, Chang, and McIlkenny (2017) confirm that gender-diverse boards are associated with stronger ESG transparency and governance practices. Furthermore, Zubeltzu-Jaka et al. (2022) argue that companies led by women are more likely to align with global sustainability agendas, including the UN Sustainable Development Goals (SDGs), particularly in social inclusion and ethical business conduct.

However, while global findings are promising, the regional dynamics of Southeastern Europe—particularly in transitional economies—pose distinct challenges. Golob and Podnar (2019) examine how cultural and institutional legacies in the region influence the success of gender diversity initiatives. Metcalfe (2008) highlights structural impediments that limit women's leadership progression in such contexts. Vujović and Đurić (2020) emphasize that the formal adoption of diversity policies in countries like Serbia and North Macedonia does not always lead to implementation, making internal leadership commitment essential for change.

Although ESG frameworks have gained global traction, their implementation in Eastern Europe and the Western Balkans remains uneven. Several studies point to a significant gap between ESG policy adoption and actual practice in this region, often due to institutional weaknesses, limited regulatory enforcement, and inconsistent stakeholder pressure (Potočnik & Mulej, 2020; Draškić & Pavlović, 2022). Unlike in Western European countries, where ESG is increasingly embedded in corporate reporting and investor relations, many companies in transitional economies still view ESG primarily as a compliance exercise rather than a strategic asset. Research by Sovacool et al. (2021) underscores that in post-socialist contexts, legacy governance structures and entrenched management practices frequently undermine the implementation of social sustainability initiatives. Moreover, the "S" dimension of ESG, focusing on labor practices, equality, and inclusion, is particularly underdeveloped in these settings (Kukić & Mujanović, 2023). This presents both a challenge and an opportunity: as international investors and EU integration frameworks push for more rigorous ESG standards, companies in the Western Balkans are increasingly compelled to align with global norms. Within this evolving landscape, gender-diverse leadership could serve as a lever for advancing the social dimension of ESG, particularly in contexts where institutional mechanisms for enforcing inclusion are weak or fragmented.

Taken together, the literature strongly supports the strategic, social, and ethical value of gender-diverse leadership. Yet, it also signals the importance of context-sensitive approaches, particularly in post-socialist countries like Bosnia and Herzegovina. This study contributes to filling this gap by examining how gender-diverse leadership in Bosnia and Herzegovina shapes key ESG-related outcomes, focusing on diversity, employee development, and compensation, offering both theoretical insights and practical implications for improving inclusive and sustainable corporate practices.

While numerous studies confirm the positive impact of women in leadership positions

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on business performance, ethics, and sustainability (Terjesen, Aguilera, & Lorenz, 2015), the applicability of these findings in transitional and post-conflict societies such as Bosnia and Herzegovina (BiH) remains under-researched. In many cases, cultural, institutional, and economic legacies from the socialist era intersect with present-day market dynamics, influencing how gender leadership is perceived and enacted.

Similar patterns can be observed in other transitional countries of the Western Balkans and Eastern Europe. In Croatia, for instance, while women hold a higher proportion of leadership roles in the public sector, the private sector remains heavily male-dominated. Mechanisms for gender inclusion—such as quotas or diversity initiatives—often exist only on paper and are not always translated into meaningful participation (Ilišin & Spajić Vrkaš, 2021). In Serbia, reports show that even when women occupy high-ranking positions, their influence on strategic decisions is limited due to patriarchal organizational cultures (Petrović et al., 2020). Romania has similarly struggled to translate gender parity laws into practice, with women often appointed to roles lacking real power, particularly in male-dominated industries (Andreescu, 2019). Compared to these countries, BiH appears to lag behind both in the number of women in executive leadership and in the systemic implementation of gender equity frameworks in corporate governance.

