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ORIGINAL RESEARCH PAPER

THE IMPACT OF FEMALE LEADERSHIP ON ESG PRIORITIES IN SMES: EMPIRICAL EVIDENCE FROM BOSNIA AND HERZEGOVINA

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ABSTRACT

This study explores the impact of female leadership on Environmental, Social, and Governance (ESG) performance in small and medium-sized enterprises (SMEs) in Bosnia and Herzegovina, a transitional economy. While prior research shows that gender-diverse boards improve corporate social responsibility (CSR) and ESG outcomes, most studies focus on large firms in developed markets. This study fills that gap by analyzing data from 131 SMEs that applied to the 2024 SDG Business Pioneers Award.

Using descriptive statistics and correlation analysis, the research examines how women's representation in management affects ESG priorities. Findings indicate a positive association between higher female participation and improved outcomes in ethics, innovation, productivity, and inclusivity. Companies with at least one-third women in leadership show stronger commitment to balanced and sustainable governance. In contrast, environmental practices are widely adopted across firms but appear less dependent on leadership composition.

The study provides the first empirical evidence from Bosnia and Herzegovina on the gender–ESG link. It contributes to global debates on diversity and sustainability while offering practical insights for policymakers and managers. Promoting gender-inclusive leadership can enhance competitiveness, resilience, and alignment with international sustainability frameworks.

Keywords: female leadership, ESG performance, gender diversity, SMEs, Bosnia and Herzegovina

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1. Introduction

Socially responsible management and corporate governance, as integral elements of the corporate social responsibility (CSR) concept, have become key features of modern business. They emphasize the need for companies to operate in a transparent, socially responsible, and sustainable manner. These expectations have intensified with the growing awareness of global challenges, including climate change, socio-political instability, and social and economic inequality (Mathivanan et al., 2021; O'Dwyer & Unerman, 2020). In this context, the role of company leadership is essential, as management must act as a unifying force driving change toward greater equality and sustainable business models.

At the same time, international organizations and investors increasingly demand that companies demonstrate measurable contributions to sustainability. Environmental, Social, and Governance frameworks (ESG) have therefore gained prominence as standardized tools for assessing environmental, social, and governance performance, complementing earlier CSR approaches that were often voluntary and qualitative (Drempetic et al., 2019). This shift reflects a broader recognition that responsible corporate behavior is not only a moral imperative but also a strategic factor influencing competitiveness, access to capital, and long-term resilience. For Small and Medium Enterprises (SMEs) in transitional economies, aligning with ESG standards can be particularly challenging, yet it also offers an opportunity to differentiate themselves and strengthen their market position in a globalized environment.

The evolving field of corporate governance has attracted greater attention due to its strong link with firms' societal impact (Kooli et al., 2018). Research often highlights the symbiotic relationship between organizations and their external environment (Juneja, 2015), leading to the integration of CSR into governance decisions (Moir, 2001). Several studies have specifically examined the role of women in corporate governance, demonstrating a positive correlation between female board membership and stakeholder orientation (Adams et al., 2015; Cook & Glass, 2018; Francoeur et al., 2019; Galbreath, 2018). Moreover, boards with a critical mass of women are found to enhance ethical outcomes and transparency in environmental, social, and governance (ESG) disclosures (Arayssi et al., 2016; Manita et al., 2018; Pucheta-Martínez et al., 2018; Vähämaa, 2017).

Despite these findings, the majority of studies focus on large corporations in developed economies, leaving small and medium-sized enterprises (SMEs) in emerging markets underexplored (Velte, 2016). SMEs are central to Bosnia and Herzegovina's economy, yet the governance practices of these firms, particularly the role of gender diversity in shaping ESG performance, remain largely unexamined. This study addresses this gap by investigating whether female leadership in SMEs is associated with shifts in corporate priorities across the three ESG dimensions: environmental, social, and governance.

Drawing on data from 131 SMEs that participated in the 2024 SDG Business Pioneers Award, this study applies descriptive statistics and correlation analysis to assess the relationship between women's leadership and ESG outcomes. By providing empirical evidence from a transitional economy, the research contributes to the global discourse on gender diversity and sustainability. Beyond its academic significance, the study offers practical implications for policymakers and business leaders, highlighting how female leadership can drive inclusive and sustainable corporate governance.

