

THE ROLE OF CORPORATE SOCIAL PERFORMANCE IN MEDIATING THE
RELATIONSHIP BETWEEN TOP MANAGEMENT TEAM GENDER
DIVERSITY AND MARKET PERFORMANCE

by

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Abstract

This study explores how the number of females on top management teams, corporate social performance, and short-term firm performance are interrelated. In short, I hypothesized that corporate social performance (CSP) mediates the relationship between the percentage of females on a TMT and short term firm performance. Hypotheses were tested using a sample of publically traded firms listed on Standard & Poor's 1500 between 2000 and 2009, with data derived from Compustat, Execucomp, and the Kinder, Lydenburg, and Domini (KLD) database. Results indicate that the potential negative effects of selecting women into TMTs can be attributed their tendency toward initiating corporate social performance initiatives and the initial costs associated with such efforts. As a result, the market penalizes these efforts in the short-term, as illustrated by the negative total influence on Tobin's Q. Despite its limitations, this study serves as a baseline for studying how firm performance, gender composition on TMTs, and CSP are interrelated. The presence of women leaders appears to detract from short-term performance because they are more likely than men to direct money toward initiatives associated with a company's long-term strategy—often in the form of corporate social performance. In short, results imply that women run organizations differently than men, and this study contributes to understanding this difference.

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Introduction

Literature shows that having a female CEO or female board members can have many positive influences on a company, such as decreased risk levels and increased returns and stock prices (Khan & Vieito, 2013). Not only are women leaders more risk averse, but research indicates that the organizations they lead exhibit lower risk tolerances as a whole (Khan & Vieito, 2013; Peni, 2012). Hunt, Layton, and Prince (2015) have studied the topic of diversity and gathered data to show that more diverse companies have a better understanding of their consumer and thus higher financial returns. According to a McKinsey study (2015), global GDP could increase by up to \$12 trillion if every country in the world matched its fastest moving neighbor's progress toward gender parity. Yet, we also know that less than 5% of CEOs listed in Standard and Poor's are female (Peck, 2015). Society at large and the market react in a way that communicates to the world that women are a bad idea for top management teams (TMTs) (McDonald & Westphal, 2013). This reaction and the remaining questions about gender in leadership are important to understand because of the growing desire for gender equality in politics, the home, and the workplace. These unknowns suggest there are many misconceptions about how women in positions of power in the workplace will affect the world we live in. Fortunately, there are many different theories and lenses that can help us to predict current impact and future implications, many of which I will discuss in this study.

The factors described above contribute to the firm's overall well-being, but most scholarly work has only examined companies with a female CEO. Studies of companies with multiple women in upper management are minimal. Moreover, although research has examined the effects of chair-women of the board (Peni, 2012), little work has examined the full TMT or how gender roles can affect some of the strategic practices a company chooses. As a result, the

underlying mechanisms that explain the relationship between female top management team members and firm performance are not well understood. There have been many factors studied in regard to how to define success of firms with female CEOs. Khan and Vieito (2013) examined stock returns after IPO, profitability relative to average sector profitability, total earnings, shareholder wealth, and abnormal returns at the announcement of a female CEO, and found that there were weak to strong positive correlations. Kwok (2013) examined the three-day announcement period to see cumulative abnormal stock returns, and argued that returns are not significantly different than those of men. In addition to ROA, ROE, and ROI, Kwok (2013) also studied Tobin's Q. Results, however, demonstrated no significant difference between these metrics. According to Khan & Vieito (2013), holding all other factors constant the ROA increases much more if the firm is managed by a female CEO instead of a male CEO. CEO compensation levels and tenure have also been studied, as has the competitive advantage that a CEO brings to a company (Schnarr, 2012). Many studies have recently explored the effects of a female chair-woman of the board as their own entity, with prior work recognizing them only as a member of the board at large (Peni, 2012). Other studies have failed to apply these gender theories, as well as the larger concept of corporate social performance (CSP), to the entirety of the top management team.

I propose that TMTs that are heavily female are more likely to engage in corporate social performance, that CSR has short term costs, and that this leads to lower firm economic performance in the short term (yet better relationships with stakeholders). I test my hypotheses in the context of the S&P 1500. Briefly, Hypothesis 1 predicts that there is a negative relationship between the percentage of females on a TMT and short-term firm performance. Hypothesis 2 predicts that there is a positive relationship between the percentage of females on a TMT and

corporate social performance. Hypothesis 3 predicts that there is a negative relationship between corporate social performance and short-term firm performance. And lastly, Hypothesis 4 predicts that CSP mediates the relationship between the percentage of females on a TMT and short term firm performance. All four of my hypotheses could be supported at a significance of either the 0.05 or the 0.01 level. Through this study, I help explain why there is a negative relationship between short-term performance and females on a TMT. Specifically, I argue that women are likely to engage in CSP measures, leading to direct less money toward short-term performance but a larger focus toward the community at large. Expectations of this behavior are also important for understanding how both the market and society at large view top management teams that are comprised by a larger number of women.