2.1. Critique of formal ESG approaches in the region

A growing body of literature also critiques the rise of formalism in the adoption of ESG (Environmental, Social, and Governance) principles in Southeast Europe. Companies in BiH and the broader region often implement ESG-related policies to meet regulatory compliance or attract foreign investment, rather than from a genuine commitment to sustainable or inclusive governance. This practice, sometimes referred to as "box-ticking ESG," can lead to superficial initiatives—such as gender diversity statements or symbolic female appointments—without corresponding shifts in organizational culture, internal accountability, or leadership dynamics (Tomić & Brkan, 2022). When ESG is approached as a reputational tool rather than a transformative framework, its potential to foster real inclusion is significantly undermined. This superficiality is further exacerbated by what some scholars describe as pinkwashing or gender tokenism. Pinkwashing, in this context, refers to the strategic showcasing of women leaders to signal progressiveness and inclusivity—often to international partners or donors—without redistributing power or changing exclusionary structures. Similarly, tokenism occurs when women are promoted into leadership to fulfill gender quotas or branding goals, yet lack substantive influence or institutional support (Kanter, 1977; Chamorro-Premuzic, 2019). In BiH, anecdotal evidence and emerging case studies suggest that some female executives are appointed more for optics than for impact, particularly in sectors like banking, public relations, and CSR, which are often viewed as more "feminine" or socially oriented.

Moreover, there is a risk that such token appointments reinforce essentialist narratives that women are inherently more ethical or socially responsible. While some studies support correlations between female leadership and ESG alignment (e.g., Post et al., 2011), attributing this to biological or moral traits ignores the complex interplay of socialization, opportunity structures, and institutional barriers. Instead of reinforcing gender stereotypes, scholarship calls for a deeper examination of the conditions under which women in leadership can influence corporate governance in meaningful and transformative ways (Bear, Rahman & Post, 2010).

3. Methodology

This study explores the relationship between female leadership and selected indicators of social performance within the Environmental, Social, and Governance (ESG) framework in the context of small and medium-sized enterprises (SMEs) in Bosnia and Herzegovina. Specifically, the research focuses on workforce diversity, investment in human capital, and compensation equity—dimensions commonly associated with socially responsible and inclusive corporate governance (Eagly & Carli, 2007; Francoeur et al., 2019; Galli & Tridico, 2021).

The analytical approach is grounded in transformational leadership theory (Bass & Avolio, 1994), which emphasizes inclusive, people-oriented leadership styles, and the diversity-as-strategy model (Ely & Meyerson, 2000), which posits that leadership diversity can drive innovation and equitable decision-making. The study also draws on critical mass theory (Kanter, 1977), which suggests that a certain threshold of representation is necessary for minority groups to influence organizational outcomes meaningfully, typically around 30%.

These theoretical frameworks inform the following hypotheses:

- H1: A higher proportion of women in management correlates with increased employment of women, youth, and marginalized groups.
- H2: A higher proportion of women in management correlates with greater investment in employee training.
- H3: A higher proportion of women in management correlates with higher average employee salaries.

3.1. Data collection and sample

The primary dataset comprises structured survey responses submitted by 131 privately owned companies to the 2024 SDG Business Pioneers Award, organized by the United Nations Development Programme (UNDP) and the Foreign Trade Chamber of Bosnia and Herzegovina. The award program targets firms demonstrating a commitment to sustainable development goals, particularly ESG-aligned practices, offering a relevant and forward-thinking sample.

The participating companies span various economic sectors and regions of Bosnia and Herzegovina. Each completed a standardized questionnaire aligned with the Global Reporting Initiative (GRI) and core ESG metrics. Data collected included:

- Company characteristics: size, sector, geographic location
- Leadership composition: percentage of women in senior management roles
- Key ESG outcomes:
  a) Employment of women, youth (under 30), and marginalized groups
  b) Annual investment in employee training (BAM per capita)
  c) Average monthly employee salaries (net), benchmarked against national averages

To operationalize critical mass thresholds, companies were grouped into three categories based on the proportion of women in top management:

- Low representation: below 34%
- Moderate representation: 35–54%
- High representation: 55% or more

The analysis employed descriptive statistics, correlation analysis, and linear regression models to examine the relationships between female leadership representation and each ESG-related outcome variable. This design allows for an exploratory understanding of whether and how the presence of women in decision-making roles may be associated with more inclusive and equitable organizational practices.

Although the survey instrument aligns with global ESG standards, no formal psychometric validation was conducted. Furthermore, as the data are self-reported by companies, there may be biases related to over-reporting of sustainability efforts or social performance—a common limitation in ESG-related studies. The cross-sectional nature of the data also prevents causal inference and limits the ability to control for potentially confounding factors such as industry, company age, or ownership structure.

Nevertheless, the selection of variables and hypotheses is consistent with theoretical expectations and previous research. The study thus provides a valuable empirical foundation for future, more granular research on ESG practices in transitional economies.

