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„The Influence of Organisational Characteristics on  
Female Executive Board Representation in US  
Corporations“

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*To Ania and Liliana*

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## **Abstract**

The purpose of this study is to investigate the impact of organisational characteristics on female executive board representation in large US corporations. The examined organisational characteristics act as proxies for not directly observable policies and practices regarding human resources at US corporations. The observed differences between companies provide insight into the role of these policies and practices in facilitating or impairing the career advancement of female management professionals in the United States. For the empirical analysis, data on S&P 500 companies were retrieved from S&P's Compustat Fundamentals Annually and Compustat Execucomp. Subsequently, a series of cross-sectional regression analyses were conducted. The findings suggest that a majority of US corporations discriminate against female candidates for vacancies on the executive board based on the job attractiveness of the advertised vacancies. Furthermore, the study findings indicate that certain policies and practices which are more likely to be found in relatively larger corporations increase female executive board representation. The findings maintain that female executive officers might exhibit greater risk aversion with respect to personal income compared to their male colleagues. Finally, the existence of token effects is rejected. A number of limitations to the study exist. Race, ethnic background and a series of further personal characteristics of executive officers remain unobserved. Furthermore, the cross-sectional design of the study leaves temporal effects disregarded. Although the sample was drawn exclusively from US corporations, the conclusions are likely to be, at least partly, applicable to other countries. In practice, this study suggests that female executive officers may profit from working for relatively larger employers. However, female job candidates are more likely to be appointed to precarious positions on the executive board. Contrary to token theory, women in top management appear to support, rather than to hinder, the career advancement of their female colleagues. From a

corporate perspective, employers struggling to increase gender diversity in the composition of the executive board may consider the findings of this study and adapt their policies and practices accordingly. In particular, employers may consider adapting their compensation schemes for executive officers in order to increase job attractiveness for women. From a scientific perspective, this study contributes to a small but potentially important body of literature on the role of employers regarding gender diversity and equal employment opportunities.

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# **The Influence of Organisational Characteristics on Female Executive Board Representation in US Corporations**

## **Background**

The societal and economic role of women in the United States of America has changed dramatically over the course of the twentieth century. The events surrounding World War I and the Great Depression hit the US economy hard, causing high unemployment rates and widespread social discontent (Powell, 2011). This also led to a partial disintegration of the hitherto unquestioned role division between men and women, which had been established during the eighteenth and nineteenth century (Lindley, 1996). The traditional role division was strongly influenced by Victorian beliefs and became institutionalised when the US economy began to prosper and a middle class emerged. The newly gained wealth made a more bourgeois lifestyle possible so that women could be kept out of paid employment and fully devote themselves to the household and the family. This ideal of the nineteenth century was later labelled the “Cult of Domesticity” or “Cult of True Womanhood” (*Ibid.*, pp. 52 seqq.).

With the draft of many young men and the simultaneous dramatic increase in armaments production in the wake of World War II, the situation on the labour market quickly reversed to a labour deficit. Therefore, many women found their way into paid employment, which resulted in a significant increase in women’s labour market participation (Blau *et al.*, 2010; Jacobsen, 2007). However, the integration of women into the labour market was not sustainable as female workers were made redundant in great numbers after the war in order to facilitate the re-employment of the returning male war veterans. Higher positions in private business and public administration also remained largely inaccessible to women. This situation began to change only during the 1960ies and

1970ies, when the American feminist movement gained momentum and women's rights became an intensively discussed issue (Hartman, 2011).

Since then, the gender gap in employment has been constantly narrowing. Based on the population of employable women in the US<sup>1</sup>, the fraction of women engaged in paid employment increased from 40.8 per cent in 1970 to 53.6 per cent in 2010 while the respective fraction of men decreased during that time from 76.2 per cent to 63.7 per cent (U.S. Department of Labor - Bureau of Labor Statistics [BLS], 2012, pp. 8-9). Similarly, in 2009 28.9 per cent of wives earned more than their employed or self-employed husbands, compared to 17.8 per cent in 1987 (*Ibid.*, p. 78). Likewise, the educational attainment of women in the United States increased considerably over the last forty years. Whereas in 1970 only 11.2 per cent of women in the civilian labour force, i.e. employed and unemployed, held a college degree, in 2010 36.4 per cent had received postsecondary education so that the fraction of women in the civilian labour force holding a college degree currently exceeds that of men (*Ibid.*, pp. 23-25).

Despite these achievements, gender inequalities still persist in the US labour market. Most importantly, women continue to fulfil the role of primary caretakers for their offspring so that, in consequence, the employment rate of the female population varies strongly by the presence of children in the household. In 2010, the employment rate of women with children aged six to seventeen was 71.2 per cent while only 57.6 per cent of women with children under six and 54.5 per cent with children under the age of three years were engaged in paid employment. Not entirely unsurprisingly, no such differences are reported for the male population (*Ibid.*, p. 13).

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<sup>1</sup> The employable population is defined by the Bureau of Labor Statistics as the "civilian noninstitutional population" and includes all "persons 16 years of age and older residing in the 50 States and the District of Columbia who are not confined to institutions (for example, correctional facilities and residential nursing and mental health care facilities) and who are not on active duty in the Armed Forces" (BLS, 2012, p. 96).

Gender inequalities also manifest in horizontal and vertical occupational segregation. For example, among management professionals, approximately seventy per cent of all human resources and social and community service managers are female while in the business areas of construction and engineering only about seven per cent of all managers are female (*Ibid.*, p. 28). The situation is even more disturbing in the case of hierarchical differences. Despite the legal and practical progress regarding women's equal rights and the fact that by 2010 women constituted 46.6 per cent of the US labour force and occupied 51.5 per cent of all management positions (including related occupations), only 14.4 per cent of all executive board positions in Fortune 500 companies were occupied by women (Soares *et al.*, 2010). Similarly, only 3.8 per cent of all companies listed in the Fortune 500 index had a female CEO (BLS, 2012; Catalyst, 2012). With the exception of Scandinavian countries, the situation in Europe is much alike. In 2012, only three per cent of all executive officers in Germany's thirty biggest corporations, which are listed in the DAX, were women (Grabitz, 2012). Likewise, a study among Austria's two hundred leading companies revealed that a mere 5.1 per cent of all executive positions are occupied by women (Ahmad *et al.*, 2012, pp. 13-18).

### **Purpose and Organisation of the Study**

The causes of the abovementioned stagnation in the professional advancement of women in senior positions have been intensively discussed and the question why it is precisely the top management level which proves to be so immensely difficult to reach for female professionals has been illuminated from various perspectives, including psychology, sociology and economics. The societal mechanisms and individual preferences which have likely been contributing to the current situation will be extensively discussed in the next chapter. However, from the standpoint of management sciences, the

role of employers is of particular interest and it is reasonable to assume that employers vary in their attractiveness to female job candidates and in the career opportunities available to female employees based on differences in a number of organisational characteristics. To my astonishment, this research area has been somewhat neglected in the gender discourse as only a handful of quantitative empirical contributions attempting to establish a connection between company characteristics and career opportunities for women have been recently published (e.g. Blum *et al.*, 1994; Goodman *et al.*, 2003; Kalev *et al.*, 2006; Reskin & McBrier, 2000). I shall attempt to contribute to filling this gap with this thesis. As previously mentioned, executive boards are particularly interesting for my study because they appear to be extremely difficult to penetrate for women. Nevertheless, a certain number of executive positions are indeed occupied by women, which makes an empirical analysis possible.

Therefore, the purpose of this study is to identify policies and practices at US corporations which facilitate or impair female executive board representation and to link these policies and practices to observable establishment characteristics. Furthermore, I shall attempt to determine the effects of these establishment characteristics on the presence of female executive officers and, based on the results of this study, to draw specific conclusions regarding policies and practices at US companies. Hence, I have formulated the following Research Question:

*RQ: Which policies and practices regarding human resources at major US corporations affect the career advancement of female professionals in these corporations? How are these policies and practices related to observable and quantitatively describable company characteristics and how do these company characteristics influence female executive board representation?*

In order to answer the first part of the Research Question, I shall conduct a thorough review of the existing literature and attempt to identify the most highly relevant policies and practices affecting gender equality within companies. In the empirical part of the study, I shall subsequently attempt to reveal the actual impact of these policies and practices. However, since corporate policies and practices may not be easily quantifiable and, hence, incomparable between various firms, I shall utilise other, easily quantifiable, establishment characteristics as proxies for the aforementioned policies and practices.

In the short run, this study may contribute to the growing body of literature on gender issues in the corporate world and help to fill the existing gap in the investigation into the role of establishment characteristics regarding gender equality in the labour market. Furthermore, students of economics and business administration of both genders may be inspired to conduct similar quantitative studies in the future. In the long run, companies might reflect upon their HR policies based on my contribution in this field and those firms which desire to promote the advancement of female professionals in their organisations could adapt their policies accordingly.

The remainder of this thesis is structured as follows: Chapter Two provides an extensive review of the literature, focusing on organisational characteristics and HR policies. In Chapter Three, I shall attempt to formulate a number of operational hypotheses in order to test the theretofore conjectured mechanisms. Chapters Four and Five will present the methods and results of the empirical analysis as well as discuss the obtained results in light of the hypotheses. Finally, Chapter Six will consist of a general discussion on the findings of this study.

## Literature Review

It has been early acknowledged that gender issues can be studied from various perspectives and on different levels. Holistic approaches to gender studies have identified the state, the labour market, the workplace and the family as relevant institutions (Bruni *et al.*, 2005). Different foci of gender research can also be associated with different levels of analysis, namely

- the broader environment or macro-level, including societal issues such as government policies or the labour market;
- the organisation or meso-level, dealing with questions concerning a larger number of people, but not society as a whole, such as the workforce in one particular company; and
- the individual or micro-level, relating to decisions made privately by either individuals or small units such as the core family (Clark & Kleyn, 2011).

Not all approaches can be neatly assigned to one of these three levels and some issues may overlap one or two levels of analysis (*Ibid.*). Likewise, strategies for change may be located on all of these three levels (Rhode & Kellerman, 2007). I must also emphasise that this framework is not meant to be regarded as a strict classification but rather as a guideline among the complex net of theories on gender issues. In this chapter, I shall discuss a number of theories on gender inequalities, which are important for this thesis. I shall briefly outline the significance of individual and household decisions and societal issues before proceeding to organisation-level issues.

## Holistic Approaches

Classic approaches<sup>2</sup> to gender studies are of ethnological and philosophical origin and centre on the oppression of women and patriarchy, i.e. male rule. A notable example is radical feminism. For radical feminists gender inequalities result from the oppression of women and systematic violence. Sexuality plays a very important role as patriarchy is achieved through the institutionalisation of heterosexual relationships, primarily but not exclusively through marriage, and systematic sexual violence committed against women. Radical feminism is holistic in nature because personal and familial relations are regarded as the basis for any socio-political system. This is emphasised by the slogan “the personal is political” (Hanisch, 1970). In contrast to this, Marxist feminism considers women to be objects of economic exploitation, which results from the separation of roles of men and women. Patriarchy is deemed to be a mere by-product of capitalist exploitation. Marxist feminism is also a holistic philosophical trend because inequalities on the personal and household level are directly derived from the economic rationale.

Management literature follows a more pragmatic approach and even in holistic contributions attempts are made to deconstruct the roots of gender inequality and to propose strategies for improvement (Burke & Mattis, 2005; Kellerman *et al.*, 2007). This approach to gender issues is similar to the one preferred by liberal feminists, who emphasise the huge variety of social constraints that inhibit women from reaching their true potential rather than focusing on one single mechanism. A notable representative of liberal feminism is the US American writer Betty Friedan (e.g. Friedan, 1981).

As noted at the beginning of this chapter, the gender discourse takes places on several levels that are intertwined and mutually dependent with some aspects spanning over several levels. Powell’s (2011) contribution constitutes a prime example of

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<sup>2</sup> For an overview of classic gender theories see Walby (1990).

management literature which considers a wide range of factors determining the nature of gender inequalities in the workplace. It encompasses psychological basics, the role of gender socialisation and consequences of the resulting gender differences for the labour market, companies and professional teams. Additionally, Powell discussed gender-related problems which individuals and their families encounter. Despite this intertwinement, it makes sense to separate the most relevant mechanisms behind gender imbalances in order to better understand the different rationales behind the particular approaches and foci of discourse. Contrary to the first impression, most theories from the different fields of philosophy, psychology, economics, management studies and sociology are neither contradictory nor detached from one another. Instead, they focus on different aspects of the same scientific problem and are often argumentatively based on each other. Therefore, it is necessary to understand the foundational principles and ideas behind these theories and to reveal how they are interconnected so that a coherent wider picture can be presented as a basis for further empirical research.

### **Individual and Household Decisions**

Economic literature frequently proposes the idea that gender role segregation is a result of decisions on the allocation of time which are made either individually or within the core family or household. This conclusion is based on a basic assumption of human capital theory according to which decisions on educational investments depend on expectations regarding future earnings (Blau *et al.*, 2010; Hoffman & Averett, 2009; Jacobsen, 2007).