2. Literature Review

2.1 Gender Diversity and Sustainability

Research on gender diversity in leadership and sustainable business practices has expanded significantly over the past two decades. Studies consistently demonstrate that gender-diverse boards positively influence stakeholder orientation, decision-making, and ethical outcomes (Hillman, 2015; Larrieta-Rubín de Celis et al., 2015; Lin et al., 2018; Manita et al., 2018). Shaw (2022), for example, highlights that changes in female board representation are positively associated with corporate social responsibility (CSR) performance, which in turn is reflected in stronger environmental, social, and governance (ESG) scores. Similarly, Bajic and Yurtoglu (2018) identify CSR as a key predictor of ESG scores, while Francoeur et al. (2019) emphasize that female board representation significantly enhances corporate social performance, particularly in large corporations such as those included in the Fortune 500. Velte (2016) finds comparable results in German and

Austrian firms, identifying a positive correlation between gender diversity on corporate boards and ESG performance. In emerging markets, Issa and Hanaysha (2023) show that female representation reduces ESG controversies, particularly when boards include three or more women. Di Miceli and Donaggio (2018) add that achieving a "critical mass" of approximately 30% female representation significantly improves ESG outcomes.

Beyond firm performance, female directors are often associated with socially responsible actions that cultivate trust with stakeholders (Post & Byron, 2015). ESG scores capture these tendencies by quantifying a company's alignment with environmental, social, and governance concerns (Manita et al., 2018). Empirical evidence suggests that boards with female directors achieve higher ESG scores, further underlining their positive impact on CSR and sustainability (Charles et al., 2018). The social dimension of ESG is particularly relevant: women directors frequently draw on unique life experiences that enable them to institutionalize CSR practices, safeguard stakeholders without decision-making power, and promote inclusive governance (Francoeur et al., 2019; Emmanuel et al., 2018). These perspectives also shape resource allocation and contribute to more balanced governance practices (Lin et al., 2018; Kumar & Zattoni, 2016). Moreover, female leadership has been shown to strengthen long-term commitments to sustainability through employee development, diversity, and inclusive organizational cultures (Ahmadi et al., 2018; Cook & Glass, 2018; Harjoto et al., 2019).

2.2 ESG Framework and Research Gaps

While much of this literature focuses on CSR, it is important to clarify its relationship to ESG. CSR encompasses a wide range of voluntary corporate activities aimed at addressing social and environmental issues, often with reputational or brand-related motives (Bajic & Yurtoglu, 2018). These activities are flexible and vary across firms and industries. By contrast, ESG performance is measured through standardized and quantitative indicators, such as the Thomson Reuters Eikon ESG score, which assess environmental, social, and governance outcomes (Thomson Reuters, 2017; Drempetic et al., 2019).

The ESG framework is built around three interdependent pillars that capture the multifaceted nature of corporate sustainability. The environmental dimension evaluates performance in areas such as greenhouse gas emissions, energy efficiency, water consumption, waste management, pollution prevention, and renewable energy adoption. The social dimension encompasses labor relations, diversity and inclusion, human rights across supply chains, community engagement, product responsibility, and consumer protection. The governance dimension addresses board structure and independence, ethical standards, anti-corruption measures, transparency of disclosures, shareholder rights, and alignment of executive incentives with long-term sustainability objectives (Thomson Reuters, 2017; Friede et al., 2015). Together, these categories allow for a systematic and comparable assessment of how companies integrate sustainability into their strategies and operations, offering investors and other stakeholders standardized benchmarks for evaluating non-financial performance.

ESG metrics also closely interact with the United Nations Sustainable Development Goals (SDGs). While the SDGs set out a broad global agenda for social, economic, and environmental development (United Nations, 2015), ESG criteria allow firms and investors to evaluate performance in financially material dimensions (Khan et al., 2016). Scholars emphasize that ESG outcomes often align with SDG targets, providing firms with a measurable way to assess their contributions to global development goals (Eccles & Krzus, 2010; Friede et al., 2015). By performing well on ESG indicators, companies not only advance sustainability but also strengthen their reputation and build greater investor trust.

Despite the growing body of evidence, several research gaps persist. Much of the empirical literature is concentrated on developed economies and publicly listed corporations, where disclosure requirements and investor scrutiny are stronger. This creates a knowledge bias, as SMEs in transitional economies often operate under weaker institutional conditions, less formalized governance structures, and limited resources for ESG reporting. Furthermore, most studies adopt cross-sectional approaches, leaving questions open about the longitudinal effects of gender diversity on ESG practices across industries. Region-specific analyses also remain scarce, particularly in Southeastern Europe, where post-socialist institutional legacies may shape governance norms and corporate behavior differently than in Western contexts.