3.2. Limitations

Although the study uses a robust sample of 131 companies and draws from a structured ESG questionnaire aligned with international standards, certain methodological limitations must be acknowledged. First, the sample is not nationally representative. The participating companies selfselected into the UNDP's SDG Business Pioneers Award, which may indicate above-average awareness or commitment to ESG principles. This introduces a selection bias and limits the generalizability of the findings to the broader private sector in Bosnia and Herzegovina.

Second, the data are cross-sectional and self-reported, preventing any inference of causality between leadership composition and ESG-related outcomes. While the study draws on established theoretical frameworks such as transformational leadership theory and critical mass theory, it does not disaggregate the data by sector or region, which may obscure variations in gender-related practices across industries or geographic contexts.

Despite alignment with the Global Reporting Initiative (GRI) and validation through the UNDP selection process, no formal psychometric validation of the measurement tool was performed. As such, the results should be interpreted as exploratory, offering preliminary insights rather than definitive conclusions.

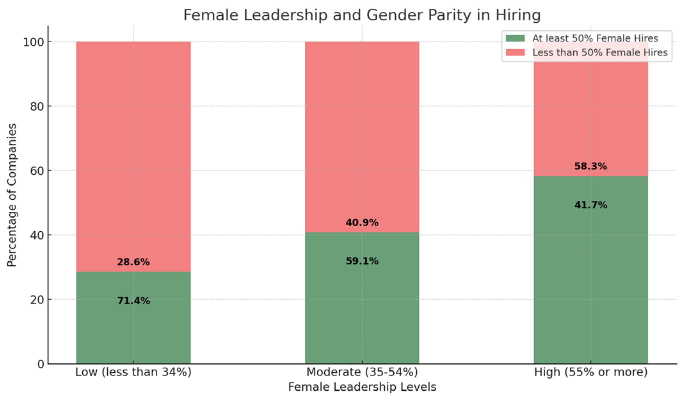
4. Findings

To examine the relationship between female leadership and corporate sustainability, this study categorizes companies into three groups based on the proportion of women in management: less than 34%, 35–54%, and 55% or more. This categorization follows critical mass theory in gender diversity, which posits that meaningful change within organizational dynamics requires a certain threshold of representation (Kanter, 1977). The analysis centers on key ESG indicators derived from survey data: workforce composition (female employees, youth under 30, and marginalized groups), employee training and development (training coverage and hours per employee), and average net salary relative to sector benchmarks.

4.1. Female Leadership and Workforce Diversity

The findings demonstrate a nuanced relationship between the representation of women in leadership and gender-balanced hiring practices. In companies where women comprise less than 34% of management, only 28.6% of respondents indicated that half or more of their new hires were women, reflecting limited efforts toward achieving gender parity. In contrast, companies with 35–54% women in leadership demonstrated moderate progress, with 40.9% reporting equitable hiring. The most significant improvement was observed in organizations with 55% or more women in decision-making positions, where 58.3% achieved gender-balanced hiring. Nevertheless, the persistence of underrepresentation, even within this group (41.7%), suggests ongoing structural barriers to equality.

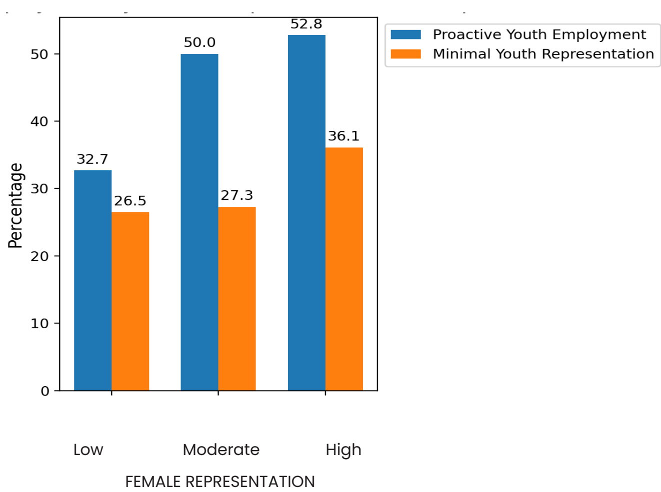
Figure 1.
Gender parity in hiring



4.2. Youth employment and Leadership Representation

A similar pattern emerged in relation to youth employment. Companies with minimal female leadership (<34%) showed a polarized approach, with 32.7% hiring at least 50% youth and 26.5% hiring fewer than 10%. In the 35–54% category, 50% of firms reported high youth inclusion, yet 27.3% lagged behind. Among companies with 55% or more female leaders, 52.8% demonstrated significant youth integration, although 36.1% still reported low inclusion, indicating that other structural or sectoral factors may play a role. (Figure 2).