Based on this simple statement, human capital theory further states that decisions on investments in human capital depend on the duration of an individual's expected work life

because a longer work life justifies larger investments in human capital in order to maximise expected returns. Since women are more likely than men to be engaged in paid employment discontinuously, they will acquire less general and firm-specific human capital, i.e. women will invest less in their education as will firms when allocating resources for firm-specific training. As a result of lower professional qualifications, women are more likely to opt out of paid employment because the household income can be maximised when its members specialise and at least one of them (usually the husband) engages in continuous paid employment. The circle closes as households and individuals anticipate a lower pay-off from investments in the education of women and allocate their resources accordingly (Blau *et al.*, 2010). The human capital model is capable of explaining horizontal and vertical gender segregation, i.e. occupational and hierarchical differences, purely by assuming rationality of decision making processes within the household. Extremist approaches even go so far as to completely dismiss the possibility of discrimination and explain gender differences in occupation solely by the biological fact that only women can give birth to children (Cigno, 2008).

However, the human capital model is incapable of identifying the root causes of gender inequalities. A woman's inability to work lasts for approximately four months around the date of childbirth, a relatively short period of time, which is arguably insufficient to account for the entirety of gender inequalities in corporate America. Furthermore, major differences by company size and economic sector regarding the number of women in top management positions have been observed (Goodman *et al.*, 2003), which cannot be explained by varying levels of human capital alone. Most importantly, it remains unclear at this point why, despite strong increases in the educational attainment of women in the US labour force over the past forty years (BLS,

2012), the proportion of women occupying positions on executive boards has increased only marginally.

Apart from human capital theory, a considerable number of how-to books have recently become popular. Although these books do not apply strict economic reasoning, they also focus on individual and household decisions. For example, Farrell (2005) argues that women themselves are chiefly responsible for being disadvantaged in professional life because they make “wrong” decisions regarding education and career. Farrell further suggests that more women should push into male dominated professions by enrolling in study fields such as engineering instead of liberal arts in order to improve their economic situation. He also suggests that women should consider joining the military as they can expect a higher income at a lower risk of dying compared to their male colleagues. The approach of how-to books can be regarded as a valuable contribution to the gender discourse in that these books visualise the individual responsibility every woman has for her life. Furthermore, they attempt to offer support to women by reflecting upon typical female choices which may be detrimental to women’s professional development. However, similar to the human capital model, how-to books also disregard wider societal norms and constraints, which are imposed on women and play an important role in gender studies.

### **Societal Level**

In order to understand the role of firms in sustaining or reducing gender imbalances, it is necessary to acknowledge that gender is a social concept as opposed to a biological category. Although sex and gender are closely related notions, sex refers to the nature of human beings while gender refers to their nurture. Therefore, gender can be regarded as a social category, a linguistic artefact, a theoretical concept and, most importantly, as a

feminist invention that became a subject of the gender discourse in the mid 1970ies (Bruni *et al.*, 2005). The New Oxford American Dictionary provides the following definition of its usage in English:

“The word gender has been used since the 14<sup>th</sup> century primarily as a grammatical term, referring to the classes of noun in Latin, Greek, German, and other languages designated as masculine, feminine, or neuter. It has also been used since the 14<sup>th</sup> century in the sense ‘the state of being male or female,’ but this did not become a common standard use until the mid 20<sup>th</sup> century. Although the words gender and sex both have the sense ‘the state of being male or female,’ they are typically used in slightly different ways: sex tends to refer to biological differences, while gender tends to refer to cultural or social ones.”

Sex describes a biological characteristic, which cannot normally be changed and which constitutes a fixed and easily recognisable trait. In contrast to this, gender defines an individual’s affiliation to a certain social group. Therefore, gender is based upon social interaction and is subject to social changes. It is a malleable trait which is socially and culturally shaped.

The important personal decisions which I discussed in the previous chapter are not made independently from individuals’ surroundings but are based on their social identity. Social identity and social environment influence one another so that individuals follow the example of the organisations for which they work and develop their job identity accordingly (Germain & Scandura, 2005). However, men and women are socialised to conform to different ideals based on their gender. As a result, men are more frequently perceived as agentic, ambitious, self-confident, self-sufficient, dominant and assertive, whereas women are typically considered to be communal, kind, helpful, selfless, warm and gentle (Carli & Eagly, 2007). Scientific contributions to the discussion on gender differences in a professional context strongly support the observation that women are

perceived to exhibit mainly communal traits while men are generally perceived as agentic (Giscombe, 2007; Oshagbemi & Gill, 2003; Pittinsky *et al.*, 2007; Rohmann & Rowold, 2009). In other words, men are socialised to “get ahead” while women are socialised to “get along” (Germain & Scandura, 2005).

Until now, my analysis of gender differences has been based on findings on gender socialisation in professional settings. However, these observations also provide insight into the role of women in US society in general. It is still widely accepted in the US that men assume the role of breadwinners within the family while women act as their nurturing supporters. The husband, who frequently engages in full-time paid employment outside the home, receives support for his career ambitions from his wife, who is often a full-time homemaker (Rhode & Kellerman, 2007). The reverse situation, in which families prioritise a working woman’s career objectives and the husband reduces his own professional aspirations in order to support his wife’s career, is rather unusual and contradicts established social norms (*Ibid.*). Additionally, society puts pressure on both men and women to conform to these norms (*Ibid.*) and if individuals act in opposition to their gender role, internal and external conflicts are likely to arise. Evidence from qualitative ethnological research reveals that internal conflicts can manifest in women as feelings of guilt of not conforming to one’s own ideal of a good wife as well as loneliness and emotional isolation from the family (Kaufmann, 2008). Moreover, external conflicts are likely to arise if the career advancement of women begins to threaten the self-image of male-dominated groups and defensive mechanisms are triggered in response (Lee, 2000). Such defensive reactions may come from potential employers (e.g. exclusionary job advertisements) as well as from friends and family members and can range from mild scepticism to open hostility (*Ibid.*). For all of the aforementioned reasons, different job

identities of men and women are likely to be directly related to distinct gender roles which are deeply rooted in US society.

It is possible that gender differences in socialisation also lead to different leadership styles of male and female executive officers. Scholars (most notably Rosener, 1990) found differences in leadership style based on leaders' gender and some meta-studies (Appelbaum *et al.*, 2003; Trinidad & Normore, 2005) indicate that these differences reflect divergent approaches to people management, which may correspond to gender differences in socialisation. However, studies which attempt to show variations in leadership style based on leaders' gender share a common methodical flaw as data on leaders' behaviour can only be gathered through evaluations by other people, be it followers, superiors or outsiders (e.g. van Engen *et al.*, 2001; Kulich *et al.*, 2007; Rohmann & Rowold, 2009). Therefore, actual gender differences in leadership style cannot be separated from stereotypical assumptions about men and women in senior management positions, to which all respondents are susceptible and which inevitably influence research outcomes. Experimental findings confirm these reservations by revealing that women receive worse evaluations than their male colleagues on their results when their results are in fact equal (Carli & Eagly, 2007).

Stereotypes also function as a reinforcing mechanism for existing social norms because role conformity is rewarded and disconformity sanctioned. Carli & Eagly (2007) show that women who use stereotypically male leadership techniques like assertive speech are penalised by negative feedback. When the proportion of women in a distinct professional group, such as the executive board, increases beyond a certain threshold, unfavourable stereotypes may be overcome. However, if women (or any other minority group) are too small in number to exert any significant influence on existing preconceptions about themselves, perceptions of their behaviour and character which

deviate from the prevalent stereotypes may be distorted to fit the stereotypical generalisation (Kanter, 1977). Apart from assimilation, i.e. the mental distortion of reality to fit the stereotype, very small minority groups, also called “tokens” (*Ibid.*), may be highly susceptible to “moulding” (Pittinsky *et al.*, 2007). In contrast to assimilation, moulding describes the alteration of the actual behaviour of tokens. If pressure to conform to specific stereotypes is strong, women, who constitute a minority in senior management, may be unable to withstand it and ultimately change their behaviour to conform to the expected behavioural patterns (*Ibid.*). According to these expected behavioural patterns female executives are associated with communal and “soft” character traits.

The observation that men and women behave differently in leadership roles has resulted in theories on distinct female leadership styles (Helgesen, 1990; Rosener, 1990; Stanford *et al.*, 1995). Most importantly, women are commonly believed to employ transformational leadership (Bass, 1985; Burns, 1978), i.e. leadership through emphasising good interpersonal relations and the empowerment of followers as opposed to “traditional male” leadership approaches based on authority and followers’ obedience. Such theories on female leadership qualities are based on positive assumptions about the abilities of women and intend to acknowledge their contributions in senior management. However, on closer examination it becomes evident that theories on female leadership are founded on the same stereotypes about the communal personality of women which I discussed in the previous paragraphs. Therefore, theories stating the distinctiveness of women’s leadership approaches could be considered as problematic since communal qualities such as caring and nurturing may be inadequate or insufficient in difficult situations which require executive officers to exhibit resilience to confrontation and resolute decision-making. The assumption that women are different as managers due to their gender is potentially discriminating because it can serve as a justification to exclude women from key positions

and confine them to supporting functions. The proposed alternative to this form of hidden discrimination through positive but precarious stereotyping lies in de-gendering leadership by abstaining from gender-based stereotypes and acknowledging that capable leaders of both genders can learn from one another (Pittinsky *et al.*, 2007).

From an economic perspective, gender inequalities at the societal level can influence individual decision-making, as discussed in the previous chapter, but can also manifest directly at collective levels such as the state or a specific industry. Blau *et al.* (2010) provide an overview of the most established models of gender-based labour market discrimination, which also explain possible causes of the gender pay gap. Although the gender pay gap is not a major issue of this study, it is nevertheless relevant to some extent in that lower expected income levels inhibit women from realising their full potential, as previously discussed in the analysis of the human capital model.

Economists' attempts to formulate a theory explaining the mechanisms of gender discrimination in the labour market date back to the 1970s. In a theory that blends in well with the discussed possibility of stereotypical assumptions about leadership qualities of women, Becker (1971) early hypothesised that employers and employees alike might have a "taste for discrimination". He argues that discriminating employers associate hiring female workers with additional costs. In consequence, women are paid below their productivity, in contrast to their male colleagues, who are paid higher wages according to their productivity. Likewise, male employees might hold a negative opinion about women and associate additional costs with having female co-workers, in which case the non-discriminating employer must either pay relatively higher wages to men or segregate jobs by gender. Gender-based job segregation has been observed in the past and can lead to overcrowding (Bergmann, 1974). Overcrowding is believed to occur when women are pushed into a limited number of professions, in which case a relatively low level of

demand for workers is met by a high level of supply. In consequence, wages in female-dominated professions will be significantly lower compared to male-dominated professions requiring similar levels of personal qualification (*Ibid.*).

In a similar vein, the dual labour market model suggests that women are predominantly employed in secondary labour markets (Doeringer & Piore, 1971). The notion of secondary labour markets refers to internal labour markets and describes jobs which require lower levels of general and firm-specific qualifications and which, concomitantly, entail lower pay, higher employee turnover and curtailed opportunities for promotion, as opposed to primary jobs which require high qualification levels but offer high pay and good career perspectives. Doeringer and Piore argue that internal labour markets are inflexible so that women may not easily access primary jobs. In consequence, gender-based assignment to primary and secondary jobs may become institutionalised, fostering horizontal and vertical segregation.

Finally, some scholars argue that employers are inclined to discriminate against women based on statistical information (Aigner & Cain, 1977; Arrow, 1973; Phelps, 1972). Since employers are usually forced to make employment decisions based on incomplete information, they resort to certain easily observable characteristics such as gender as signals of professional qualifications such as productivity or leadership qualities. Unfortunately, this form of generalisation is prone to feedback effects, which may ultimately lead to statistical discrimination (Arrow, 1973). For example, if an employer is prejudiced and believes that women are more likely than men to quit work, she will not offer firm-specific training to female employees. As a result, women will remain in secondary jobs, and based on the human capital model, lower pay and limited career perspectives will incentivise female workers to leave paid employment voluntarily. If this scenario repeats on a large scale, women will have a statistically shorter tenure. The crucial

point is that although the employer's conclusion on female employees' greater likelihood of quitting proves to be correct, it is caused by her own discriminating decision not to support women's career advancement (Blau *et al.*, 2010).

Apart from statistical discrimination, feedback effects also occur between the labour market in general and the household. On the one hand, gender discrimination in the labour market influences the gender division of labour in the family while, on the other hand, household decisions, which are influenced by this discrimination, reinforce the traditional division of gender roles in the labour market and the perception of women as low profile employees (*Ibid.*).

### **Organisational Level**

From the perspective of personnel economics and HR management, gender inequalities on the organisational level are of particular interest. The firm or organisation constitutes a micro-environment for executive officers, which is closely connected to the society and the legal and political environment. However, organisations have their distinct rules, cultures and internal politics. As such, they stand between the societal level and the individual level. Individual or household decisions are too weak to induce change in a big company, however, in a large market even big companies are too small themselves to induce social change. Therefore, individual employees must adapt to their company, but the company must adapt to the labour market. In this chapter, I shall elaborate on existing findings on the impact of organisational characteristics and practices on the career advancement of female employees and, in particular, executive officers.