Taken together, this literature highlights that female leadership plays a critical role in strengthening ESG priorities, especially when women reach a threshold of meaningful representation. However, the evidence remains fragmented and underdeveloped for SMEs in transitional settings. This gap motivates the present study, which investigates how female leadership shapes ESG priorities in Bosnian SMEs, thereby offering localized insights and contributing to the global debate on gender diversity and sustainable governance.

While global scholarship has firmly established the positive effects of gender diversity on governance and sustainability outcomes, empirical evidence from Bosnia and Herzegovina remains limited and largely descriptive. Existing domestic research tends to focus on broader aspects of corporate social responsibility (CSR) or the adoption of sustainability standards within SMEs, while the specific link between female leadership and ESG priorities has rarely been operationalized through systematic, quantitative measures.

In this context, the *SDG Business Pioneers Award*, organized annually by the United Nations Development Programme (UNDP) in Bosnia and Herzegovina, has emerged as a valuable mechanism for gathering relevant data and showcasing best practices. The award encourages companies to map policies and outcomes across two key dimensions—People and Resources & Environment—which gradually translate CSR initiatives into measurable ESG indicators aligned with international frameworks. In recent years, several Bosnian firms have been recognized for integrating gender diversity into leadership structures while simultaneously advancing innovation, workplace quality, and environmental responsibility.

Nevertheless, insights from these award processes remain largely confined to case studies and narrative reports, without a systematic comparison across different levels of female representation in management. The present study addresses this gap by drawing on the unique 2024 dataset and applying a "critical mass" framework to assess how gender diversity shapes ESG priorities in Bosnian SMEs, thereby linking global theoretical debates with a localized empirical context.

3. Methodology

3.1 Research Aim and Data Collection

The aim of this study is to examine the impact of female leadership on ESG performance in small and medium-sized enterprises (SMEs) in Bosnia and Herzegovina. Primary data were collected during the application process for the 2024 SDG Business Pioneers Award, organized by the UNDP in partnership with the Foreign Trade Chamber of Bosnia and Herzegovina. The award promotes alignment with the Sustainable Development Goals (SDGs), focusing on the thematic areas of *People* (quality jobs and human capital development) and *Resources and Environment* (efficient resource use and reduced environmental impact).

The application process took place between January and March 2024. A total of 131 SMEs participated, representing diverse industries and regions in Bosnia and Herzegovina. Companies applied for one or both thematic areas depending on their strategic priorities. The SMEs that participated in this study represent a wide cross-section of Bosnia and Herzegovina's economy. They operate in diverse industries, ranging from traditional sectors such as manufacturing, agriculture, and trade, to rapidly expanding service-oriented and technology-driven fields. Company sizes also vary considerably, including small family-run enterprises with only a few dozen employees, as well as more structured medium-sized firms employing up to 250 people. Geographically, the sample ensures an equal distribution across the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS), with representation from all major regions of the country. This broad spread across industries, company sizes, and territories strengthens the robustness of the dataset, ensuring that the findings capture the realities of SMEs across different local contexts and making the results more generalizable and reliable for understanding trends at the national level. Access to the dataset was provided by the UNDP in Bosnia and Herzegovina within the framework of the 2024 SDG Business Pioneers Award. The study is based on a secondary data analysis of information originally collected from 131 SMEs through award applications, evaluation forms, and supplementary questionnaires. While the UNDP ensured the integrity of the application process, the present research involved an independent analysis of the dataset. Descriptive statistics and correlation methods were applied to explore the relationship between female leadership and ESG priorities. This approach enables a systematic examination of gender diversity in management structures and its association with ESG outcomes, thereby extending the scope of the original dataset beyond its primary evaluative purpose.

3.2 Research Instrument

Data were collected through a structured questionnaire specifically designed to assess environmental, social, and governance (ESG) practices of SMEs in Bosnia and Herzegovina. The instrument was developed in line with the Global Reporting Initiative (GRI) standards and established ESG frameworks, ensuring methodological consistency with internationally recognized sustainability benchmarks.