This study contributes to contemporary literature by applying gender and corporate social performance theories to understanding the effects of TMT gender composition in public firms' in the S&P 1500 between 2000 and 2009. I specifically intend to further the research done by Boulouta (2012) by focusing on top management teams instead of boards. My research will provide insight as to whether similar mediation effects for corporate social performance extend to the gender composition of top management teams rather than to the gender of CEOs only.

The paper is organized as follows: Section 2 discusses the literature review. Section 3 describes the research questions and hypotheses. Section 4 goes through the research methodology, detailing the sample, variables and the method of data analysis I used to conduct this study. Section 5 explains the results. Section 6 presents the discussion of the results, and Section 7 discusses the conclusions of this study.

Literature Review

Theories around this subject can be helpful for discussing the question, “Does gender of C-Suite executives have an effect on firm performance?” These theories have been discussed for decades, and they complement one another by proposing either a positive or negative cycle of success or failure when it comes to handling diversity. They have been studied within both business and gender-studies contexts, allowing me to use them as frameworks for my study.

Unconscious Bias

Unconscious bias has been studied in both management and psychology because of its foundational impacts on everything we do. The Equality Challenge Unit, an English summit on psychology, defines unconscious bias as, “a bias that we are unaware of, and which happens outside of our control” (Cornish & Jones, 2013, p. 1). The summit also adds to the definition, saying that unconscious bias happens automatically and triggers the mind into making quick judgments and assessments of people and situations, influenced by where we come from and how we were raised (Cornish & Jones, 2013). In regard to gender in the workplace, many have seen the term played out with a need to “see it to believe it” with women having prominent roles in management. Their bias is toward the unknowns that could come from having a woman in management roles because they would rather stick to what they know and are comfortable with (Gilson, 2015). Sczesny (2003) examined preferences for managers, finding that men in the study preferred male managers to female managers, further adding to this discrimination into a cycle whereby women are excluded from directorship, without any other reason than the fact that no one else has been there to pave the way (Ryan & Haslam, 2007; Nowack, 2015).

Understanding unconscious bias has the possibility to explain existing and widespread perceptions about executives and thus can be used help pave the way for women in C-suite

positions. The Huffington Post compares female CEOs to shark attacks – “extremely rare, but so well-covered by the media we think they’re pretty common” (Peck, 2015, p. 2). These women make the nightly news frequently, and we as consumers become biased toward a belief that they are much greater in number. When surveyed in 2015, male executive-level employees, guessed that 23% of the world’s largest companies have female CEOs, while women respondents guessed 25%. Both groups were far off, with the correct number falling just under 5% in the S&P 500. Of all global companies making more than \$500 million a year, only 8% have a female CEO, and 2015’s number of female CEO’s in the Fortune 500 was down from 24 to 23 (Peck, 2015). The survey respondents were optimistic about the future, although Peck (2015) argues there are many obstacles to true growth in equality at all levels. A recent search for the term “CEO” on Google Images returns five full rows of male images before the first female image pops up – CEO Barbie (Peck, 2015). When coupled with an optimistic outlook, viewing women as underdogs can be an advantage or disadvantage for women seeking to move up in their company; the unconscious bias opens doors for opportunities, but also shows just how much the world has to grow in this area of equality.

Glass Ceiling

The concept of the glass ceiling or, “an unfair system or set of attitudes that prevents some people (such as women or people of a certain race) from getting the most powerful jobs,” as defined by Webster’s Dictionary, has been a hot topic for many years both in research and popular culture. Ryan & Haslam (2007) have added to the above dictionary definition arguing that men are more likely to be given “cushy” positions in a company that serve as padding from tougher work or layoffs, while women are not. The term it is often portrayed as a lofty topic worthy of a place on the Sunday cartoons, not the apparent issue it poses for minorities,

including women, on the job. This subtlety of diminished inherent value in job duties often leads to increased restrictions on women relative to their duties, fewer tangible rewards than men, and less satisfaction on the job (Lynness & Thompson, 1997; Ryan & Haslam, 2007). To help men push past minorities and increase these inequalities is the “glass elevator,” which is exclusively for men and quickly transports them through the organizational hierarchy (Ryan & Haslam, 2007). Minorities are left to slowly take the stairs. The glass elevator effect has, for the most part, stopped equally-qualified women from reaching the top floor. Schnarr (2012) even goes so far as to say the issue is not a glass ceiling, but a sticky floor for women.

Women are already displaying their successes as managers, but these are often overlooked. The survey discussed above (i.e., that found that employees prefer a male boss to a female boss, Sczesny, 2003) was updated in 2014 by Gallup in 2014. The revised survey examined many positive outcomes from having females as managers. The study found that, compared to men, women “attributed more meaning to individual achievement” (46 percent vs. 24 percent, respectively). The participants also “obtained more respect from others” (25 percent vs. 7 percent), “had more passion for work activities” (21 percent vs. 5 percent), and made “more of a difference” (33 percent vs. 21 percent) (Nowack, 2015, pg. 3-4). Women are making their mark in the workforce, but it is often overlooked or stunted. Even when men and women seem to be dealt the same hand, a 2014 Harvard Business School survey of MBA graduates found that women were significantly less likely than men to have direct reports, to hold positions in senior management, and have opportunities for professional development and career growth (Nowack, 2015).