**Corporate culture.** Culture is a very broad area and should be subdivided in any serious discussion. It is influenced by stereotypes about the perceived role of women in the

company (Giscombe, 2007) and may seriously facilitate or inhibit the advancement of female managers. Cultural barriers for women may range from subtleties, e.g. particular emphasis on male values, a negative attitude towards female managers and a belief that women do not “fit in” to more evident barriers, such as inflexible workplace structures, and, finally, to outright discrimination and harassment (Burke, 2005; Clark & Kleyn, 2011). Lee (2000) presents empirical evidence on how cultural practices can effectively exclude women almost entirely from an organisation. A corporate culture which is unsupportive of women primarily manifests in inflexible workplace structures, insufficient mentoring and exclusion from predominantly informal networks (Burke, 2005; Clark & Kleyn, 2011; Mattis, 2005). Furthermore, the degree of formalisation of procedures in a company has been identified as a pivotal element of corporate culture. It is likely to be partly responsible for gender-based discrimination since highly formalised personnel practices prevent subjectivity and gender-based favouritism (Reskin & McBrier, 2000).

Culture is a malleable phenomenon that changes over the course of time. Some scholars predict that the belief in male superiority, and with it the emphasis on masculine traits, is about to erode because of changes in US society and national culture (e.g. Burke, 2005). However, societal influence on corporate culture may vary greatly, even within one country. Many divergent cultures, beliefs and lifestyles exist among the regions of the US, which may influence the perceived role of women in the corporate world very differently. Likewise, the attitudes towards women may differ across economic sectors. HR practices that are supportive of women have been frequently found in healthcare, education and banking as opposed to manufacturing, mining and broadcasting (Rosen *et al.*, 1989). Similarly, the situation of women employed in the public sector appears to be better compared to those employed in the private sector, which may reflect a higher degree of

formalisation of HR policies in the public sector (Baron *et al.*, 1986; Reskin & McBrier, 2000).

Cultural change can also be induced by the organisation itself by addressing the aforementioned inhibitors to women's progress. Two necessary conditions must be fulfilled in order to achieve cultural change from within the company: First, accountability must be defined and it must be clear who is responsible for achieving predefined goals in reducing gender discrimination. Second, top management must be fully committed to the intended changes. Measures to reduce gender inequalities must be supported by the chief executive and clearly linked to the corporate strategy (Burke, 2005; Mays *et al.*, 2005). Interestingly, initiatives to induce cultural change do not necessarily need to be aimed at the inclusion of women or the diversification of the workforce in order to improve the situation of female employees (Rutherford, 2005). Meyerson *et al.* (2007) present the case of an offshore platform, where the goal was to align the corporate culture with contemporary values in order to improve safety on the platform. Greater acceptance of female co-workers emerged as a side effect.

Corporate culture may be regarded as a set of principles which allows a firm to decide on and to justify rewards, incentives, punishments etc. As such, it performs an important strategic function for long-term success (Uttley & Hooper, 1993). Corporate culture has also been shown to influence reputation, which in turn has a positive moderating effect on financial performance (Flatt & Kowalczyk, 2008). Furthermore, innovations in corporate culture may generally increase a company's innovation capacities (Shieh & Wang, 2010). Therefore, it may be particularly important for organisations in highly competitive environments to adapt their corporate culture. In general, it is reasonable to assume that the necessity to adapt the corporate culture may vary substantially across different companies based on the level of competition, pressure to

innovate, public visibility etc. For example, an IT start-up in Silicon Valley may exhibit a greater propensity for cultural change than a monopolistically acting state-owned utility company. Hence, companies' willingness to invest in gender diversity and to support equal opportunities may vary considerably across corporate America.

**Responsiveness and flexibility of workplace arrangements.** Women frequently suffer from barriers that prevent them from reaching senior management positions. Research conducted among young professionals in the UK reveals that among respondents under the age of thirty-five the fraction of women in senior positions is greater than the fraction of men. However, among surveyed professionals over the age of thirty-five the situation is reciprocally different (Altman *et al.*, 2005).

An analysis of the different career paths of men and women may provide a possible explanation for this gap. As previously discussed, women are likely to follow discontinuous career paths governed by decisions on the allocation of time (Blau *et al.*, 2010; Hewlett, 2007; Nelson & Michie, 2004). Furthermore, midlife, which covers the approximate age range between thirty-five and fifty (Gordon & Whelan-Berry, 2005), is regarded as the most defining stage in life with respect to personal decisions affecting women's careers. Midlife does not necessarily define a fixed age range but describes a period in which young management professionals have already established a certain level of expertise in their field and may have made first decisions on having children of their own. However, in contrast to late-life, individual health concerns are usually not yet grave and the focus of career planning is on further development as opposed to considerations regarding retirement and life thereafter (Gordon & Whelan-Berry, 2005; Hewlett, 2007; Kaufmann, 2008). Midlife offers a wide range of options and career opportunities.

Individuals can focus on their careers, develop their full potential and invest considerable time and effort in advancing from senior management to the executive board.

However, as previously noted, achieving their career goals may be extremely difficult for female managers as they are usually expected to take primary care of the family and to run the household. Furthermore, midlife frequently puts women in a “sandwich” position, where they must care for their young children and, simultaneously, for their parents or parents in law (Gordon & Whelan-Berry, 2005). Pressure and lack of support and understanding from the partner and family members for career ambitions may cause women to relinquish their career aspirations. The incentive to temporarily discontinue paid employment is particularly strong when the partner’s income is sufficiently high. Additionally, female managers may be confronted with push-factors to quit if they perceive their contribution as undervalued due to gender-based discrimination and become dissatisfied (Hewlett, 2007).

Problems may also occur when women attempt to re-enter paid employment because discontinuities in employment are perceived by the labour market as a negative signal indicating an inclination to quit one’s job (Blau *et al.*, 2010). In order to avoid financial penalties in the form of lower compensation at re-entry, 63 per cent of the women surveyed by Hewlett (2007) chose not to take time off from their jobs. Instead, many respondents decided to take the “scenic route” at some point in their life by accepting fewer responsibilities, working part-time etc., thereby slowing down their professional development. Furthermore, some respondents made efforts to keep a low profile and dodge offers for promotion in order to avoid being compelled to decline a promotion, which would also be perceived as a negative signal regarding an employee’s commitment to the company (*Ibid.*). Women’s inability to reconcile career aspirations and familial responsibilities results in a false perception of women’s real potential in management

professions. In light of the previously discussed economic theories on gender discrimination, the institutionalisation of women as employees in secondary jobs is a likely yet unsettling consequence.

It has been suggested that the *curricula vitae* of highly successful female managers may differ from those of typical female employees. Branson (2009) analysed the background of a series of well-known female chief executive officers and found that many of them have their first child either at an early age, i.e. in their twenties, or very late. Some high achieving women like Carleton Fiorina, former CEO at Hewlett-Packard, choose not to have children at all. Branson argues that avoiding career interruptions due to childbearing and early childrearing during early midlife can improve career prospects substantially. Furthermore, men can support their female life partners by displaying respect and understanding for their professional ambitions and accepting a part of the familial responsibilities in a relationship (Gordon & Whelan-Berry, 2005). However, it is by no means a necessity for any women to have a male partner. In fact, couples may have no other choice than to separate if both partners have different visions of an intimate relationship that are too discrepant to allow re-negotiation of the “provisions” of their existing relationship (*Ibid.*). Finally, it is vaguely suggested that high-achieving women may prefer to adopt children instead of procreating naturally (Branson, 2009). Adoption might offer two substantial advantages. First, the time of adoption can be more easily planned than pregnancy while eliminating career interruptions and, second, motherhood may not be easily observed by the company, reducing the exposure to potential gender-based discrimination.

While good career planning is certainly important for anybody aspiring a seat on the executive board, it is not sufficient to ensure equal opportunities for female employees. Much of the responsibility lies with companies, which can facilitate the professional

advancement of women within the organisation by taking a series of measures allowing for greater flexibility of workplace arrangements and greater responsiveness towards women's life cycle-related needs. Possible measures include child care support by offering subsidised on-site or off-site day care, introducing flexible working hours and supporting options of parental leave for male and female parents alike (Rosen *et al.*, 1989). Furthermore, it is suggested that employers should be attentive to employees' needs and reduce existing discrepancies between the fringe benefits which are desired by female employees and those actually offered by the company (Boeker *et al.*, 1985). In fact, assistance in reconciling childcare and career may be of particular importance in promoting equal opportunities. Moss (1992) argues that the historical negligence of childcare support in the UK resulted in the unfavourable situation for working women which I described at the beginning of this chapter. Finally, firms are also responsible for supporting the re-integration of their female employees who have decided to take a leave of absence due to family commitments (Rhode & Kellerman, 2007).

**Formal mentoring and networking programmes.** A mentor is a senior, more experienced employee who supports a junior employee, the mentee (or protégé/protégée), by offering advice and counselling (Germain & Scandura, 2005). The role of a mentor transcends that of an "instructor" in that mentoring includes psychological and social support as opposed to a mere transfer of formal knowledge. Thus, the mentee benefits from the mentor's wisdom and contemporary mentoring can be regarded as a way of transferring social capital (Bozeman & Feeney, 2007). Although mentoring had existed for a long time, it was not until the second half of the 20<sup>th</sup> century that it was discovered as an instrument of supporting women who aspire leadership positions<sup>3</sup>. Today, mentoring is one of the most widely accepted instruments used to integrate and support women in a professional

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<sup>3</sup> See Roche (1979) for one of the earliest empirical analyses identifying the immense importance of mentoring for the career development of female executive officers.

context. Existing research confirms that mentoring increases job satisfaction and facilitates job success (De Vries *et al.*, 2006), aides integration into the organisation, boosts loyalty and commitment, stimulates productivity and career advancement measured by the number of promotions (Blake-Beard, 2005; Germain & Scandura, 2005) and reduces turnover rates with a particular emphasis on reducing voluntary turnover (Blake-Beard, 2005; Clark & Kleyn, 2011; Germain & Scandura, 2005). Case studies (e.g. Blake-Beard, 2005; Mays *et al.*, 2005) further corroborate the findings on the practical value of mentoring.

Interestingly, mentoring is not only beneficial for mentees but also has direct positive effects on mentors and employers alike. Mentors receive an opportunity to practice their people management skills, especially enabling male managers to develop a better understanding of the concerns of female mentees (Blake-Beard, 2005). Furthermore, mentees frequently regard their mentors as role models. Hence, for the mentee the process of mentoring is also one of interiorising the company's corporate culture, which constitutes a form of organisational socialisation serving the purposes of the company (De Vries *et al.*, 2006; Germain & Scandura, 2005).

Intuitively, mentoring relationships are most effective when pairing occurs naturally, i.e. when both the mentor and the mentee agree to work together based certain commonalities such as shared interests, educational, social or ethnical background as well as gender (Rhode & Kellerman, 2007). Such informal mentoring relationships are sometimes favoured because mentees demonstrate self-determination by choosing their mentors individually (Germain & Scandura, 2005). However, informal mentoring has also been criticised for encouraging homosocial reproduction, which means that women, who are already marginalised in senior management (Kanter, 1977), would be further excluded if the pairing of mentors and mentees occurred on the basis of shared characteristics such as gender. A possible solution for this problem is the employment of formal mentoring

programmes, which allow the assignment of mentors based on objective criteria (Mattis, 2005). However, such programmes have also been criticised because they imply a forced relationship between the mentor and his or her mentee. If the relationship is not characterised by mutual sympathy and understanding and a “professional friendship” does not develop between the mentor and the mentee, the important psychosocial aspect, which distinguishes mentoring from instruction, might come short. Likewise, the facilitation of socialisation may not be possible if the mentor is not accepted as a role model by the mentee due to great interpersonal dissimilarities (Germain & Scandura, 2005).

Contrary to these reservations, empirical research conducted by Kalev *et al.* (2006) confirms the effectiveness of formal mentoring in increasing the presence of women of African American origin in management. Kalev’s findings show that those groups of people who face the greatest threat of social exclusion in an organisation profit from formal mentoring programmes the most. African American women may experience social isolation in senior management because of both their gender and their ethnic background, as opposed to African American men and white women, who share at least one potentially discriminating attribute with the dominant group. Therefore, African American women may be most likely to benefit from a mentor who belongs to the dominant group of white men. The research findings also support the preliminary conclusion that formal mentoring programmes are to be favoured over alternative instruments if social inclusion of those groups who face the greatest risk of social isolation is the aim.

Another obstacle which women in senior management frequently encounter is the exclusion from informal networks. In many cases, important decisions are not made during official meetings but within unofficial networks. Furthermore, the so called “old boys clubs” provide mutual support for their participants and may imply a strong sense of loyalty among the members (Clark & Kleyn, 2011). In order to address this imbalance and

provide female management professionals with easier personal access to senior members of the dominant group, especially male executive officers, on the one hand and to facilitate the exchange of knowledge among female managers on the other hand, many companies have established formal networks (Gremmen & Benschopp, 2011). Successful networking initiatives designed to support the social inclusion of women into the organisation have been observed at several companies including Shell (Mays *et al.*, 2005), IBM, KPMG (Gremmen & Benschopp, 2011) and HP (Mattis, 2005). Empirical research also confirms that female managers benefit from formal networking programmes (Kalev *et al.*, 2006).