The questionnaire encompassed several key dimensions:

- Company demographics, including sector, size, and geographic location.
- Sustainable development strategies, focusing on the existence of ESG policies, codes of conduct, stakeholder engagement mechanisms, and documented achievements in the field of sustainability.
- Leadership composition, with particular emphasis on gender representation, especially the percentage of women in managerial and decision-making positions.

In addition, the instrument was structured around two overarching categories of sustainability performance indicators:

1. People (Human Capital and Inclusion) – This category captured aspects such as employee satisfaction, average wages compared to sector benchmarks, gender balance, recruitment of youth and vulnerable groups, professional training and development opportunities, and women's representation in executive and decision-making bodies.
2. Resources and Environment – This category focused on company policies and practices aimed at environmental protection and resource efficiency. It included indicators on energy and water consumption, waste management and recycling, adoption of circular economy principles, reduction of greenhouse gas emissions, and contributions to local community initiatives in the field of environmental sustainability.

The evaluation process was organized in two stages. In the first stage, company applications were independently reviewed by subject-matter experts against predefined criteria. Shortlisted companies were then invited to complete a supplementary questionnaire, providing additional detail on their practices and outcomes. In the final stage, results were verified through a quality assurance process conducted by the SDG2BiH program team in cooperation with the Council for Monitoring SDG Implementation in Bosnia and Herzegovina.

This multi-step evaluation design not only enhanced the validity of the collected data but also ensured triangulation between self-reported information, expert assessments, and institutional oversight, thereby strengthening the reliability of the research findings.

3.3 Analytical Approach

The analysis employed descriptive statistics to summarize company characteristics and ESG-related practices, as well as correlation analysis to test the relationship between female leadership and ESG performance. To explore the effect of gender diversity in leadership, companies were grouped into three categories based on female representation:

- Low representation (<34%),
- Medium representation (35–54%),
- High representation (≥55%).

This categorization follows the critical mass theory in gender diversity literature and allows for comparative analysis of ESG outcomes across the three groups.

3.4 Procedure

Data collection was conducted as part of the SDG Business Pioneers Award in Bosnia and Herzegovina 2024 process. SMEs were invited to participate through an open call, after which interested companies submitted applications via an online platform. The structured questionnaire served as the primary research instrument, and respondents were able to complete it electronically.

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To ensure consistency and accuracy, companies could revise or update their responses before final submission, but only from the same device and browser used to begin the survey. This allowed for flexibility while preserving data integrity. The questionnaire combined closed-ended items, scaled responses, and open-ended sections, enabling both quantitative and qualitative data collection.

The evaluation unfolded in two stages. First, all submitted questionnaires were independently reviewed by a panel of experts who assessed the alignment of company practices with predefined ESG criteria. In the second stage, shortlisted companies received a supplementary questionnaire, designed to capture more detailed information on sustainability practices and leadership structures. The collected data were subsequently verified through a triangulation process carried out by the SDG2BiH program team in collaboration with the Council for Monitoring SDG Implementation in Bosnia and Herzegovina.

This multi-step data collection and verification process enhanced the robustness of the findings by combining self-reported data with expert assessment and institutional oversight, thereby increasing both the credibility and reliability of the results.

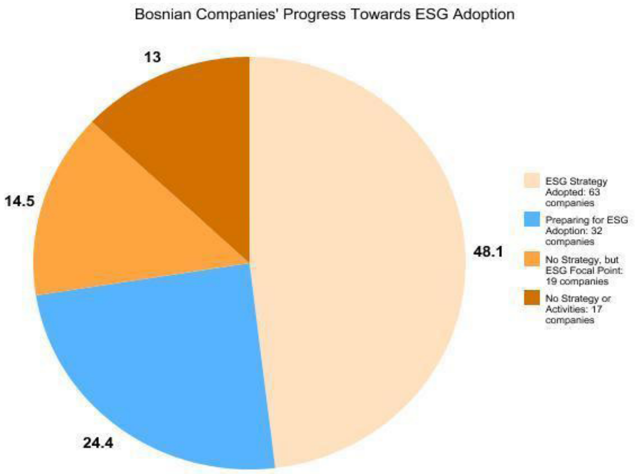
4. Results

4.1 ESG Adoption in Bosnian SMEs

The survey results reveal a promising trend in ESG adoption among Bosnian SMEs. Of the 131 surveyed companies, 48.1% (63) reported having already implemented ESG strategies, while 24.4% (32) were actively preparing for adoption. In addition, 14.5% (19 companies) indicated the presence of an ESG focal point even without a fully formalized strategy, while 13.0% (17 companies) reported having no ESG-related activities.