Glass ceilings are not just apparent on the front-end of a situation. They permeate office mentality and can affect how people think of themselves, even in relation to someone else hitting

this ceiling. In Ryan & Haslam's (2007) study, they examine four different categories of sexism that have hindered women from being promoted upward in the company and stunted their growth. These four factors include: deliberate-malign, deliberate-benign, inadvertent-malign, and inadvertent-benign. These four categories come from prevalent differences in motive and rigor of the sexism that has occurred. The authors further discuss the most prevalent examples of these properties, including hostile and benevolent sexism, group dynamics and in-group favoritism, perceived quality of leadership options, and signaling change (Ryan & Haslam, 2007). Further, they have studied the reactions to the glass cliff by both the minority and the majority. The in-group vs. out-group mentality began to grow, and there was an increased downplay of the importance of gender. As men begin to think that gender does not matter, women start to believe the same (Ryan & Haslam, 2007). These authors conclude that the sexism apparent in the workforce often leads to a lack of developed minority leaders.

Cornell and Welsh (1996) argued that if boards of directors do not have complete information regarding the personality or moral standard of candidates, then boards will play it safe and appoint a CEO who physically looks like the current board of directors with regard to race, gender, age, etc. (Kwok, 2013). An all-men team may be less informed about unobservable traits of female candidates and thus will not relate these attributes to their own (Kwok, 2013). This concept may stem from a desire to minimize measurement error in selection (Kwok, 2013), but it also minimizes potential for change and poses a problem for many women (and minorities). Relating back to unconscious bias, if a board does not have experience with a woman on the board, they will see no reason to add one unless explicitly mandated.

Sticky Floor

Konrad and Yap (2009) found in their Canadian study that women tended to be held to the bottom levels of the company, where the work required less education and the workers earned less money. When the women did have the opportunity to rise, they found a “mid-level bottleneck” where women were less likely to be promoted when compared to a middle-aged white male. The authors posit that, because there are larger differentials at the lower levels in an organizational hierarchy, there are less women to choose from for senior-level positions and less diversity all around (Konrad & Yap, 2009; Schnarr, 2012). McKinsey & Co (2015) examined corporate talent and discovered a similar pipeline. As the selection process became more selective, the proportion of women became increasingly smaller. Whereas in 2015 women made up 45% of entry-level professional employees, they dwindled to 17% of CEOs; however, these numbers are up slightly from 2012 where the percentages were 42% and 16%, respectively (McKinsey, 2015).

Glass Cliff

The glass ceiling’s lesser-known counterpart, the glass cliff, has been examined for many years because of changing climates in the workplace and responses to these changes. Although there are various definitions to describe the intricacies of the glass cliff, the most comprehensive definition comes from Cook and Glass: “occupational minorities are more likely to be promoted to leadership positions in organizations that are struggling, in crisis, or at risk to fail” (p. 1081; see also Peck, 2015). The occupational minorities mentioned include gender, age, and race, although gender will be the primary topic of this study. The glass cliff increases the factor by which a woman needs to be better than her male counterparts to achieve the same level of status and achievement (Eagly, Makhijani, & Klonsky, 1992; Ryan & Haslam, 2007).

These findings relate to the concepts of gender-role spillover and gender congruency. These concepts explain the devaluation that women experience relative to males when the former lead in ways that are typically male dominated. Specifically, spillover occurs when women unintentionally bring gender roles from outside the office and apply them in a work context. Congruency is when a person's behavior matches gender stereotypes (Eagly, Makhijani, & Klonsky, 1992). When a woman acts in an authoritarian manner, which is often stereotypically reserved for male use, she is being incongruent with expectations of her coworkers. Eagly, Makhijani, & Klonsky (1992) integrate the logic of unconscious bias and the glass cliff, finding that each is especially apparent when the evaluators of the behavior are men. These concepts relate closely to Social Role Theory and the Romance of Leadership, both of which will be examined shortly.

Ryan & Haslam (2007) specifically examined the consequences of gender relative to the glass cliff. Their study examined the elements of risk for female CEOs, including a need for an increased ability to show success on the part of female managers in the workplace (Eagly, Makhijani, & Klonsky, 1992; Ryan & Haslam, 2007). The authors examined the element of negative publicity and the vicious cycle that can occur once a woman is brought into a new leadership role, originating from a focus on the individual and their abilities, qualities, successes, and failures, instead of situational influences or context (Lee & James, 2003; Ryan & Haslam, 2007).

More often than not, stereotypes present in the workplace reflect qualities that occupational minorities are thought to lack, such as intelligence, competence, and leadership ability (Cook & Glass, 2013). It relates to the glass cliff because when minorities are set up for failure by taking the helm of a failing organization, they are likely to be judged based on

demographic characteristics (e.g., gender, race, or age) instead of the situation and resources at hand. In response to this, women often “take the fall” off this glass cliff instead of rationalizing the failure as a result of the problems at hand—as research suggests men are more likely to do (Blanton, 2005; Ryan & Haslam, 2005). One explanation may be that women will accept these positions in the first place because they are fearful that no better opportunities in the future will come (Cook & Glass, 2007). It may also stem from female CEO’s caring more about self-transcendence (e.g., benevolence and universalism) and are thus more willing to share power (Kwok, 2013).