The reviewed literature identifies formal mentoring and networking programmes as indispensable for promoting the social inclusion of female employees. However, these instruments require a substantial commitment to diversity management and to the development of human capital within the organisation (Burke, 2005; Kalev *et al.*, 2006). As such, they cannot be separated from the previously discussed organisational issues but must be accompanied by developments in the corporate culture and well-defined organisational responsibility in order to substantially reduce gender-based discrimination on the organisational level.

**The glass cliff phenomenon.** The glass cliff is a recently developed concept based upon the notion of the glass ceiling. The theory states that although an increasing number of women manage to break through the glass ceiling, they do so under less favourable conditions compared to their male colleagues and become disproportionately often promoted to particularly difficult and precarious positions on the executive board (Haslam & Ryan, 2008; Ryan & Haslam, 2005; 2007). As previously noted, people stereotypically assume that certain leadership qualities are linked to gender. In a business context, these stereotypes are further amplified by people's tendency to exaggerate the importance of

leaders. Due to romanticised mental concepts about leaders most people attribute outcomes to an easily identifiable person holding a leadership position rather than to a complex amalgam of various factors, which would be a more truthful representation of reality (Meindl & Ehrlich, 1987; Meindl *et al.*, 1985). Therefore, financial success is more likely to be ascribed to the CEO or the executive board than to external factors, such as market development, or non-controllable factors, such as decisions made by the previous management (Kulich *et al.*, 2007; Kulich *et al.*, 2011).

Combined with stereotypes about men as being particularly agentic and task-oriented, the perceived influence of leaders creates a picture of men as being better qualified to serve on the executive board. However, the surmised discovery of leadership qualities unique to women (Helgesen, 1990; Rosener, 1990; Stanford *et al.*, 1995) lead to a series of speculations according to which female executives are particularly well suited to lead companies in critical situations because of certain character traits which are stereotypically associated with women, such as understanding, helpfulness, intuition, creativity or cheerfulness (Ryan & Haslam, 2005; 2007). The long known slogan “think manager – think male” has henceforth been supplemented by a new slogan: “think crisis – think female” (Ryan & Haslam, 2007). Anecdotal evidence from politics reveals that Kim Campbell, former Prime Minister of Canada, could only become the first and hitherto only female prime minister in her country because she assumed leadership of the conservative party in times of serious troubles (Ryan *et al.*, 2010). Experimental research conducted by Haslam & Ryan (2008) supports earlier speculations that women are likely to be promoted into precarious leadership positions. The study reveals the existence of gender differences in perceived leadership ability and suitability of individuals contingent upon past company performance. The participants in the experiments decided to hire the female candidate for a leadership position when company performance was presented as declining, however,

when company performance was improving, the male candidate was selected. Similar results were independently reproduced by Bruckmüller & Branscombe (2010).

Stereotypical assumptions about women as particularly adept leaders during crises may not be the sole cause of the glass cliff. Ryan & Haslam (2007) identify three probable origins of the glass cliff phenomenon that are related to numerous mechanisms previously discussed in this thesis. They include

- tolerance of gender-based discrimination in the organisation caused by a lack of commitment to gender equality,
- group dynamics which are disadvantageous to women caused by insufficient HR policies to counter the social exclusion of female professionals, such as formal mentoring or networking programmes, and
- stereotypes and cultural beliefs present in the company according to which women are unsuited for leadership.

Furthermore, the extremely low fraction of women serving as executive officers implies that female executives have a weaker bargaining power compared to their male colleagues. Therefore, female management professionals may find themselves under a great pressure to accept any executive position which is offered to them. Even a less attractive assignment may be difficult to reject as women may easily be accused of “looking a gift horse in the mouth” (*Ibid.*, p. 558) if they refuse to accept an offer and, in consequence, be ignored at future internal promotions.

The systematic appointment of women to leadership positions in times of crisis results in a vicious circle in that any promotion of a women to the executive board bears the risk of signalling economic difficulties even if no objective symptoms for decline exist. This effect reinforces the glass cliff as firms are likely to abstain from promoting women to

the executive board in fear of negative market reactions, unless a real crisis develops, in which case the appointment of women to the executive board underpins the common perception that female executives are primarily employed in the context of negative business development (Haslam *et al.*, 2010).

**Public opinion and corporate social responsibility.** Companies are under a hitherto unknown pressure to comply with expectations regarding corporate social responsibility (CSR) (Farache & Perks, 2010; O'Rourke, 2003; Tench *et al.*, 2007). This pressure is primarily exercised by the general public (Lewis, 2001) and stakeholders (Farache & Perks, 2010). Among stakeholders, shareholders play a particularly important role in corporate America. Since the adoption of rule 14a-8 by the US Securities and Exchange Commission (SEC) in 1946 large companies are obliged to include shareholder resolutions in their annual proxy statements, which has frequently been used to exercise pressure regarding social issues. Prominent cases from the 1960ies include resolutions calling for the non-discrimination of the African American minority and the non-proliferation of weapons during the Vietnam War. In 1970, a US court ruling obliged Dow Chemical, despite the company's resistance, to include a shareholder resolution in their proxy statement demanding the discontinuation of napalm production. However, it must be noted that firms can reject resolutions addressing issues which fall into the category of management functions, which generally prevents resolutions on labour or employment issues (O'Rourke, 2003).

Outside pressure on private companies regarding gender issues also originates from several non-governmental organisations (NGOs), such as Catalyst<sup>4</sup>, as well as government agencies, such as the Equal Employment Opportunity Commission (EEOC). It has been

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<sup>4</sup> Catalyst is a US based NGO committed to supporting women in their professional life. See also <http://www.catalyst.org/>

reported that some NGOs acquire shares specifically for the purpose of exercising pressure through instruments designated for shareholders (*Ibid.*). Similarly, churches and other religious organisations can influence certain company policies. Furthermore, large institutional investors increasingly commit themselves to “responsible ownership” and expect companies in which they invest to comply with ethical standards (*Ibid.*). Cultural changes in the US, which manifested in legal and societal advances since 1945, have further increased the public awareness of gender issues<sup>5</sup>. Specifically, a series of court rulings during the mid and late 20<sup>th</sup> century helped to advance civil rights and to reduce gender-based discrimination (Frymer, 2003).

Companies may not be able to ignore public demands for social responsibility, including gender equality, without diminishing their legitimacy. According to social contract theory (e.g. Rousseau, 1762), “society allows the company to operate as long as it behaves in accordance with society’s norms and values (Farache & Perks, 2010, p. 236).” A large discrepancy between existing social norms and a company’s actual behaviour entails a legitimacy threat that can even become existential (*Ibid.*). Specifically, declining social acceptance of a company’s actions can manifest in a lower attractiveness for potential employees. In a survey study, Turban & Greening (1997) found that job seekers are influenced in their decisions by the public perception of companies’ efforts regarding CSR. The study authors further conclude that job seekers, who must evaluate potential employers based on incomplete information, regard companies’ attitudes towards CSR as a signal of working conditions. Furthermore, social identity theory states that individuals will identify themselves and be identified by others with the organisation for which they work. Anticipation of these spillover effects from the organisation to the individual may also influence employer attractiveness (*Ibid.*). A questionnaire-based survey among US

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<sup>5</sup> For an overview of the development of the women’s movement in the US see Blau *et al.* (2010) and Hartman (2011).

universities conducted by Smith *et al.* (2004) produced similar results and showed that mandatory affirmative action plans have a particular influence on employer attractiveness. It is also reasonable to assume that firms anticipate the impact of social legitimacy on employer attractiveness. Hence, major companies are likely to invest in CSR and inform the public about their efforts in order to increase their attractiveness to potential future hires (Farache & Perks, 2010).

### **Preliminary Summary**

Before continuing to the empirical part of this thesis, it is appropriate to provide a brief summary of the findings of the literature review. Gender-related differences inevitably manifest on the individual level and become observable as differences in educational, professional and family-related choices. However, a mere observation of the divergence between the decisions of men and women is insufficient. Rather, the roots of gender-related inequalities must be sought at the societal level. Socialisation, a system of reward and punishment, shapes the social behaviour and beliefs of the members of any society and may result in gender differences in various areas such as job identity or the (self-)perception of one's role in the family. Social and cultural values and beliefs also penetrate the labour market, resulting in various forms of gender inequalities, which are frequently disadvantageous to female professionals.

Organisations have their own distinct characteristics, which may vary considerably between different organisations. As such, organisations stand between the individual, which is the subject of psychology, and society, which is the subject of sociology and economics. Each company – or any other organisation – has its distinct set of written and unwritten rules, norms and practices, which define its corporate culture and which may

facilitate or impede the professional advancement of women in the organisation. However, since corporate culture is an overly general term, it was further divided into four areas of analysis and discussed in this chapter. In the following chapters, I shall empirically analyse these problem areas in an attempt to uncover the influence of organisational characteristics of US corporations on the career opportunities of women in top management.

## Hypotheses

In the previous chapter, I discussed theoretical and empirical findings regarding the impact of organisational characteristics on the advancement of women in management in the United States. In this chapter, I shall develop a series of testable hypotheses based on these findings. The purpose of these hypotheses is to learn how procedures, structures and resources in a company influence the career advancement of female managers by analysing the statistical probabilities of women to serve as executive officers.

### **Hypothesis 1: Company Size**

As noted in my analysis of the role of corporate culture, the degree of formalisation in an organisation may greatly impact the objectivity of personnel-related decisions because highly formalised practices prevent subjectivity and gender-based favouritism (Reskin & McBrier, 2000). Firms which employ a large number of people are likely to be compelled to establish common rules regarding the evaluation of employees and job candidates in order to ensure a certain level of quality among the workforce while in smaller firms individual workers' input may be more easily observable and strongly formalised HR practices may be unnecessary. Hence, firm size may serve as an indicator of the degree of formalisation of a company's HR practices (Goodman *et al.*, 2003).

Furthermore, large enterprises may have more resources available to provide personnel development programmes including formal mentoring and networking initiatives (*Ibid.*). Contrary to this assumption, Kalev *et al.* (2006) find negative effects of great firm size on the effectiveness of HR development programmes. However, this finding is mainly true for employees of African American origin and may therefore reflect racial issues in

large US corporations rather than gender-related issues. The availability of resources may also facilitate the provision of flexible workplace arrangements. In US society, women are still regarded as chiefly responsible for childrearing (Henrekson & Stenkula, 2009), which makes the availability of parental leave essential for creating equal career opportunities for men and women. Parental leave as well as on-site and off-site day care are traditionally among the most highly demanded fringe benefits by female employees (Boeker *et al.*, 1985) and larger companies may be at a greater liberty to support female employees through family accommodations, such as flexible working arrangements (e.g. teleworking or flexitime), organised day care, relocation support etc. (Rosen *et al.*, 1989).

Finally, larger companies may also be more susceptible to outside pressure regarding issues of corporate social responsibility. Since large companies are highly visible to the public and employ a relatively higher number of employees compared to their competitors, they may face greater external pressure to legitimise their HR practices. This may also result in a greater importance of equal opportunities within the firm (Goodman *et al.*, 2003). Therefore, I hypothesise the following:

*H1: A company's size, measured by the number of its employees, will be positively related to the probability that at least one seat on the executive board is occupied by a woman.*

## **Hypothesis 2: Company Age**

Referring to the values of corporate culture, older firms are suspected to have greater structural inertia and to resist structural changes, especially in their core business (Blum *et al.*, 1994). This may severely limit the career prospects of female managers if out-dated customs and attitudes remain unquestioned due to a lack of social innovation in the company. In such cases, well-established groups of elderly men on the executive board

may be unwilling to yield power to other social groups and effectively exclude women from their circles (Goodman *et al.*, 2003). However, in the case of younger companies external institutional pressure to conform to contemporary values regarding gender equality and equal career opportunities may have been stronger at the time of foundation. As a result of cultural developments which occurred during the 20<sup>th</sup> century in the US, the existence of exclusively male-dominated executive boards may be less probable at more recently founded firms (*Ibid.*).

Furthermore, it is theorised that young firms may be exposed to a greater risk of failure compared to old firms. Hence, younger firms are likely to accept competent executive officers regardless of their gender as they may be unable to afford the additional costs associated with discrimination (Thornhill & Amit, 2003). Withers *et al.* (2011) find that younger firms innovate more than their older competitors under certain circumstances, suggesting that younger firms tend to innovate through greater flexibility and better responsiveness.

These findings indicate that younger firms may be unable to discriminate against female senior staff and may even gain a competitive advantage through a diverse workforce. The suggested adaptation of younger firms to the business environment through proactive structural change may also imply greater responsiveness and flexibility of workplace arrangements to the benefit of female executives. Therefore, I hypothesise the following:

*H2: A company's age will be negatively related to the probability that at least one seat on the executive board is occupied by a woman.*

### **Hypothesis 3: Size and Turnover of Executive Board**

Considerable evidence exists that women are frequently promoted into precarious or undesirable positions on the executive board (Haslam & Ryan, 2008; Haslam *et al.*, 2010; Ryan & Haslam, 2005). The popular practice to employ women as executive officers during crises has become known as the glass cliff phenomenon and was extensively discussed in the Literature Review. Furthermore, it has been observed that financial difficulties, which often accompany critical periods in a company, are associated with higher management turnover (Gilson, 1989). This is particularly true for the executive board since the sensitivity of employee turnover to financial performance increases with higher positions in the corporate hierarchy<sup>6</sup> (Fee & Hadlock, 2004). Hence, existing and potential employees may regard high turnover rates among executive officers as an indicator of difficulties in the company or poor firm performance.