This distribution suggests a growing commitment to sustainability within the private sector and an increasing awareness of the importance of ESG factors in achieving the SDGs. It also reflects broader global trends, where SMEs are increasingly recognized as essential contributors to sustainable development despite their limited resources. At the same time, the findings highlight the need for targeted outreach, capacity building, and institutional support to assist companies that are still at an early stage or have not yet engaged with ESG practices. Such efforts could ensure that SMEs across different sectors are better equipped to integrate ESG principles into their operations.

Figure 1.
Bosnian companies' progress towards ESG adoption



4.2 Ethical Standards and Governance Priorities

Of the 131 companies surveyed, 128 reported having established ethical standards and a code of conduct. One company indicated that it was in the process of developing its own standards, while two companies reported lacking a formal code of conduct. A strong emphasis on compliance with laws and regulations was evident, with 111 companies prioritizing this dimension, followed by confidentiality and privacy (110) and training and education (101). Safety and security at work were reported as important by 94 companies, and respect for diversity by 89. In contrast, certain governance-related aspects received less emphasis: fair competition (74) and anti-corruption (72), with conflict of interest (55), receiving gifts (44), and whistleblower protection (42) receiving even less attention. Financing of political parties was the least prioritized (23). These results, presented in Figure 2, demonstrate that Bosnian companies place high importance on ethical standards, although several areas remain underdeveloped.

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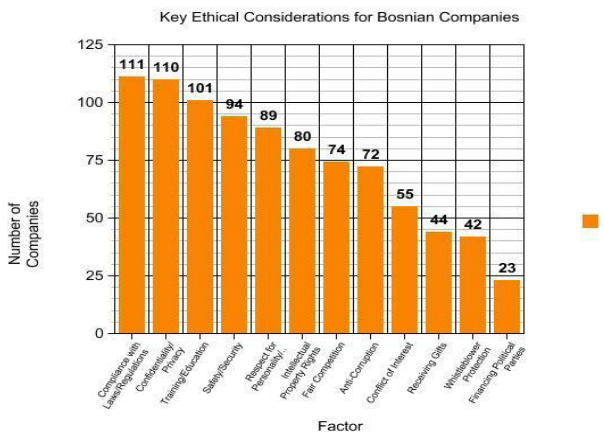
Figure 2.
Key ethical considerations for Bosnian companies



4.3 Sustainable Development Priorities

When asked to identify their sustainable development priorities, companies most frequently emphasized employee satisfaction (118), followed by productivity (99), innovation (92), and pollution reduction (95). Rationalization of resource consumption (90) was also a major concern. Emerging areas of sustainability, such as green economy (72), energy transition (52), and circular economy (50), were less prominent but still relevant.

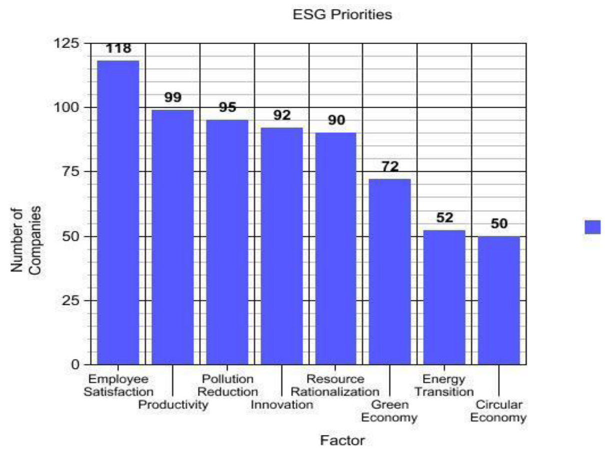
As shown in Figure 3, these results indicate that while traditional social and environmental priorities remain dominant, there is growing interest in more advanced sustainability models. The relatively lower emphasis on circular economy and energy transition suggests that many SMEs are still in the process of aligning with global sustainability agendas. Nevertheless, their recognition of these issues signals a readiness to gradually expand their practices, particularly if supported by adequate policy frameworks, financial incentives, and knowledge transfer.