Savior Effect

Whereas the glass cliff states that occupational minorities are more likely than white men to be promoted to CEO of firms that are performing weakly (Cook & Glass, 2013), the savior effect occurs when performance declines during the tenure of a minority leader and he/she is replaced with white men, with either helping promote equality in management-level positions (Cook & Glass, 2013). In other words, when a woman (or other minority) fails at turning around an already failing company, the board often instates a middle-aged white man, emulating the situation in place when the failure began in the first place. This concept brings the cycle full circle and spurs the appointment of more middle-aged white men to the boardroom and C-Suite roles because the largest avenue that consumers see female CEO’s through is failure at stopping impending doom.

Social Role Theory

Ryan & Haslam (2007) also argue the concept of “think manager, think male” vs. “think crisis, think female.” This double-bind reflects the belief that women are best to deal with crisis and men are best to deal with the task demands of success, and the opposite is not true (Eagly,

Makhijani, & Klonsky, 1992; Schein, 1973; Ryan & Haslam, 2007). Cook and Glass (2013) add that women's assumed emotional sensitivity, relational style, and interpersonal skills may be more highly valued in struggling organizations that face difficult personnel decisions. Pulling from different studies, the pair determined that with each participant group, the participants were more likely to select a woman as suitable for the lead position when the company was either in a "downturn in performance" or "associated with negative publicity and criticism" (Ashby, 2007; Haslam & Ryan, 2007). This finding relates back to and reinforces the glass cliff.

Overall, this theory helps demonstrate that women are required to have accomplish more than men to be seen as equal to a men because of the different perceptions of their skills and abilities. Boulouta (2012) suggests that men and women behave according to stereotypes and beliefs, associated with the social role they occupy. This can be helpful when implementing social responsibility initiatives, but problematic when it comes to gaining the authority to hold an audience or to speak up. Women are only perceived as more competent than men when there is explicit evidence of a woman's clear and significant superiority (Bigelow, Lundmark, Parks, & Wuebker, 2012).

Romance of Leadership

One of the biggest proponents of the concept of glass cliffs and its vicious cycles comes from the "romance of leadership." This concept comes largely from Meindl's research exploring change being attributed to internal qualities, not external (Meindl, 1993; Meindl, Ehrlich, & Dukerich, 1985; Ryan & Haslam, 2007). When a woman succeeds, success is attributed to the environment and the company as a whole. For a man credit is attributed to him personally. Conversely, when a woman fails, the blame is placed on her, and with men it is attributed to the external environment (Ryan & Haslam, 2007). Researchers from florida International University

extended this finding by establishing that men tend to rate themselves significantly higher than women rate themselves, except when the latter occupy senior-level positions and are rating personal effectiveness (Nowack, 2015). Interestingly, this study also found that when others rated individuals in middle and senior leadership positions, they rated women significantly higher than men. Women were likewise rated significantly more effective overall in business (Nowack, 2015).

Tokenism

Because of the glass ceiling, frequent lack of training and development for minorities, and the growing use of quotas around the world as a means of promoting equal representation in management settings, tokenism is likely to occur. In the present context, tokenism is appointing someone (typically a minority, e.g., in terms of age, race, or gender) to a board of directors or upper level management position, not because of the strength he/she will add to the team, but because of a diversity quota or goal that a company feels it must meet (Adams & Ferreira, 2008). This quota may be self-imposed or, as is the case in many nations around the world, government-mandated. Although some may view such quotas as a form of development, but they can have negative consequences for a company. For instance, if the team member is chosen for a job based on his/her demographic characteristics, but otherwise is unqualified, they may actually detract value from the team.

Another potential consequence occurs when a board of directors finds its token of a certain minority and thus stops looking for members of the team that are in same minority category. If a company decides it needs one woman on the board and is “checks” the figurative box by appointing a single woman, it might feel accomplished in their diversification and no longer look for additional women (Farrell & Hersch, 2003). Although many countries appear to

have succeed in increasing diversity by imposing quota laws for boards, the newness of these laws means that long-term effects on company performance are unknown. As a nation, the U.S. falls behind the likes of Norway, Spain, France, and Iceland, which are all currently working toward 40% quotas. Both Germany and Brittain have 30% quotes, with Germany expecting to fulfill theirs by 2016 (Gilson, 2015). Depending on the individual motivation of the company for compliance in this global initiative, we can generally predict the trends they will face. A Credit Suisse (2012) study claims that approximately 29% firms in developing Asia possessed women board members in 2011, compared to 12% at the end of 2005. In Europe, 48% of firms reported women in board rooms in 2005, but this number had rising to 85% by 2011. This research, however, did not examine performance levels of the studied firms (Al-Mamum, Yasser, Entebang, & Murugan, 2013).