Consequently, high turnover rates may signal economic difficulty and influence the attractiveness of executive positions for potential candidates. Following the arguments of the glass cliff theory, male managers may feel discouraged and seek more attractive job opportunities while women may regard even a less attractive vacancy on the executive board as a chance to break through the glass ceiling. Furthermore, many US companies rely on the internal labour market for promoting executive officers. If turnover among executives is too high over a certain period, the internal pool of qualified male candidates may become insufficient and companies may resort to hiring women to fill vacancies (Goodman *et al.*, 2003; Reskin & McBrier, 2000). Based on these findings, I hypothesise the following:

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<sup>6</sup> Fee & Hadlock (2004) find that chief executive officers are particularly vulnerable to negative developments in firm performance. Simultaneously, other executive officers are substantially more likely to leave the firm after the appointment of a new chief executive.

*H3a: The turnover rate among a company's executive board members, measured by the inverse of executive board members' average tenure, will be positively related to the probability that at least one seat on the executive board is occupied by a woman.*

When considering the turnover of the executive board, it is also necessary to account for the size of the executive board relative to the size of the company. If higher turnover rates among executives increase the probability that at least one woman serves on the executive board, then larger boards should amplify this effect. This effect can be regarded as purely statistical and is comparable to the observation of lorry drivers on a motorway. If the odds of spotting at least one female driver within a predefined time frame increase with more lorries passing through the observation area due to higher speed limits (i.e. greater turnover), then a wider observation area (i.e. larger executive board) should also increase the odds. Therefore, assuming that executive officers' turnover rate does actually influence the probability that at least one woman serves on the executive board, it is likely that the size of the executive board has a similar effect. However, independently from turnover rates, relative board size could also affect the probability that at least one seat on the executive board is occupied by a woman if a larger board puts additional pressure on the firm to comply with expectations regarding CSR, similar to the effects assumed in H1. Therefore, I hypothesise the following as a corollary to H3a:

*H3b: The number of executive officers in a company relative to the company's size will be positively related to the probability that at least one seat on the executive board is occupied by a woman.*

#### **Hypothesis 4: Executive Compensation**

Existing research provides reason to assume that compensation levels in organisations and industries may be correlated with the proportion of female employees (Aigner & Cain, 1977; Arrow, 1973; Becker, 1971; Bergmann, 1974; Blau *et al.*, 2010; Doeringer & Piore, 1971). Although the above-mentioned scholars have frequently observed that lower pay is associated with a higher proportion of female employees, they are hesitant to assume a specific causality regarding this relationship. In some cases, lower compensation levels could arguably constitute a result of overcrowding in certain industries (Bergmann, 1974). However, following Becker's (1971) argument, lower compensation levels in such overcrowded jobs or industries could also be the cause of the high proportion of female workers in these jobs since employers would be aware of women's lower bargaining power in a generally male-dominated and discriminatory business environment. Consequently, employers would hire female workers only for low-paid positions. The effects regarding low compensation levels and female employment may also be reciprocal in nature, which could make it impossible to find a clear direction as in the case of the famous chicken-or-the-egg causality dilemma.

Despite this criticism, contemporary research provides reason to believe that pay levels may indeed affect female executive board representation. On the one hand, institutionalised pay practices which put women at a disadvantage can exert pressure on management salaries for both genders, thus causing an overall reduction of pay levels in female-dominated industries (Blum *et al.*, 1994). On the other hand, male managers are believed to have better outside options compared to their female colleagues (Goodman *et al.*, 2003; Reskin & McBrier, 2000) so that, in consequence, women may be forced to accept executive positions offering lower pay compared to male executives. Hence, I propose the following hypothesis:

*H4a: Average compensation levels for the members of a company's executive board will be negatively related to the probability that at least one seat on the executive board is occupied by a woman.*

The attractiveness of a particular job is not solely defined by the current level of compensation but also by the expectations regarding the future career development, i.e. the chances of a promotion or pay rise. The competition for promotion between individuals in a firm can be regarded as a tournament and the financial gain from a promotion as the prize that is awarded to the winner of the tournament. According to tournament theory, a greater spread, i.e. the difference between the monetary compensation of the loser and the winner, may induce a greater effort supply by the contestants as the potential prize money becomes greater for the winner. However, assuming the existence of constraints regarding the cost of a tournament, a greater spread also implies greater risk for the participants as the amount of money forfeited by the loser increases (Lazear & Rosen, 1981).

The question arises whether contestants' gender influences the degree of risk aversion and, consequently, the inclination to participate in high-powered tournaments. Most scholars agree, without necessarily supporting the theory, that regarding women as more risk-averse than men constitutes a well established opinion within the scientific community (Dohmen & Falk, 2007; Iqbal *et al.*, 2006; Maxfield *et al.*, 2010; Paul & Sahni, 2009).<sup>7</sup> Although risk preferences may be biologically co-founded (Maxfield *et al.*, 2010), the main determinant of gender differences is likely to be socialisation. Qualitative empirical research conducted among female lawyers and accountants in the US revealed the existence of two important causes of women's relatively conservative choices. First, accepting greater professional risks also implies greater risk in one's private life due to

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<sup>7</sup> An overview of the existing theories on gender differences in risk taking behaviour is provided by Croson & Gneezy (2009).

long and irregular working hours, a high workload etc., which may conflict with women's societal role as primary homemakers and caretakers in the family. In order to safeguard their partnership and family relations, female professionals may prefer a stable and predictable work environment. Second, women are more likely to end up in an economically precarious situation with care-dependent relatives and therefore lack the necessary safety net for risky career decisions (Narcisse, 2011).

Other scholars confirm that women are more risk-averse than men with respect to financial decisions (e.g. Jianakoplos & Bernasek, 1998). In an experimental study, Dohmen & Falk (2007) found that women were less likely to self-select into variable pay schemes. This result cannot be fully explained by differences in productivity, indicating actual gender differences in risk taking behaviour. Furthermore, female chief financial officers were found to apply more conservative strategies in financial reporting (Peni & Vähämaa, 2010), a conclusion which is supported by the observation that fees for external audits are lower for companies with women on their internal audit boards (Ittonen *et al.*, 2008).

Contrary to these findings, some researchers object to the theory of gendered risk preferences. Maxfield *et al.* (2010) criticise that contemporary research focuses on a strongly limited number of areas to assess risk taking behaviour, namely physical health and safety and financial decisions. The authors of the literature study further argue that leaving this limited scope of observation might reveal that no substantial differences exist in the case of other work-related decisions. Other researchers, such as Paul & Sahni (2009), also argue that the assumption of women's higher risk aversion should be rejected because female executives are more likely to be present in high-risk segments of the economy. However, the latter finding could also be explained by other factors than self-

selection, such as easier access for women to certain jobs which are considered less attractive on the labour market.

Despite some recent contributions questioning the universal validity of the assumption of women's relatively higher degree of risk aversion, evidence in support of this theory still dominates the gender discourse in business and economics. Hence, I assume that female executives will behave in a more risk-averse way than their male colleagues with regard to their compensation. For the purposes of this thesis, I therefore hypothesise the following:

*H4b: The spread in compensation levels among the members of a company's executive board will be negatively related to the probability that at least one seat on the executive board is occupied by a woman.*

### **Hypothesis 5: Token-Effects**

In my analysis of the importance of public opinion and CSR I extensively discussed the necessity for large corporations to invest in CSR in order to create a beneficial image of the company regarding gender-related issues. However, such measures are sometimes criticised as superficial and attempting to stimulate a benevolent public opinion without introducing any real changes (Tench *et al.*, 2007). In response to external pressure, some companies may appoint a few women to the executive board in order to legitimise their structures and procedures. Such isolated cases of female individuals in an almost exclusively male environment are also referred to as “tokens” (Chesterman & Ross-Smith, 2006; Kanter, 1977; Stamp, 1990).

The notion of tokens does not exclusively apply to women, but can refer to any minority. The defining characteristic of a token is that the minority to which the token

belongs is very small in the given context, which creates very high visibility of the token and a state of over-observation, in which every action is noticed and its outcome scrutinised, especially in the case of a failure or mistake. In consequence, polarisation may occur, which describes the highlighting of particular differences between the highly visible token and the majority group. Additionally, through what is referred to as assimilation, tokens may be pushed into a certain stereotypical role in order to conform to preconceptions about the minority group held by the members of the majority group (Kanter, 1977). For these reasons token status may severely impair women's chances of further career progress as well as limit the prospects for female job candidates to become employed as executive officers, especially if the employer is not interested in admitting more women to top management than absolutely necessary to sustain the mere impression of equal employment opportunities.

Furthermore, women who, against the odds, have actually been successful in senior corporate management might be very self-conscious about their status as tokens. Perceiving themselves as highly visible outsiders in a high-prestige group, female executives could be anxious to lose their exceptional status if other women were admitted to comparable positions and, therefore, prevent them from advancing. This phenomenon has been termed the "queen bee syndrome" and contradicts the assumption that women in top management positions are instrumental in supporting other women's career advancement (Duguid, 2011).

Token theory has received modest empirical support (Hewstone *et al.*, 2006), however, critics draw attention to Kanter's approach as being excessively focused on quantitative relations, i.e. the numerical domination of one group over another, disregarding factors such as social status or prestige. Yoder (1991; 1994) exemplifies that, contrary to the predictions of token theory, male nurses are frequently subject to positive

discrimination, despite working in a female-dominated profession, e.g. by being addressed as “Doctor” by patients.

Although empirical contributions in support of Kanter’s token theory are more than scarce, theoretical findings as well as extremely low numbers of female executive officers in times of intense public pressure to conform to ethical standards point to the possibility that firms which employ female executive officers do so in order to fabricate the impression of equal employment opportunities. If this assumption is correct, then employers will likely be satisfied with a single woman serving on the executive board as a token and make no substantial effort to appoint additional women to the executive board. Consequently, I propose the following hypothesis:

*H5: The mechanisms predicted in H1 – H4 will have weaker effects on the probability that additional seats on the executive board will be occupied by women in a company if one seat on the executive board is already occupied by a woman.*

## **Methods**

### **Sample**

For the purposes of this study, information from two separate databases was merged into one sample. First, data from Standard & Poor's Compustat Fundamentals Annually were obtained via the Wharton Research Data Services (WRDS). The database contains financial information as well as other key indicators of US and Canadian companies. The information on companies was amended by data obtained from S&P's Compustat Execucomp database, which contains data on executive officers from the US and Canada. Compustat Execucomp includes personal information on executives and compensation data, which is derived from obligatory filings with the US Securities and Exchange Commission (SEC).

The available data cover a period of nine years from 2001 to 2009. The sample was selected based on the S&P 500 index, using the constituents of the last year of the observation period. Subsequently, data on the sample constituents were checked for availability and companies were excluded if data were not available for the entire observation period. Missing data were most frequently the result of changes in the composition of index constituents, which occur due to mergers as well as elimination from and inclusion into the index. Moreover, the S&P 500 index includes a small number of companies which are incorporated outside the United States. Since my analysis is intended to cover only US corporations, these items were also eliminated. The resulting sample was comprised of 418 US corporations, employing approximately 2,200<sup>8</sup> executive officers.

Since the information on executive officers was obtained via SEC filings, the definition of an executive officer follows the criteria applied by the SEC. Rule 3b-7 of the

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<sup>8</sup> The exact number of executive officers depends on the reporting year.

General Rules and Regulations promulgated under the Securities Exchange Act of 1934 provides the following definition of “executive officer”:

“The term ‘executive officer’, when used with reference to a registrant, means its president, any vice president of the registrant in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function or any other person who performs similar policy making functions for the registrant. Executive officers of subsidiaries may be deemed executive officers of the registrant if they perform such policy making functions for the registrant.”

In practice, executive boards of the sampled companies consist of at least three people, usually the president and chief executive officer (CEO), the chief financial officer (CFO) and the chief operating officer (COO). Usually, these executives are joined by two vice-presidents in charge of either key business divisions or critical functions, depending on the company’s organisational structure. The statistical mode regarding the number of executives in a company is five while the standard deviation is .96 so that, on average, the sample includes the four to six most senior employees of each corporation.

Data on executives were concentrated by calculating either sums or arithmetic means so that they could be incorporated into the sample at a corporate level. The resulting sample was comprised of 418 companies observed over a period of nine years, which amounted to 3762 distinct items. Finally, I transformed several data categories into dummy variables in order to enable the examination of binary effects. Several other data categories were transformed to obtain their natural logarithm values. This was done to account for relative changes in variables containing large numbers, e.g. variables describing executive compensation.