4.4 Gender Representation in Leadership

To establish a baseline understanding of gender diversity, companies reported the percentage of women in their senior management teams. Results reveal a diverse distribution: 29.0% of companies reported ≥55% women in management, 37.4% reported <34%, and 33.6% fell in the 35–54% range. Following the critical mass framework in gender diversity literature (Velte, 2016; Di Miceli & Donaggio, 2018), the companies were categorized into three groups:

- Category 1: <34% women (49 companies)
- Category 2: 35–54% women (44 companies)
- Category 3: ≥55% women (38 companies)

Figure 3.
ESG priorities among Bosnian SMEs



This categorization provides a framework for analyzing the relationship between gender diversity and ESG performance in Bosnian SMEs. It also indicates broader debates on whether incremental increases in women's representation are sufficient, or whether surpassing a certain threshold—the "critical mass"—is necessary to generate meaningful change in corporate governance and sustainability practices.

4.5 Gender Diversity and Ethical Priorities

Survey results reveal that governance-related standards, particularly compliance with laws and regulations, were prioritized across all categories of companies, regardless of female representation in leadership. In Category 1, 83.7% of firms prioritized compliance and 85.7% confidentiality and privacy. Social aspects were also present, with training and education (73.5%), safety (69.4%), and respect for diversity (65.3%). Companies in Category 2 emphasized similar areas but placed relatively more weight on workplace safety (79.6%). In Category 3, compliance (89.5%) and training and education (86.8%) were most frequently highlighted, alongside respect for diversity (71.1%). As shown in Figure 4, these results suggest that higher female representation may be linked to stronger emphasis on training, education, and inclusivity.

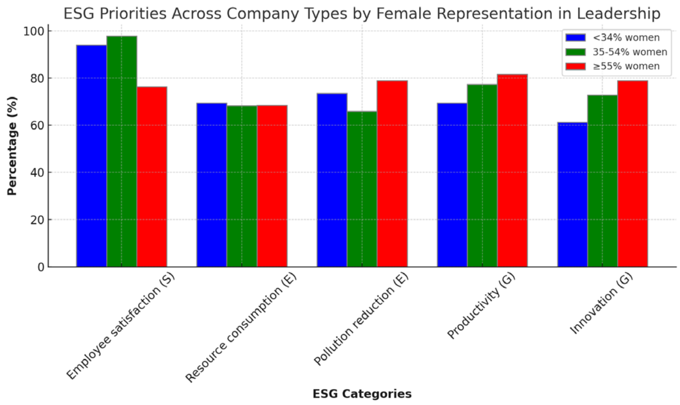
Figure 4.
Ethical priorities by gender representation

4.6 Gender Diversity and ESG Focus Areas

Examining ESG priorities through a gender lens reveals additional nuances. In Category 1, employee satisfaction was the top priority (93.9%), followed by pollution reduction (73.5%) and resource rationalization (69.4%). Companies in Category 2 maintained a strong focus on employee satisfaction (97.7%) and also prioritized productivity (77.3%) and innovation (72.7%). In contrast, companies in Category 3 placed greater emphasis on productivity (81.6%) and innovation (78.9%), while still valuing environmental issues such as pollution reduction (78.9%). Although employee satisfaction remained important (76.3%), it was not as dominant as in the other groups.

These patterns, summarized in Figure 5, suggest that a higher share of women in leadership correlates with greater attention to governance-related priorities such as productivity and innovation, while still maintaining a strong commitment to social and environmental aspects. Importantly, the results indicate that female leadership does not diminish concern for traditional ESG dimensions but rather reshapes the balance between them. In particular, the strong focus on innovation and productivity among companies with higher female representation may reflect broader perspectives on competitiveness and long-term sustainability, complementing social and environmental commitments. This highlights the potential of gender diversity to build more holistic and forward-looking ESG strategies.

Figure 5.
Top ESG priorities by gender representation



5. Discussion

The findings of this study reinforce the argument outlined in the introduction that gender diversity in leadership is a critical determinant of sustainable business performance. While previous literature has emphasized the contribution of female directors to enhanced stakeholder orientation, ethical outcomes, and CSR engagement (Adams et al., 2015; Cook & Glass, 2018; Francoeur et al., 2019), this study extends such insights to the underexplored context of SMEs in a transitional economy. Findings suggest that higher female representation in leadership correlates with both improved social and governance outcomes and elevated organizational performance in productivity and innovation.