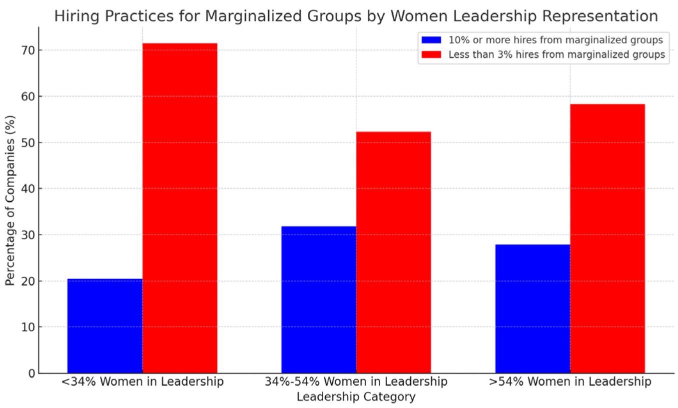
Figure 2.
Youth employment



4.3. Inclusion of Marginalized Groups

Despite a higher proportion of women in leadership roles, the inclusion of marginalized groups remains limited. Only 20.4% of companies with less than 34% female leadership reported hiring 10% or more from marginalized groups, and 71.4% reported under 3%. Slight improvements were seen in the 35–54% range, but even in the highest category (55%+), only 27.8% achieved notable diversity in this area. These findings highlight a disconnect between gender diversity and broader inclusion metrics. (Figure 3).

Figure 3.
Hiring practices of marginalized groups



4.4. Employee Development and Training

Investment in employee training correlates positively with the proportion of female leadership. In companies with less than 34% female representation, 38.8% trained 90–100% of employees, while 18.4% trained fewer than half. In the mid-range group (35–54%), 47.7% offered full training coverage, and in the highest category (55%+), the figure increased to 57.9%, indicating a consistent pattern of commitment among female-led organizations. (Figure 4)

4.5. Training Hours and Learning Culture

The analysis of training hours reinforces this trend. In the <34% category, 53.1% of companies offered less than 80 hours per employee annually, and only 10.2% exceeded 120 hours. The mid-range companies demonstrated more balance, with 25% providing over 120 hours. Among companies with 55%+ women in leadership, nearly 29% offered intensive training, signaling a strong association between gender diversity and capacity-building investment.

Figure 4.
Training opportunities for staff members

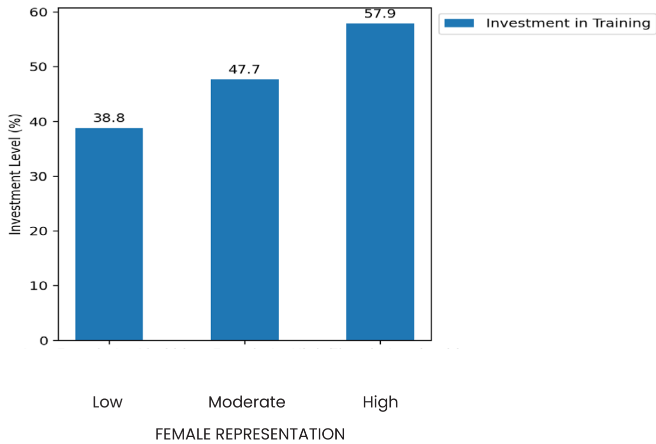
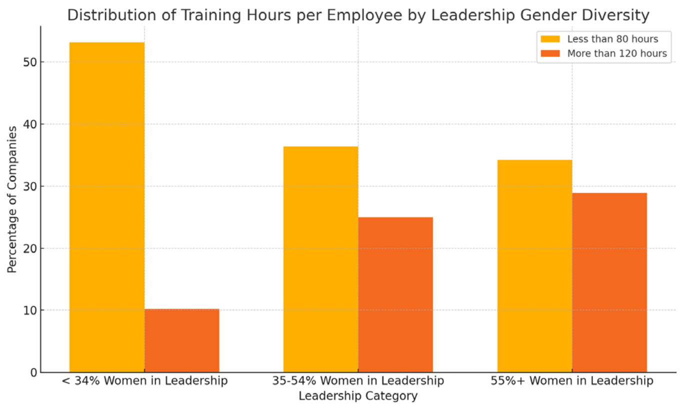