## **Data Analysis**

I conducted the empirical analysis as a series of multivariate logit regressions using STATA 12. The dependent variables were in all cases related to the presence of female executive officers in the sampled corporations. Independent explanatory variables contain information on the sampled companies as well as condensed data on executives. Company size was measured by the number of employees in a company. Company age was measured by the year of company foundation. Executive officers' average tenure was used to determine turnover rates among executives while the absolute number of executive board members in a company was used to measure the size of the executive board. Variables describing elements of executive officers' compensation packages are defined as follows:

- “Base Salary” denotes current compensation elements unrelated to executives' individual or firm performance;
- “Bonus” denotes performance-related current compensation;
- “Total Current Compensation (TCC)” is calculated as the sum of “Salary” and “Bonus” and
- “Total Deferred Compensation (TDC)” denotes TCC plus all non-current compensation elements (e.g. contributions to private pension plans, vested share options).

The corresponding “Spread” values for each of these variables were calculated as the difference between the highest and the lowest value in each company and for each year.

Model 1 of the regression analyses does not include executive compensation. Models 2 and 3 include different measures of executive compensation since the analyses would suffer from strong intercorrelation between the compensation-related variables if all of

them were included simultaneously. Specifically, the effects of “Total Current Compensation” were tested separately from those of “Salary” and “Bonus” as well as the corresponding spreads because the former variable is systematically based on both “Salary” and “Bonus”. Where indicated, I used the natural logarithm of the absolute values of certain independent variables for the analysis in order to enable the observation of effects on the outcome variables which were caused by relative changes in the independent variables.

Several control variables were also considered in the analysis. “Total Assets” and “Revenues” are additional categories related to firm size. “Year” dummies for each reporting year were included to control for effects related to the economic cycle. Binary control variables were introduced, assigning the location of corporate headquarters to one of the four major geographic regions of the United States, namely the Northeast, Midwest, South or West. The “Region” dummies allowed to control for effects related to regional disparities regarding the compensation of female employees (Williams & Register, 1986) as well as differences in state legislation and the size of certain branches of the economy in which the fraction of female employees is disproportionately high, such as healthcare or education (Ryu, 2010). Furthermore, differences in population density could be observed, which are believed to influence the availability of organised child care in the US. Specifically, day care centres, which are likely to increase the probability of women to engage in paid employment, may be available to a greater number of inhabitants in densely populated areas of the United States (Gordon & Chase-Lansdale, 2001). Finally, dummy variables for economic sectors, i.e. manufacturing, non-manufacturing, healthcare, high technology and utility, were created in order to control for differences in the gender composition between these sectors (Blau *et al.*, 2010).

In the first stage of the analysis, the entire sample of 418 companies was analysed. The dependent variable was defined as the presence of *at least one woman* on the company's executive board. As part of the test of Hypothesis 5, I tested whether the appointment of one woman to the executive board is influential for the successive appointment of a second female executive. In order to examine possible selection effects, I employed a biprobit regression function for seemingly unrelated binary variables. The presence of exactly *two women* on a company's executive board was defined as the dependent variable, contingent upon the selection criterion, which was defined as the presence of *one woman* on the executive board. I introduced "Net Income Margin" as a necessary additional independent variable in the second stage of the biprobit regression function.

In the second stage of the analysis, which constituted a further test of H5, I reduced the original sample of 418 corporations to 132 companies which employed at least one female executive board member during at least one reporting year of the observation period. I repeated the regression analysis from the first stage, using almost identical model specifications. However, the dependent variable was now defined as the presence of *more than one woman* on a company's executive board. Furthermore, I introduced additional dummy variables for certain executive positions held by women in order to control for possible effects related to the degree of responsibility and importance for financial success. The decision which executive functions to include was made on the basis of studies conducted by Burress & Zucca (2004) and Elkinawy & Stater (2011) as well as pre-tests of the sample. Chief executive officers, chief financial officers and chief operating officers were regarded as pivotal for overall success while chief communicating officers and general counsels might shoulder fewer responsibilities and be more easily replaceable.

Finally, the statistical models were subjected to diagnostics in order to determine their goodness of fit, including tests for sensitivity and specificity.

## Results

### Descriptive Statistics

The full sample consists of 418 US corporations listed in the S&P 500 index. Most of these companies could be assigned to either one of the two main economic sectors, manufacturing or services. The healthcare, high technology and utility sectors were treated as separate parts of the economy because they include aspects of both industrial manufacturing and provision of services. For example, a software firm may develop, produce and distribute their products (manufacturing), but also provide customer support, updates and gather feedback on the use of their products (services). A clear assignment to either manufacturing or services was therefore impossible and impractical in some cases.

Table 1

*Number of Companies by Economic Sector and Location*

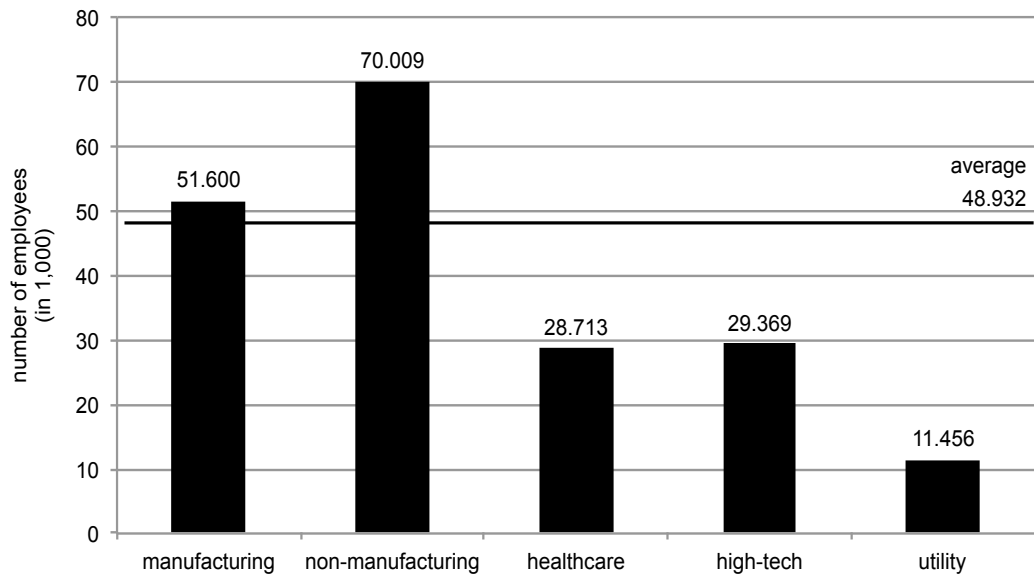
|                          |           | Economic Sector |                   |            |                 |         | Sum |
|--------------------------|-----------|-----------------|-------------------|------------|-----------------|---------|-----|
|                          |           | Manufacturing   | Non-manufacturing | Healthcare | High Technology | Utility |     |
| Location of Headquarters | Northeast | 37              | 40                | 15         | 15              | 5       | 112 |
|                          | Midwest   | 42              | 39                | 10         | 4               | 10      | 105 |
|                          | South     | 55              | 38                | 4          | 8               | 17      | 122 |
|                          | West      | 20              | 17                | 7          | 31              | 4       | 79  |
| Sum                      |           | 154             | 134               | 36         | 58              | 36      | 418 |

*Note.* Economic sectors are based on the classification applied in S&P Compustat databases. The location of headquarters is based on the official grouping of states employed by the U.S. Census Bureau<sup>9</sup>. Regions include the following states: Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin; South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia; West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.

<sup>9</sup> See also [https://www.census.gov/geo/www/geo\\_defn.html#AttachmentC](https://www.census.gov/geo/www/geo_defn.html#AttachmentC)

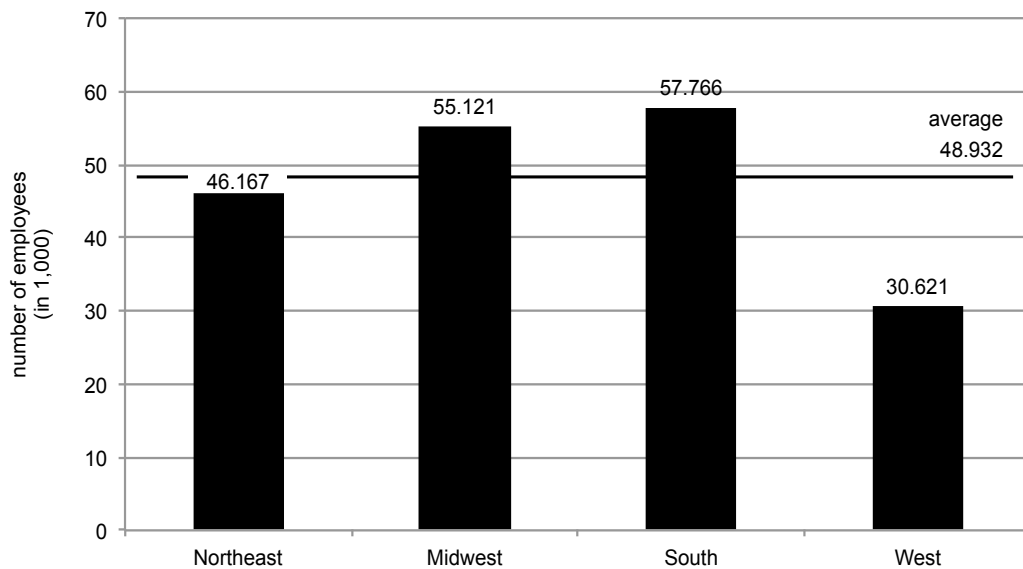
Table 1 summarises the industrial and regional structure of the sample. Manufacturing and non-manufacturing firms are quite evenly distributed across all regions, considering that the West generally hosts fewer large companies. However, the South still plays a dominant role in manufacturing. In contrast to this, private healthcare firms are centred in the Northeast region. Unsurprisingly, the West is dominated by high technology firms, many of which are located in the famous IT cluster of Silicon Valley in Northern California. However, a considerable number of corporations operating in the field of high technology can also be found in the Northeast of the US, creating a counterbalance to Silicon Valley. Finally, the utility sector is concentrated in the South, which is a result of the high concentration of fossil resources in the southern parts of the country.

Companies vary strongly in size, depending on the economic sector (see Figure 1). Based on the number of employees, the sampled non-manufacturing companies are on average 43 per cent larger than the average company in the sample. In contrast to this, the average healthcare or high-tech company is approximately 44 per cent smaller than the average manufacturing and 59 per cent smaller than the average non-manufacturing corporation. Utility firms are the smallest in the sample, employing only 11,500 workers on average. The differences in company size by region are not as stark as those by economic sector (see Figure 2). However, companies with headquarters located in the West are on average 37 per cent smaller than the average company in the sample. This result is not surprising as the West is strongly dominated by high technology firms, which employ relatively fewer workers compared to the average sampled firm (see also Table 1 and Figure 1).



*Figure 1.* Number of employees by economic sector.

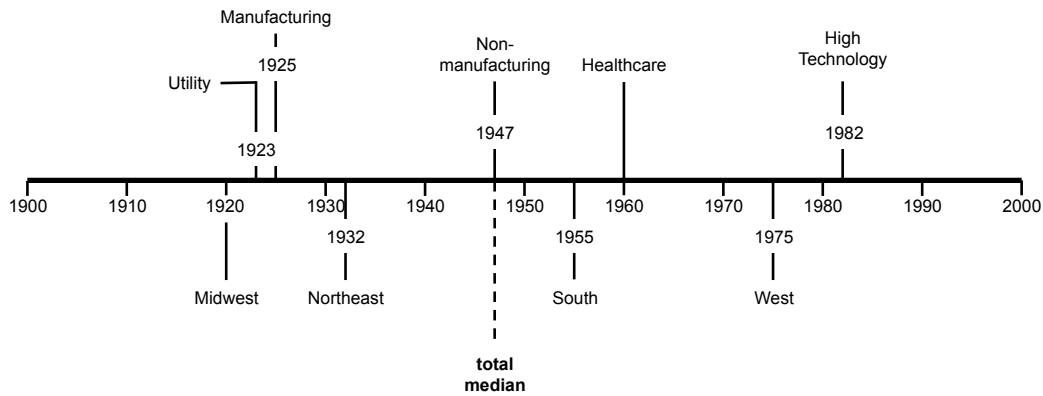
*Note.* Based on year 2001. Numbers denote units of 1,000. Labels represent arithmetic mean values of the number of companies' employees for each economic sector. "Average" equals to the arithmetic mean of the number of all sampled companies' employees across all economic sectors. Economic sectors are based on the classification applied in S&P Compustat databases.



*Figure 2.* Number of employees by region of the United States.

*Note.* Based on year 2001. Numbers denote units of 1,000. Labels represent arithmetic mean values of the number of companies' employees for each region of the US. "Average" equals to the arithmetic mean of the number of all sampled companies' employees across all regions. The assignment to regions is based on companies' locations of headquarters and on the official grouping of states employed by the U.S. Census Bureau.