Nonetheless, there have been multiple studies looking at firm performance when the board of directors chooses members with the goal of appeasing the public and filling a quota. Adams & Ferreira (2008) have found many positive tangible and intangible results come from more women on a board, including better attendance for the entire board of directors. As more women are put on the board, the more likely both women and men are to attend the meetings. Women are also more likely to join committees, specifically audit monitoring committees, than men. These factors allow for more accountability of upper management and contributes to a CEO turnover rate that is sensitive to stock performance (Adams & Ferreira, 2008; Khan & Vieito, 2013). Their study also examined the compensation structure and found that directors receive more equity-based compensation when there are female board members than when there are not. Farrell & Hersch (2003) found that women typically serve on the boards of more

successful firms in a particular industry, but these authors did not explore possible reasons for the association of women board members and firm success.

In contrast, the average effect of female board representation on firm performance was negative in the Adams & Ferreira (2008) study mentioned above. Most of the companies they studied had poor motivation for adding diversity to the team, resulting in reduction in firm value. Farrell & Hersch (2003) suggest that corporations tend to encourage diversity as an outward metric, looking toward external and internal calls for diversity when instead they should be evaluating on merit of the candidates at hand. These authors add that statistically there has been an overrepresentation of female directors on multiple boards because of a lack of qualified and trained candidates. Female CEOs and female board chairs are often positively correlated because a woman serves as both simultaneously (Peni, 2012). As described in the section above, tokenism comes in the form of a quota mentality. Farrell & Hersch (2003) found a negative likelihood of a firm adding a woman if there is currently a female member, but a positive likelihood of adding a woman when a female director left the board in the same year. Similarly, Kwon (2013) found an increase in the proportion of female directors from the 50th (11.11%) to the 75th percentile (18.18%) is associated with a 12.26% increase in the probability of a female CEO appointment.

Resource Dependency Theory & Success Factors

Hillman, Shropshire, and Cannella (2007) examined resource dependency theory, or the “interdependence between organizations and entities in their external environment that control important resources (p. 942).” Pfeffer and Salancik (1978) expounded on resource dependency theory to say that there are three specific benefits from board linkages: 1) advice and counsel, 2) legitimacy, and 3) channels for communication, access, and support (Hillman, Shropshire, &

Cannella 2007). This theory has been linked to gender studies because gender diversity functions within the organizational characteristics of a company. Women diversify strategic and network effects. Further, women add to organizational size by increasing body count and refine industry type because women historically trend toward certain industries (Hillman, Shropshire, & Cannella 2007). Gender has also been found to facilitate creativity, add legitimacy, add purchasing power, and signal career growth to the rest of the company (Hoffman & Maier, 1961; Nemeth, 1986; Hillman, Shropshire, & Cannella, 2007). These linkages are also important because as more women are added to a board, the more likely the boards they are linked to will also add a woman (Hillman, Shropshire, & Cannella, 2007).

Hunt, Layton, and Prince (2015) studied companies in the top quartile for diversity (gender, racial, and ethnic) and found that they are 15% more likely to achieve financial returns that are above their national industries. The authors attribute this to the fact that diverse companies “are better able to win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns” (Hunt, Layton, & Prince, 2015).

Studies using both quantitative statistics and qualitative testimonies have found that increased board diversity ultimately makes the glass ceiling less pronounced over time (Kwok, 2013). In addition, firm risk is smaller with a woman at the helm than when a man is, perhaps because women are more inclined toward lower personal risk than are men (Khan & Vieito, 2013). The Khan and Vieito (2013) study argues that firms with gender diversity in senior management tend to have higher earnings quality. They examined higher stock returns, profitability relative to the average in the sector, shareholder wealth, ethical behaviors, and abnormal returns at announcement, finding positive correlations for all (Khan & Vieito, 2013).

Having women on the board communicates to the rest of the employees that the firm is committed to advancement of women, implies a female-friendly culture, and increases motivation (Kwok, 2013; Daily & Dalton, 2003). Peni (2012) adds that higher expectations for women in the workforce often push them to achieve added competence to work toward fulfilling those expectations. Along with communication styles that are often seen as superior, women-led teams tend to have better decision-making and problem-solving experiences and successes (Peni, 2012). When leadership styles are added to the items studied, results indicate that women are more likely to adopt and use techniques that are empowering, participative, and collaborative (Nowack, 2015). Equality in the workforce may be encouraged by studies such as these that demonstrate financial returns and positive employee reactions, but too many limiting factors remain to determine the extent to which diversity and equality will eventually be impacted in typical organizations.

Hypotheses

Many studies have shown statistically that companies with women in executive leadership roles are not as successful as those run by men, but the overall results have been inconclusive. Adams and Ferreira (2009), Smith, Smith, and Verner (2006), and Shrader, Blackburn, and Iles (1997) found negative financial indicators with women on top management teams (McDonald & Westphal, 2013). However, one major factor present in many of these studies is the idea of Tokenism. As discussed above, many minorities do not have the same development opportunities as the majority and thus are less qualified for roles in the TMT (Ryan & Haslam, 2007). Firm performance was negative in the Adams and Ferreira (2008) study because most of the companies they studied had poor motivation for adding diversity to the team,

resulting in reduction in firm value. When organizations do not see the inherent need for diversity on their TMT, they are likely to pick a poor candidate and thus lower their profits.