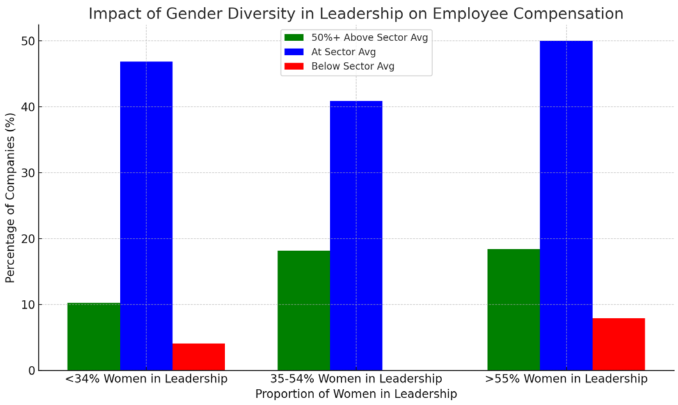
Figure 5.
Training hours for staff members



4.6. Gender Diversity and Compensation Practices

A positive relationship is also evident between gender diversity in leadership and employee compensation. In companies with less than 34% women in leadership, only 10.2% offered salaries 50% above the sector average, while 46.9% were aligned with the average, and 4.1% offered significantly lower pay. In the 35–54% category, 18.2% exceeded average salaries, and none reported underpayment. In the 55%+ category, 18.4% reported significantly higher wages, although 7.9% still paid below average. These results align with Galli and Tridico (2021), suggesting that female leadership positively influences compensation policies.

Figure 6.
Employee compensation



The overall pattern of findings provides compelling empirical support for the “critical mass” argument (Kanter, 1977), which posits that once women comprise at least a third of a decision-making body, they begin to exert meaningful influence over institutional dynamics. In the context of this study, tangible improvements across key ESG-related outcomes, particularly inclusive hiring, employee training, and equitable compensation, begin to emerge once the proportion of women in leadership surpasses the 35% threshold. Most pronounced changes are observed in companies with 55% or more women in leadership, which consistently outperform those with lower female representation. This supports the notion that leadership diversity must reach a certain threshold to shift organizational priorities and practices in a transformative way. Importantly, these results align with the theoretical propositions of transformational leadership theory (Bass & Avolio, 1994) and the diversity-as-strategy framework (Ely & Meyerson, 2000), both of which suggest that inclusive leadership fosters a more equitable, development-oriented, and responsive organizational culture. The data from this study reinforce the idea that gender-inclusive leadership is not merely symbolic, but functionally tied to more progressive and employee-centered ESG outcomes, particularly in transitional economies where institutional safeguards are often weak or inconsistently applied.

However, despite this positive association between leadership diversity and ESG performance, the findings also highlight several important limitations and complexities. Notably, improvements in inclusive hiring and compensation do not follow a perfectly linear trend, and significant variation persists within each leadership category. For instance, even among firms with majority-female leadership (≥55%), nearly 42% did not achieve gender-balanced hiring, and the inclusion of marginalized groups remained low across all categories. These inconsistencies suggest that broader structural and contextual barriers, such as sectoral segregation, traditional management cultures, and limited HR capacities, continue to mediate the extent to which female leadership can influence outcomes. In Bosnia and Herzegovina, industries like manufacturing and construction, which tend to have rigid hierarchies and male-dominated workforces, may be less responsive to shifts in leadership composition. Furthermore, the country’s fragmented institutional landscape and weak enforcement of labor and equality policies may blunt the impact of individual leaders, even when well-intentioned. These findings resonate with existing research from other post-socialist contexts, which notes that leadership diversity alone is often insufficient to overcome systemic inertia. Thus, while achieving critical mass is a necessary step, it is not a panacea—contextual factors remain deeply influential in determining actual organizational change.