The oldest firm in the sample, State Street Corporation, was founded in 1792 as Union Bank and financed maritime trade at that time (Fundinguniverse, n.d.). However, most of the 418 sampled US corporations were founded during the 20<sup>th</sup> century. The time bar in Figure 3 shows the median years of foundation by economic sector and location of headquarters. Currently active manufacturing and utility firms were typically founded during the later years of industrialisation, i.e. the late 19<sup>th</sup> and early 20<sup>th</sup> century. Non-manufacturing and healthcare firms were often founded after World War II, when services began to increasingly dominate the US economy. Finally, contemporary high-tech corporations began to emerge in the 1970s when rapid developments in computer technology enabled the realisation of new visions. A look at the regional differences regarding the years of company foundation reveals that corporations in the Midwest and Northeast are on average older than those which have their headquarters located in the South and West of the USA. This mirrors the historical development of the US, which was colonised by Europeans, who initially settled along the coast of the Atlantic and gradually advanced from the northern and eastern regions to the rest of the continent. This resulted in regional disparities which still persist. Furthermore, the relatively young age of companies located in the West reflects the high proportion of high technology firms in this region (see Table 1).

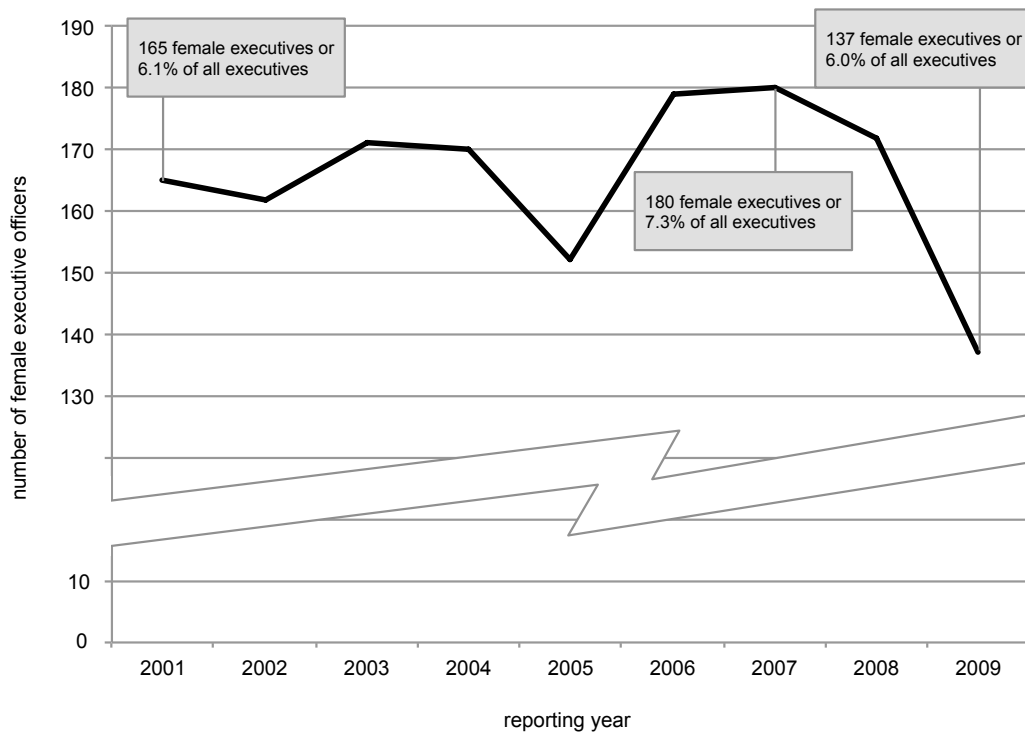


*Figure 3.* Year of company foundation.

*Note.* Labels denote median values of years of company foundations by economic sector above the time bar and by region of the US (based on the location of corporate headquarters) below the time bar. Economic sectors are based on the classification applied in S&P Compustat databases. The location of headquarters is based on the official grouping of states employed by the U.S. Census Bureau. “Total median” denotes the median year of company foundation across the entire sample.

As outlined in the introduction to this thesis, the fraction of women among company executives in the US is still low. Therefore, it should be no surprise that this statement is also true for the sample of companies used in this study. In 2001, 165 of the approximately 2,200 executive officers featured in the sample were women, accounting for 6.1 per cent of all executive board members. The number of female executives declined somewhat in 2005 before soaring again and reaching a peak in 2007. However, between 2007 and the end of the observation period in 2009 the number of female executives plummeted, declining by almost one fourth. Interestingly, the development shown in Figure 4 lends support to the glass cliff theory, which was extensively discussed in the Literature Review. The increase in appointments of women to executive boards until 2007 coincides with the peak of the US housing bubble, which was already apparent at that time and might have prompted companies to brace themselves for turbulent times. Only a few years later, when the US economy faced its strongest downturn, many companies were forced to restructure their activities and, apparently, many female executive board members were replaced by male successors. Greater precariousness and difficulty of female executives’ positions

could have been causal for the decline towards the end of the observation period. Although the glass cliff phenomenon constitutes a plausible explanation for the observed fluctuations in female executive board representation, it is too early to accept the theory at this stage of the analysis.

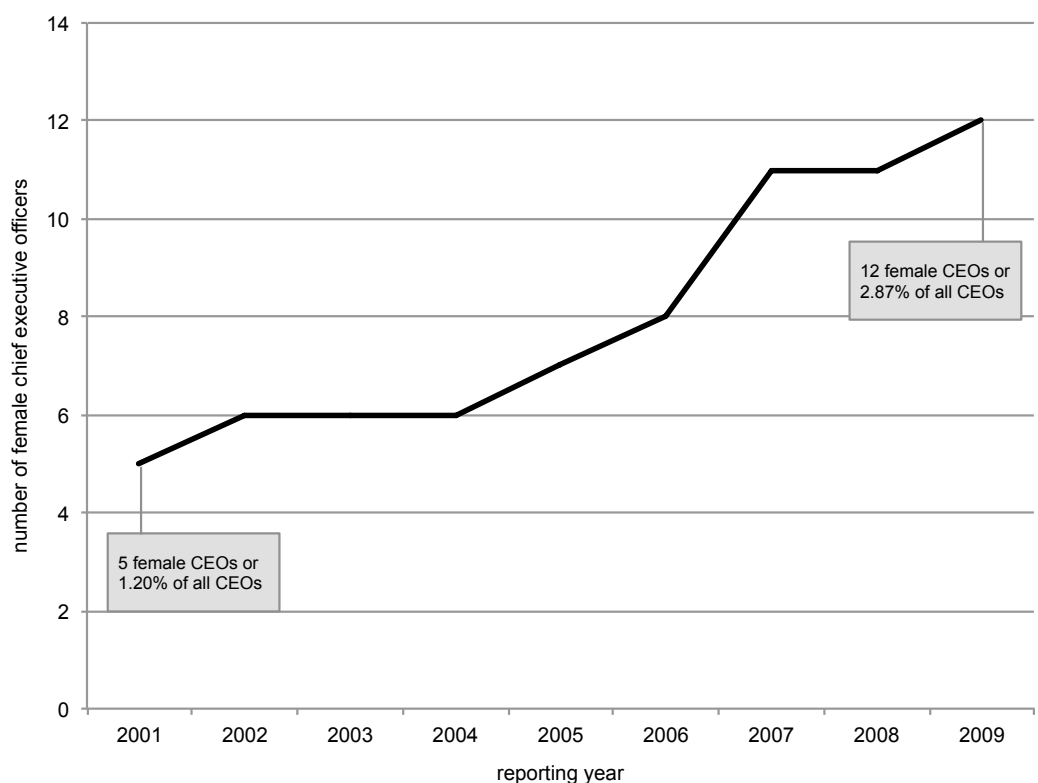


*Figure 4.* Number of female executive officers.

*Note.* Chart shows the changes in the absolute number of female executive officers during the observation period. The x-axis denotes the years of observation. The y-axis denotes the absolute number of female executives in the entire sample.

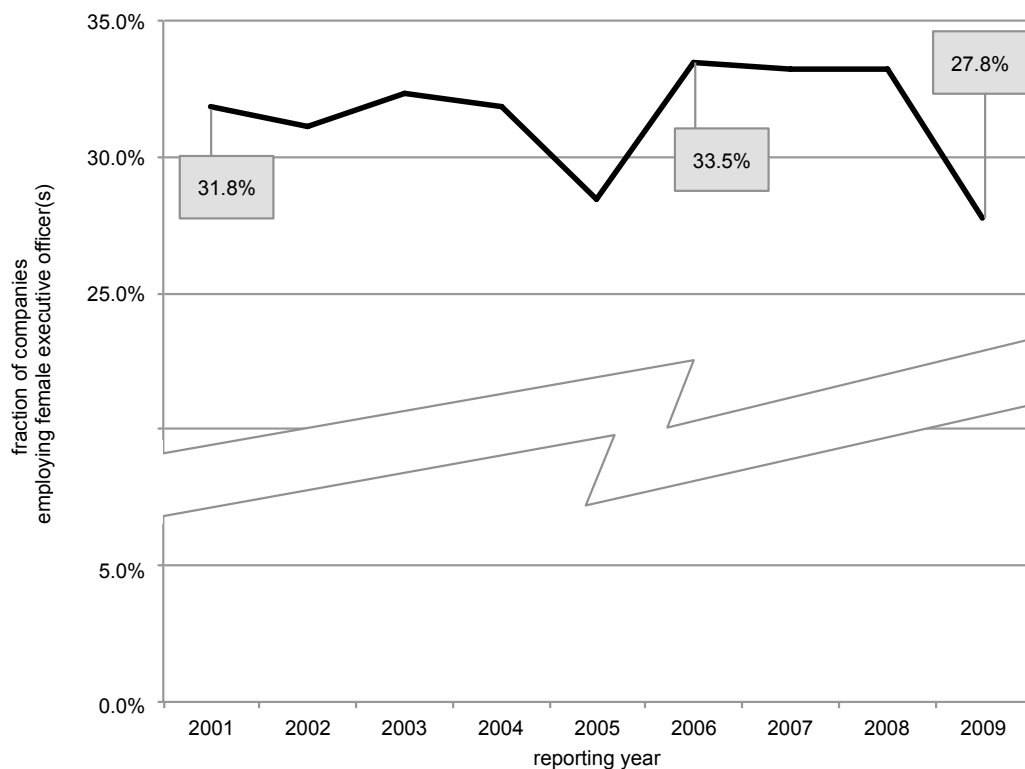
The development regarding the number of female chief executive officers is slightly more optimistic as the fraction of women among CEOs has been constantly increasing throughout the observation period (see Figure 5). However, the increase occurs at a very low level since only five out of the 418 sampled companies had a female CEO in 2001. Although this figure has more than doubled until 2009, women still account for less than three per cent of all CEOs. Finally, Figure 6 shows the fraction of companies employing at least one female executive officers during the observation period. Since few corporations

employ more than one female executive at a time, the chart mirrors the development presented in Figure 4, showing a temporary increase during the years from 2006 to 2008. Generally, the fraction of companies employing women as executive officers fluctuates around thirty per cent, which means that approximately two thirds of the companies featured in this sample are characterised by male-only executive boards.



*Figure 5.* Number of female chief executive officers.

*Note.* Chart shows the changes in the absolute number of female chief executive officers during the observation period. The x-axis denotes the years of observation. The y-axis denotes the absolute number of female CEOs in the entire sample.



*Figure 6.* Fraction of companies employing female executive officers.

*Note.* Chart shows the changes in the fraction of companies which employed at least one female executive officer during the observation period. The x-axis denotes the years of observation. The y-axis denotes the percentage of all sampled companies which employed one or more female executive officers during the reported years.

Before proceeding to the results of the regression analyses, I shall discuss some noteworthy correlations between certain variables used in the analyses. The response variable is mildly negatively correlated with executives' tenure and mildly positively correlated with the size of the executive board, which matches the assumptions made in Hypothesis 3. Variables related to company size, such as the number of employees, the number of executives, the total value of assets and revenues, exhibit a clear tendency to correlate positively with measures of executive compensation. This is not surprising since existing research has found executive compensation to increase with company size (Agarwal, 1981). Executives' average tenure is positively correlated with measures of company size and executive compensation, indicating that executives might remain longer at larger companies and in better-paid jobs. However, the direction of the effect, i.e. the

question whether the observed differences in turnover are caused by voluntary or involuntary terminations of work contracts, remains unclear. Interestingly, company age is negatively correlated with some measures of executive compensation and the total value of assets in the company. The correlation coefficients are small but suggest that, first, younger firms have acquired fewer assets compared to their elder competitors and, second, younger firms may be unwilling or unable to offer the same level of compensation to their executive officers as larger firms.

Variables relating to executive compensation are significantly intercorrelated. This result is highly plausible since several of the measures used in the analysis are conceptually based on one another. For example, total current compensation is calculated as the sum of base salary and bonus. Hence, it is not surprising that TCC is almost perfectly correlated with the value of the bonus. Furthermore, compensation elements are likely to be determined on the basis of firm and individual characteristics as entire “compensation packages” rather than to be set independently from each other. Similarly, variables describing absolute levels of compensation are strongly correlated with the corresponding spreads, which indicates that the intensity of tournament-based incentives increases with rising absolute levels of compensation.