One of the most prominent concepts results from a second wave of discrimination toward the glass cliff, as discussed above. The glass cliff alludes to this wave representing the consequences women face if/when they are blamed for the downfalls of their organization. They are seen as the face of the failure and thus feel the brunt of the blame (Ryan & Haslam, 2007). Because of the already small sample size and media's obsessive coverage, the negative association between women and performance can be made quickly (Peck, 2015), and over time, such perceptual associations may shape the market's response to female leaders and TMT members even when the glass cliff is not at play.

Another sub-segment of this glass cliff is the stereotype of "think manager, think male" in comparison to "think crisis, think female." These stereotypes suggest that women are more often conceptually associated with failing companies, and thus failure. Even though this theory suggests that women are more equipped to handle failure than men, women will be more closely associated with the failure and will be remembered for it (Ryan & Haslam, 2007). Thus, women are seen as contributing factors toward firm failure instead of the environment in which they were placed.

Therefore, I hypothesize that:

H1: There is a negative relationship between the percentage of females on a TMT and short-term firm performance.

Men and women lead differently. As discussed previously relative to Social Role Theory, this difference has great effects on how women are perceived and act in the business world.

Women are thought to be more ‘communal’ and men more ‘agentic’ (Boulouta, 2012). The average female leader can be categorized as more ‘participative,’ ‘collaborative,’ and ‘democratic’ than ‘commanding and controlling’ (Nowack, 2015). Female directors have been found to care about the concept of ‘self-transcendence’ and are thus more willing to share power through their benevolent and universalist perspectives (Kwok, 2013).

Social Role Theory suggests that men and women act according to the stereotypes people believe that they occupy (Boulouta, 2012). Companies often regard corporate social performance as a ‘soft’ issue and it is not seen as an important factor in creating shared value (Boulouta, 2012). Heilman and Chen (2005) found people react far more negatively to women who choose not to help others than they do to males who behave similarly (Boulouta, 2012). Corporate social performance is thought to be a more nurturing, kind, and holistic aspect of business, (Boulouta, 2012) and thus it seems likely that women would be more drawn to this type of activity.

Therefore, I hypothesize that:

H2: There is a positive relationship between the percentage of females on a TMT and corporate social performance.

Although neither my study nor literature review specifically discuss the relationship between corporate social performance and short-term financial performance, I propose there will be a negative influence of CSP on short-term financial performance. Markets traditionally evaluate organizations based on their short-term financial performance and other ratios signifying current performance; they are less likely to evaluate or value social impact. The market has functioned this way for many years and evidence suggests it is yet to change to reflect the changing nature of business (Market Value). Because CSP can be costly to implement,

it likely detracts away from short-term financial performance—even if it ultimately proves beneficial to an organization in the long-term. As such, market value (in addition to the other ratios that the market uses) is likely to initially decrease when a firm demonstrates substantial investment in socially-related endeavors.

Therefore, I hypothesize that:

H3: There is a negative relationship between corporate social performance and short-term firm performance.

If the market reacts negatively to women, and to corporate social performance, I contend that the two can be jointly considered to help us better integrate the relationships suggested by various gender-related theories. As mentioned relative to Hypothesis 2, markets traditionally evaluate financial performance through strictly financial performance measures (Market Value). In combination, Hypotheses 1 through 3 suggest an alternative explanation (e.g., as opposed to tokenism or the glass cliff in and of themselves) for the negative relationship between females and short-term firm performance that have been observed in previous. Specifically, the alternative lies in corporate social performance and the focus on such activities by women leaders.

People have proposed that including women on a TMT is not good organizational performance. The potential negative effects of selecting women into TMTs can be attributed, I've hypothesized, to their tendency toward CSP initiatives and the upfront costs associated with such efforts. In turn, I believe the market will penalize these efforts in the short-term, as discussed in Hypothesis 3. Women are taking away from short-term performance and directing this money toward a company's long-term strategy—often in the form of corporate social

performance. Therefore, in addition to or instead of other potential mediating mechanisms, CSP will play a statistically significant role in transmitting the influence of female leadership on short-term financial performance.

Therefore, I hypothesize that:

H4: Corporate social performance mediates the relationship between the percentage of females on a TMT and short term firm performance.

Methods

Sample

My data comes from from three sources. Firm performance and control variables are drawn from the Wharton Research Data Services (WRDS) COMPUSTAT dataset. The CEO gender variable is from the WRDS Execucomp dataset. The corporate social performance data comes from the Kinder, Lydenberg, Domini (KLD) database.

KLD is a statistical tool to help analyze trends for social, governance, and environmental performance. It uses approximately 80 indicators in seven different categories (Community, Corporate Governance, Diversity, Employee Relations, Environment, Human Rights, and Product) to give information to those looking for investment decision advice (KLD, 2006). Each of the seven categories is broken up into “strengths” and “concerns,” that are given either a “1” or a “0” in a binary fashion based on the presence of the strength or concern. Data is drawn from annual and quarterly reports, annual surveys, and external data sources such as news articles, reports by third-parties and academic articles (MSCI, 2015).