In addition to structural constraints, the study underscores the critical importance of organizational culture as a mediating factor. While numeric representation of women in leadership positively correlates with ESG improvements, these gains appear contingent on deeper institutional commitment to inclusion. Several companies with strong female leadership still underperformed in key metrics, pointing to the limits of representation without cultural transformation. This supports Ely and Meyerson’s (2000) argument that diversity must be approached not only structurally (through quotas or appointments), but strategically, by embedding inclusive values into daily operations, incentive systems, and leadership development. To fully understand these dynamics, future research should consider disaggregating the data by sector, firm size, and ownership type, as well as integrating longitudinal designs that track whether ESG gains are sustained over time. Moreover, incorporating qualitative interviews with female leaders could reveal the specific strategies, constraints, and negotiation processes through which inclusive leadership is exercised. Such insights would enhance our understanding of not just what gender-diverse leadership achieves, but how it produces these outcomes, especially in politically and economically complex environments like Bosnia and Herzegovina. Ultimately, the findings suggest that leadership diversity must be coupled with institutional reform, cultural change, and policy alignment to realize its full transformative potential.

5. Discussion

This study analyzed the relationship between female leadership and selected dimensions of corporate sustainability, focusing on the social components of ESG performance in SMEs in Bosnia and Herzegovina. Building on a substantial body of literature that links gender-diverse leadership to positive organizational outcomes—such as improved workforce diversity, employee development, and equitable compensation (Eagly & Carli, 2007; Francoeur et al., 2019; Galli & Tridico, 2021)—the findings offer important insights within the context of a transitional economy.

Three central findings emerged. First, there is partial support for the hypothesis (H1) that greater female representation in leadership leads to higher workforce diversity. Firms with ≥55% women in decision-making roles performed better in hiring women and youth. However, representation of marginalized groups—such as ethnic minorities or persons with disabilities—remained consistently low across all categories. This outcome echoes Ely and Meyerson's (2000) "diversity as strategy" framework and points to selective inclusion rather than comprehensive diversity adoption. These findings underscore the importance of moving beyond narrow diversity metrics and addressing intersectionality in hiring and inclusion strategies.

Second, strong support is found for H2: higher female representation is linked to greater investment in employee training. Companies with high female leadership demonstrated not only greater training coverage but also significantly more hours of professional development per employee. These results reinforce transformational leadership theory (Bass & Avolio, 1994) and the argument that women leaders emphasize capacity-building and long-term human capital investment. The observed link between female leadership and improved outcomes in training aligns with Eagly's (1987) social role theory, suggesting that gendered expectations of nurturing and development-oriented behavior manifest in workplace policies that emphasize learning and growth.

Third, the data supports H3: female-led companies tend to offer better compensation relative to industry benchmarks. Still, outliers in each leadership category suggest that other structural factors—such as sector norms, firm size, and budget constraints—also influence salary outcomes. These variations highlight that while gender diversity in leadership is a positive force, it is not a panacea; broader organizational and market dynamics also shape compensation policies.

The results have significant implications for ESG integration, especially in transitional and post-socialist contexts such as the Western Balkans. Bosnia and Herzegovina faces challenges in enforcing ESG frameworks, with the social dimension often underemphasized. This study demonstrates that inclusive leadership—particularly female-led leadership—can be a driving force behind social sustainability, even where institutional mechanisms are weak. In economies where ESG uptake is still evolving, internal leadership dynamics can serve as early indicators of readiness for broader sustainability commitments.

This is especially relevant as Bosnia and Herzegovina aspires to closer integration with the European Union. EU regulatory frameworks—including the Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulation (SFDR), and the European Green Deal—are setting new benchmarks for corporate responsibility. In this context, gender-diverse leadership is not only ethically sound but increasingly strategic. Firms demonstrating progress in equitable employment, training, and compensation practices may find themselves better positioned to meet future regulatory demands and attract international investors seeking socially responsible partners. In light of Bosnia and Herzegovina's aspirations for EU membership, aligning with European ESG expectations is no longer optional but a prerequisite for long-term economic integration. The European Union's CSRD framework mandates detailed reporting on social impact, gender equality, and employee conditions—areas where this study finds clear leadership advantages in female-led firms. However, the social dimension of ESG continues to receive less attention than environmental or governance components in the region, partly due to limited enforcement and institutional fragmentation. Female leadership thus emerges as a potential accelerant for ESG adoption—particularly the "S" dimension—by institutionalizing practices such as transparent hiring, workforce development, and internal equity. These micro-level leadership effects can bridge macro-level regulatory gaps in transitional economies.