By employing primary data from 131 companies participating in the UNDP's 2024 SDG Business Pioneers Award, the study was able to analyze the relationship between gender diversity and ESG outcomes in a unique empirical setting. This methodological approach, as described earlier, highlights the added value of using competition-based datasets that align with international sustainability frameworks. Such an approach enabled the examination of practical ESG indicators while capturing the realities of Bosnian SMEs, which are often overlooked in global governance research.

The results show that companies with higher female representation (≥55%) place greater emphasis on productivity and innovation, supporting the literature's argument that gender-diverse boards promote more dynamic governance structures (Velte, 2016; Di Miceli & Donaggio, 2018). In the social dimension, employee satisfaction is consistently prioritized across all firms, but the stronger association between female leadership and initiatives related to training, diversity, and inclusivity indicates that women leaders enhance the institutionalization of CSR principles into corporate practice. Environmental factors, on the other hand, remain relatively stable across categories, suggesting that ecological responsibility is widely recognized among Bosnian SMEs but less dependent on leadership composition.

These findings have several theoretical implications. First, they extend the literature by demonstrating that the benefits of female leadership identified in developed economies are also observable in transitional contexts. Second, the results contribute to the ongoing debate on the "critical mass" of women in leadership, providing empirical evidence that once women surpass one-third of board representation, tangible improvements in governance and social performance emerge. Finally, the study underscores the interplay between CSR and ESG frameworks, suggesting that voluntary CSR engagement in SMEs may evolve into measurable ESG outcomes under gender-diverse leadership.

Practical implications are equally significant. Policymakers should acknowledge the strategic role of female leadership in enhancing the sustainability profile of SMEs, which represent a cornerstone of Bosnia and Herzegovina's economy. Promoting gender equality in governance structures not only contributes to achieving the SDGs but also strengthens competitiveness, resilience, and inclusivity in the private sector. For managers, the results provide actionable evidence that diverse leadership teams are better positioned to balance ethical, social, and governance demands with strategic innovation.

Despite its contributions, this study has certain constraints. As mentioned in the methodology, the use of self-reported information carries the risk of bias, while the cross-sectional nature of the research limits the ability to draw causal conclusions. In addition, the absence of industry-specific breakdowns may mask potential differences in how gender diversity influences ESG outcomes across various sectors. To address these issues, future studies should consider longitudinal designs and comparative analyses in order to evaluate the durability of these effects over time and across different branches of the economy.

In sum, the discussion confirms that gender diversity in leadership is a critical factor associated with ESG performance. By linking the empirical results to broader theoretical and policy debates, the study highlights both the universal relevance and the local specificity of women's roles in advancing sustainable business practices.

6. Conclusion

This study demonstrates that female leadership has a significant positive impact on ESG performance in small and medium-sized enterprises in Bosnia and Herzegovina. Based on evidence from 131 companies participating in the 2024 SDG Business Pioneers Award, the findings reveal that greater female representation in leadership positions is strongly associated with enhanced productivity, innovation, and ethical governance, as well as greater commitments to employee development, diversity, and inclusivity.

Theoretically, the research advances existing knowledge by shifting the focus from large corporations in developed economies to SMEs in a transitional context. This contribution is particularly valuable, as SMEs constitute the backbone of Bosnia and Herzegovina's economy yet remain underrepresented in global discussions on gender diversity and corporate sustainability. By highlighting how gender-diverse leadership translates CSR commitments into measurable ESG outcomes, the study adds a localized perspective to the broader literature on governance and sustainability.

Practically, the results underscore that integrating ESG principles into business operations is a necessity rather than an option for long-term competitiveness. Promoting gender diversity in leadership structures not only strengthens corporate resilience but also aligns firms with global sustainability agendas, particularly the SDGs. Policymakers, regulators, and business leaders should therefore prioritize gender-inclusive strategies as a pathway toward sustainable growth and societal progress.

The study's limitations must be acknowledged. The reliance on self-reported data may introduce response bias, and the cross-sectional design does not allow for causal inferences. Future research should employ longitudinal approaches to capture changes over time and conduct sector-specific analyses to uncover industry-level dynamics. Comparative studies across different emerging markets could also provide additional insights into the universality or context-specificity of the observed relationships.

In conclusion, this research positions gender diversity as both a moral imperative and a strategic resource for advancing sustainability in transitional economies. Through inclusive leadership, SMEs in Bosnia and Herzegovina can strengthen their ESG performance and play a transformative role in building a more equitable, resilient, and sustainable future.

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