My sampling frame includes publicly listed companies between the years of 2000 and 2009. I wanted to have a sample of an even ten years so that I could see the changes over time. In addition, as I will address further in the discussion section, the KLD data set changed in 2009. I

thought that it would be inappropriate to combine data collected using two different approaches, I elected to only sample data gathered before 2009 and for which more years of information were available. I then went backward to 2000 to create my ten-year time frame. I matched all available firms from the three databases according to year and ticker symbol. The resulting sample is 1,865 firms and 10,695 firm-year observations.

Variables

Dependent Variable: Firm performance (Tobin's Q). Tobin's Q is a ratio between 0 and 1 that assesses whether a stock is under- or over-valued. A low Tobin's Q ratio suggests that the stock is undervalued because assets are worth more than the stock valuation, and vice versa. This measure reflects investment decisions and how the market views or values public firms in the S&P 1500 (Q Ratio).

$$Q \text{ ratio} = \frac{\textit{Total Market Value of a Firm}}{\textit{Total Asset Value}}$$

Independent Variables: Corporate Social Performance and Percent Female. This study assessed two independent variables. The first is Corporate Social Performance (CSP). In this study, I focus on the 'strengths' portion of the KLD data. That is, females seem to enact positive initiatives in firms (e.g., give more money to charity), but not necessarily decrease negative behaviors (e.g., pollute less). The one segment of CSP that was taken out of the KLD information for the study was "Women in Leadership Roles" because this serves as part of the dependent variable. The second independent variable, which was collected from the Compustat database, is the percentage of women listed on the TMT out of the total number of members on the TMT.

Control Variables. Throughout the literature, most studies controlled for general markers of size, hence, this study controls for multiple indicators or organizational size and other

factors that might influence performance (Boulouta, 2012). The first control variable is TMT size, or the number of members on the TMT. Second, average age of TMT members was controlled for. Thirdly, I controlled for average total compensation for TMT members. Fourthly, the state in which the company is headquartered was controlled for. The fifth control was the number of employees at the firm (in ten thousands). Lastly, the revenue of the firm (in thousands) was controlled for. Each of these was a “usual subject” for studies exploring gender and corporate social performance (Boulouta, 2012).

Method of Analysis

The data produced is a panel data set, meaning there are multiple observations from the same firms between 2000 and 2009. Ordinary Least Squares regression (OLS) is inappropriate because the error terms within firms may be correlated. Panel regression in Stata 13 was used, with year as the time variable and firm as the panel variable.

Results

Table 1 presents the descriptive statistics and correlations among the variables of interest. Table 2 presents the results of our models. Model 1 includes only the control variables as predictors of firm performance. Model 2 tests Hypothesis 1 and includes the control variables as well as the percentage of females on the TMT as predictors of firm performance. Model 3 tests Hypothesis 2 and includes the control variables as well as the percentage of females on a TMT variable as predictors of CSP. Model 4 provides the results of the mediation test.

Hypothesis 1 predicts that there is a negative relationship between the percentage of females on a TMT and short-term firm performance. As shown in Model 2, the coefficient for the percentage of females on a TMT variable is negative and significant ($\beta = -0.22$; $p < 0.05$). Thus, I find support for Hypothesis 1.

Hypothesis 2 predicts that there is a positive relationship between the percentage of females on a TMT and corporate social performance. As shown in Model 2, the coefficient for the percentage of females on a TMT variable is positive and significant ($\beta = 1.60; p < 0.01$). Thus, I find support for Hypothesis 2.

Hypothesis 3 predicts that there is a negative relationship between corporate social performance and short-term firm performance. As shown in Model 2, the coefficient for the CSP variable is negative and significant ($\beta = -0.07; p < 0.01$). Thus, I find support for Hypothesis 3.

Hypothesis 4 predicts that CSP mediates the relationship between the percentage of females on a TMT and short-term firm performance. As shown in Model 2, the coefficient for the percentage of females on a TMT variable loses significance ($\beta = -0.22; p < 0.05$) when CSP is added to the equation, suggesting that CSP fully mediates the relationship between the percentage of females on the TMT and Tobin's Q. Thus, I find support for Hypothesis 4.

Discussion

Through this study, I integrated two schools of thought—business and gender studies—to explore how they corroborate each other. I argue that both females and CSP have a significant impact on short-term firm performance. Overall, this can be attributed to the expectations of women and their roles as leaders in their organizations. Heilman and Chen (2005) have found people react far more negatively to women who choose not to help others than they do to males who behave similarly (Boulouta, 2012). Society expects women to do 'good things' because women are seen as the nurturers and caretakers, while men are the more numbers and details driven gender.

This study is important for both theoretical and practical reasons. This study has helped to add to the literature because it looks at a larger group of people than just the designated

‘leader’ of an organization. Rather, I consider the full team making decisions together. As society and the business world become more inclusive, this study has the potential set a baseline for future understanding and exploration. The use of panel data allowed me to look at data over time and see different trends across time, and the use of Tobin’s Q accounts for perception in a way that has not received little attention in prior research. Practically, this study contributes to awareness of biases and how they affect the environment in which we work. Both managers and employees can hold ourselves to a higher standard, break through the barriers, and be open minded to change that diversity brings.