As ESG norms harden across European markets, companies in the Western Balkans that internalize these values—especially through inclusive leadership—will likely enjoy competitive advantages, whether in cross-border trade, access to EU funds, or reputation with socially conscious investors. In this sense, the business case for gender-diverse leadership is reinforced not only by ethical or developmental imperatives but also by strategic positioning in a fast-evolving ESG landscape.

Moreover, the study's insights on youth employment and investment in training suggest a nascent but important cultural shift within organizations. This shift, if reinforced, could mark the beginning of a deeper transformation toward social inclusion and ESG-aligned business models.

The findings point to several actionable steps:

- Policy incentives: Governments and development agencies could introduce ESG-linked incentives—such as tax benefits or access to funding—for companies led by women or those improving social indicators.
- Leadership pipelines: Establishing formal mentoring programs for female professionals could help close the gender gap at senior levels, particularly in traditionally male-dominated sectors.
- Inclusive reporting standards: Firms should be encouraged to adopt ESG disclosure practices that include gender and intersectional diversity metrics to enhance transparency and accountability.
- Alignment with EU standards: National institutions should support businesses in aligning reporting practices with EU ESG directives to facilitate smoother economic integration.

The limitations of this study have important implications for the interpretation of findings. While the correlations observed between female leadership and improved ESG outcomes are notable, they must be understood within the context of a potentially self-selecting sample. Firms already inclined toward sustainability and inclusion may have been more likely to participate, which could mean that the positive effects identified are less pronounced in the general business population.

Additionally, because the data are cross-sectional, we cannot definitively claim that female leadership causes better outcomes in training, diversity, or compensation. These associations may instead reflect deeper cultural or organizational factors not fully captured in this design.

The lack of sectoral and regional disaggregation also limits the generalizability of the conclusions. For example, industries with traditionally low female representation may face different structural barriers than service-oriented sectors. Recognizing this nuance is key to designing targeted policy or organizational interventions.

Nonetheless, the consistency of the results across key indicators provides indicative evidence that inclusive leadership can play a transformative role in advancing the social dimension of ESG, especially in transitional economies. Future research should address these limitations by adopting mixed-method approaches and engaging a broader set of firms across sectors and regions.

6. Conclusion

This study highlights the role of female leadership in promoting workforce diversity, employee development, and fair compensation in Bosnia and Herzegovina. Companies with higher female representation in leadership positions tend to be more inclusive, invest more in staff training, and offer more competitive wages. These findings reinforce the strategic value of gender diversity not only as a matter of social justice but also as a key driver of sustainable and responsible business practices. The results provide empirical support for transformational leadership theory and the "diversity as strategy" approach, extending their relevance to transitional economies.

As Bosnia and Herzegovina advances along its EU accession path, alignment with ESG principles, particularly the social pillar, is becoming increasingly consequential. While environmental and governance indicators often dominate sustainability discourse, the social dimension—encompassing labor rights, diversity, and human capital development—is central to EU values and regulatory expectations. The forthcoming implementation of the Corporate Sustainability Reporting Directive (CSRD) places greater emphasis on non-financial disclosures, compelling companies to transparently report on diversity, training, and fair labor practices. In this context, female leadership not only contributes directly to these social metrics but also signals institutional maturity and ethical governance. For SMEs in Bosnia and Herzegovina, embracing gender-diverse leadership thus emerges as both a compliance strategy and a reputational asset in increasingly competitive EU-aligned markets.

From a policy perspective, government institutions and development agencies should consider incentivizing gender-inclusive ESG performance through tax benefits, grants, and public recognition. Business associations can support these efforts by facilitating mentorship programs for emerging female leaders, particularly in male-dominated sectors like manufacturing and ICT. These ecosystem-level interventions would help accelerate the mainstreaming of inclusive leadership and contribute to a more equitable and sustainable business environment.

Future research should explore sector-specific dynamics and organizational culture to better understand the pathways through which female leadership influences ESG outcomes. Longitudinal studies would offer deeper insight into the long-term effects of sustained female representation in leadership roles. Additionally, examining the role of male allies in advancing gender equality could yield more holistic and effective diversity strategies, particularly in transitional economies like Bosnia and Herzegovina.

In sum, while female leadership clearly advances the social pillar of ESG, fully inclusive and resilient corporate ecosystems will require coordinated institutional, cultural, and strategic efforts. As Bosnia and Herzegovina moves closer to EU integration, fostering gender-diverse leadership will not only reflect progress on gender equality—it may well become a defining marker of institutional competitiveness, accountability, and sustainability.

7. References

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