My results suggest that women leadership detracts from the short-term performance of a firm. Importantly, the reason for this decline in performance is not necessarily due to the glass cliff. Rather, it appears that the decline results at least partially from women directing more resources toward corporate social performance or doing ‘good things’ for others—whether the good is for their employees, their customers, or the world at large. As more barriers to minorities in top management teams are broken down, it is possible that greater balance of strategy between social and financial perform will emerge.

Despite the various contributions of this study, there are a number of limitations to address, all of which represent opportunities for further study. The first limitation is that databases used in this study only the information that these publicly traded firms are required to provide to the government. As such, specific information on the gender of the TMT members reflects only the top five paid employees in any given organization. If there are more than five members of the TMT, the additional individuals cannot be included in the independent variable because companies do not have to legally disclose this information. Although this issue opens up

opportunities for further research into the excluded members of the TMT, such exploration was not within the scope of this study.

This sample (the S&P 1500) is a very helpful one for finding information because the included companies are mandated by the government to release much of the information I was looking for. The use of it does, however, have limitations. First off, the sample is only from US markets. Findings might differ in a sample of international firms operating in culture with different laws and attitudes toward gender. Secondly, this sample comprises both large and public firms. Although much of the U.S. economy is driven by these two categories of enterprise, it is unclear whether results would be similar in smaller, privately held or not-for-profit organizations.

Lastly, the KLD database did not have information on every company that was included from the S&P 1500. As such, the usable sample size was reduced by the inclusion of CSP (which could only be measured from the KLD database) as a mediator. In addition, the KLD database changed their method of collecting data in the beginning of 2010, changing its validity. Because it would be inappropriate to combine data collected using two different approaches, I elected to only sample data gathered before 2009 and for which more years of information were available. Although I believe this data to be broadly representative, I would like to find a larger group of reliable data to test the extent to which my present findings hold for organizations after the financial crisis.

Although exploring long-term organizational performance was not within the scope of my study, the alternative explanation of corporate social performance for the negative relationship between females and short-term financial performance may raise questions about whether there are long-term benefits that might ultimately accrue to organizations that are led by

women and that emphasize CSP. Despite the negative short-term market effects, long-term outcomes could be more positive as costs from CSP are recouped and as consumers increasingly raise their social awareness. Further research is required to determine the nature of long-term effects.

Conclusion

Overall, there are many anecdotal stories and some societal assumptions suggesting that including women on a TMT is not good for organizational performance. As I have illustrated through the present study, these anecdotes and stereotypes are not entirely accurate. The potential negative effects of selecting women into TMTs can be attributed their tendency toward initiating corporate social performance initiatives and the initial costs associated with such efforts. In turn, the market penalizes these efforts in the short-term, as illustrated by the negative total influence on Tobin's Q. Despite its limitations, this study serves as a baseline and beginning study for how the concepts of firm performance, gender on TMTs, and CSP are interrelated. Women are taking away from short-term performance and directing this money toward initiatives associated with a company's long-term strategy—often in the form of corporate social performance. In short, it appears that women run organizations differently than men. Although it remains too early to draw firm conclusions, perhaps this balance will ultimately prove beneficial for long-term financial performance.

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Tables

Table 1. Descriptive statistics and correlations

	Mean	S.D.	1	2	3	4	5	6	7	8
1) Tobin's Q	1.42	1.40	1.00							
2) Female %	0.07	0.12	0.04	1.00						
3) CSP	1.64	2.25	0.01	0.15	1.00					
4) TMT Size	4.92	0.36	-0.05	0.00	0.09	1.00				
5) Avg. Age	53.42	5.40	-0.12	-0.06	0.07	0.06	1.00			
6) Avg. Comp.	2851.02	4065.98	0.11	-0.01	0.32	0.05	0.04	1.00		
7) Employees	2.14	6.90	-0.03	0.00	0.32	0.06	0.07	0.25	1.00	
8) Revenue	6420.69	19377.59	-0.06	-0.02	0.45	0.07	0.09	0.36	0.68	1.00

Note: All correlations with an absolute value greater than .02 are significant at the $p < .05$ level.

Table 2. Results of panel analyses

	Model 1	Model 2	Model 3	Model 4	Model 5
	β (SE)				
DV:	Tobin's Q	Tobin's Q	CSP	Tobin's Q	Tobin's Q
TMT Size	-0.12*** (0.04)	-0.12*** (0.04)	0.08 (0.05)	-0.11*** (0.04)	-0.11*** (0.04)
Average Age	-0.00 (0.00)	-0.00 (0.00)	-0.01*** (0.00)	-0.00 (0.00)	-0.00 (0.00)
Average Compensation	0.00*** (0.00)	0.00*** (0.00)	-0.00 (0.00)	0.00*** (0.00)	0.00*** (0.00)
State	Incl.	Incl.	Incl.	Incl.	Incl.
Employees	-0.01*** (0.00)	-0.01*** (0.00)	0.02*** (0.01)	-0.01*** (0.00)	-0.01*** (0.00)
Revenue	-0.00*** (0.00)	-0.00*** (0.00)	0.00*** (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
Female %		-0.22** (0.10)	1.60*** (0.13)		-0.10 (0.10)
CSP				-0.07*** (0.01)	-0.07*** (0.01)
Wald χ^2	551.19***	555.69***	1195.77***	653.81***	654.72***

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$