Table 2

*Mean, Standard Deviation and Pairwise Correlations of Selected Variables*

|                                   | Mean      | Standard Deviation | Presence of Female Executives | Number of Employees | Year of Foundation | Executives' Average Tenure | Number of Executives | Base Salary | Bonus     | Total Current Compensation (TCC) | Total Deferred Compensation (TDC) | Salary Spread | Bonus Spread | TCC Spread | TDC Spread | Total Assets | Revenues |
|-----------------------------------|-----------|--------------------|-------------------------------|---------------------|--------------------|----------------------------|----------------------|-------------|-----------|----------------------------------|-----------------------------------|---------------|--------------|------------|------------|--------------|----------|
| Presence of Female Executives     | .31       | .46                | 1                             |                     |                    |                            |                      |             |           |                                  |                                   |               |              |            |            |              |          |
| Number of Employees               | 48.93     | 108.66             | .0017                         | 1                   |                    |                            |                      |             |           |                                  |                                   |               |              |            |            |              |          |
| Year of Foundation                | 1937.77   | 48.22              | -.0732***                     | -.0117              | 1                  |                            |                      |             |           |                                  |                                   |               |              |            |            |              |          |
| Executives' Average Tenure        | 4,843.15  | 3,873.59           | -.1128***                     | .1272***            | -.0975***          | 1                          |                      |             |           |                                  |                                   |               |              |            |            |              |          |
| Number of Executives              | 6.02      | 1.24               | .1394***                      | .0145               | .0162              | -.0236                     | 1                    |             |           |                                  |                                   |               |              |            |            |              |          |
| Base Salary                       | 572.96    | 232.26             | .0242                         | .2970***            | -.1116***          | .2488***                   | -.1519***            | 1           |           |                                  |                                   |               |              |            |            |              |          |
| Bonus                             | 543.55    | 1,127.39           | .0326*                        | .1086***            | -.0482**           | .0230                      | .0184                | .2197***    | 1         |                                  |                                   |               |              |            |            |              |          |
| Total Current Compensation (TCC)  | 1,116.52  | 1,199.99           | .0353*                        | .1594***            | -.0668***          | .0783***                   | -.0121               | .3999***    | .9820***  | 1                                |                                   |               |              |            |            |              |          |
| Total Deferred Compensation (TDC) | 4,702.33  | 7,325.32           | .0422**                       | .1163***            | .0416*             | .1018***                   | -.0599***            | .2437***    | .2571***  | .2888***                         | 1                                 |               |              |            |            |              |          |
| Salary Spread                     | 653.98    | 375.38             | .0608***                      | .1728***            | -.0953***          | .1356***                   | .1367***             | .6812***    | .1407***  | .2641***                         | .1529***                          | 1             |              |            |            |              |          |
| Bonus Spread                      | 1,089.27  | 2,828.96           | .0491**                       | .0804***            | -.0166             | .0031                      | .1046***             | .1589***    | .7356***  | .7219***                         | .2222***                          | .1818***      | 1            |            |            |              |          |
| TCC Spread                        | 1,653.85  | 2,882.77           | .0545***                      | .0943***            | -.0260             | .0217                      | .1120***             | .2286***    | .7285***  | .7287***                         | .2321***                          | .2885***      | .9909***     | 1          |            |              |          |
| TDC Spread                        | 11,232.47 | 31,138.81          | .0461**                       | .0516**             | .0592***           | .0624***                   | .0172                | .1080***    | .0917***  | .1071***                         | .9298***                          | .1033***      | .1312***     | .1397***   | 1          |              |          |
| Total Assets                      | 43,858.95 | 153,249.40         | .0636***                      | .2289***            | -.1181***          | .0545**                    | .0498**              | .2073***    | .4461***  | .4592***                         | .1795***                          | .1099***      | .2398***     | .2367***   | .0506**    | 1            |          |
| Revenues                          | 16,373.96 | 31,029.70          | .0141                         | .6782***            | -.0142             | .2030***                   | .0402*               | .4085***    | .2198***  | .2856***                         | .2039***                          | .3083***      | .1484***     | .1763***   | .0871***   | .4364***     | 1        |
| Net Income Margin                 | 5.84      | 52.71              | -.0212                        | -.0050              | -.0419*            | .0452*                     | -.0712***            | .0392*      | -.1282*** | -.1129***                        | -.0213                            | .0098         | -.3628***    | -.3529***  | -.0250     | -.0218       | .0052    |

*Note.* Data is presented at corporate level.

Variables relating to executive compensation measured in units of 1,000USD, “Total Assets” and “Revenues” in units of 1,000,000USD.

“Number of Employees” measured in units of 1,000. “Year of Foundation” measured in years. “Executives’ Average Tenure” measured in days.

n = 3762. Number of observations varies for some key variables due to missing observations.

Levels of significance are shown as \*\*\* for  $p < .001$ , \*\* for  $p < .01$  and \* for  $p < .05$ .

## Regression Analyses

Table 3

*Summary of Results of Full Sample Multivariate Logit Regression*

|                                                                              | <i>Model 1</i>      | <i>Model 2</i>      | <i>Model 3</i>      | <i>Model 4</i>      |
|------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <i>pseudo R</i> <sup>2</sup>                                                 | .052                | .064                | .054                | .064                |
| <i>probability &gt; <math>\chi^2</math></i>                                  | 0                   | 0                   | 0                   | 0                   |
| dependent variable: at least one seat on executive board occupied by a woman |                     |                     |                     |                     |
| Number of Employees†                                                         | .014<br>(.011)      | .001<br>(.013)      | .015<br>(.011)      | .001<br>(.013)      |
| Year of Foundation                                                           | -.001 ***<br>(.000) | -.001 ***<br>(.000) | -.001 ***<br>(.000) | -.001 ***<br>(.000) |
| Executives' Average Tenure†                                                  | -.058 ***<br>(.009) | -.052 ***<br>(.010) | -.058 ***<br>(.009) | -.053 ***<br>(.010) |
| Number of Executives                                                         | .052 ***<br>(.007)  | .051 ***<br>(.008)  | .053 ***<br>(.008)  | .050 ***<br>(.009)  |
| Base Salary†                                                                 | .<br>(.024)         | -.003<br>(.024)     | .<br>(.024)         | .020<br>(.041)      |
| Bonus†                                                                       | .<br>(.009)         | -.009<br>(.009)     | .<br>(.009)         | -.005<br>(.010)     |
| Salary Spread†                                                               | .<br>(.023)         | .049 *<br>(.023)    | .<br>(.023)         | .045<br>(.029)      |
| Bonus Spread†                                                                | .<br>(.012)         | .009<br>(.012)      | .<br>(.012)         | .013<br>(.018)      |
| Total Current Compensation (TCC)†                                            | .<br>(.024)         | .<br>(.024)         | -.032<br>(.024)     | -.030<br>(.047)     |
| Total Deferred Compensation (TDC)†                                           | .<br>(.018)         | .<br>(.018)         | .036 *<br>(.018)    | -.001<br>(.024)     |
| TCC Spread†                                                                  | .<br>(.016)         | .<br>(.016)         | .033 *<br>(.016)    | -.001<br>(.032)     |
| TDC Spread†                                                                  | .<br>(.012)         | .<br>(.012)         | -.008<br>(.012)     | .004<br>(.015)      |
| Total Assets†                                                                | -.022 *<br>(.010)   | -.030 *<br>(.012)   | -.027 **<br>(.010)  | -.029 *<br>(.012)   |
| Revenues†                                                                    | .020<br>(.016)      | .035<br>(.019)      | .015<br>(.016)      | .035<br>(.019)      |
| Region Midwest                                                               | -.115 ***<br>(.025) | -.120 ***<br>(.030) | -.109 ***<br>(.025) | -.121 ***<br>(.030) |
| Region South                                                                 | .034<br>(.023)      | .067 *<br>(.027)    | .038<br>(.024)      | .067 *<br>(.027)    |
| Region West                                                                  | .050<br>(.026)      | .081 **<br>(.030)   | .052 *<br>(.026)    | .080 **<br>(.030)   |
| Sector Non-manufacturing                                                     | .086 ***<br>(.021)  | .099 ***<br>(.026)  | .094 ***<br>(.022)  | .100 ***<br>(.026)  |
| Sector Health                                                                | .145 ***<br>(.031)  | .144 ***<br>(.037)  | .143 ***<br>(.031)  | .143 ***<br>(.037)  |
| Sector High-tech                                                             | .040<br>(.029)      | .054<br>(.034)      | .044<br>(.030)      | .053<br>(.034)      |
| Sector Utility                                                               | .011<br>(.037)      | .041<br>(.043)      | .021<br>(.037)      | .040<br>(.043)      |

*Note.* Table shows the marginal effects on the binary dependent variable. Standard errors are shown in parentheses. The dependent variable is the presence of at least one woman on a company's executive board during the given reporting year.

† indicates that the natural logarithm of the absolute value was used for the analysis.

Variables relating to executive compensation measured in units of 1,000USD, "Total Assets" and "Revenues" in units of 1,000,000USD. "Number of Employees" measured in units of 1,000. "Year of Foundation" measured in years. "Executives' Average Tenure" measured in days. Reference year for "Year" dummy (not reported) is 2005. Reference category for "Region" dummy is "Northeast". Reference category for "Sector" dummy is "Manufacturing".

n = 3762. Number of observations varies for some key variables due to missing observations.

Levels of significance are shown as \*\*\* for  $p < .001$ , \*\* for  $p < .01$  and \* for  $p < .05$ .

Table 3 shows the results of the multivariate logit regression using the full sample of 418 companies over a period of nine years. Contrary to the assumption made in H1, the number of employees has no significant effect on the presence of female executives in a company. Furthermore, the control variable “Total Assets” indicates that a one per cent increase in a firm’s asset value lowers the probability that a woman occupies a seat on the executive board by approximately three per cent. Interestingly, the effect of company age is highly significant but extremely weak as it almost equals to zero. Hence, the data do not support H2. Regarding H3, the highly significant effects relating to the composition of the executive board fully support both assumptions. As predicted, one additional executive board member increases the odds that this individual will be a woman by approximately five per cent while, simultaneously, a one per cent increase in average tenure lowers the odds to a similar degree. Variables relating to executive compensation are not highly significant. However, the total compensation including deferred elements has a positive impact on female executive board representation. Likewise, the somewhat correlated ( $r = .29$ ) variables “Salary Spread” and “TCC Spread” positively affect the probability of at least one woman serves on a company’s executive board. Both results contradict the assumption made in H4. In summary, the results support Hypothesis 3 while Hypotheses 1, 2 and 4 are rejected at this stage of the analysis. Hypothesis 5 is yet to be tested.

The effects of the remaining control variables are generally unsurprising and plausible. None of the year dummies 2001 to 2009 has a significant impact on the response variable and the results are therefore omitted from Table 3 and Table 4. Furthermore, companies with their headquarters located in the comparatively rural areas of the Midwest are less likely to employ female executives compared to those located in the Northeast. Conversely, companies in the West are more likely to employ women as executive officers compared to those in the Northeast. Female executives are also more likely to be found in

non-manufacturing and healthcare than in manufacturing. The latter result partly confirms earlier findings on the role of industry type regarding female executive board representation (Blum *et al.*, 1994). A test of the goodness of fit reveals that the model suffers from a somewhat low sensitivity (19% for Model 4). The specificity is high (92.7% for the Model 4) due the large number of companies without any women on their executive boards. However, the quality of prediction is good in a probability interval of [.2 ; .6], where the majority of the observed values lie (see Appendix A). Based on these results, I conclude that the statistical model is adequately specified for the purposes of this study.

In order to deepen the understanding of the observed effects, particularly those relating to Hypothesis 5, it was necessary to conduct additional analyses of the sample. Since H5 assumes that the presence of one woman on a firm's executive board has a direct effect on the probability that a second woman is appointed to the executive board, I decided to conduct a biprobit regression for seemingly unrelated binary variables in order to verify the existence of such a selection effect. The test did not confirm the assumption as the highly non-significant selection criterion ( $p = 1.0$ ) revealed that the presence of one female executive has no direct effect on the probability that an additional second female executive will be employed. This result refutes one of the central assumptions formulated in Hypothesis 5 according to which the presence of a single woman on a company's executive board would be detrimental to the employment opportunities of additional female candidates for executive board seats at this particular company.

However, the rejection of a direct selection effect is insufficient for the purposes of H5, which requires a closer examination of possible changes in the effects predicted by H1 – H4. Table 4 shows the results of the multivariate logit regression using the reduced sample of 132 companies which employed at least one female executive officer during at least one reporting year. The observed effects were the same as in the full sample analysis.

The only material difference to the former analysis is that the response variable is defined as the presence of *more than one* female executive in a company.

The most notable change from the results of the full sample analysis is that the number of employees gains a significant positive effect on female executive board representation, as predicted by H1. Simultaneously, the control variable “Revenues” gains a negative effect on the outcome variable, similar to the effect of “Total Assets” in the full sample regressions, which has now become non-significant. Furthermore, the effect of company age has become equal to zero. Regarding the assumptions of H3, the effect of executive board size has remained stable, however, the effect of executives’ tenure has vanished. The effects of executive compensation suggest that absolute compensation levels have a positive effect on the outcome variable. Specifically, TCC has a positive effect, as does the marginally non-significant ( $p = .059$ ) “Base Salary” variable. Conversely, the spread in total current compensation affects the response variable negatively.

Contrary to the assumption formulated in H5, the changes in the effects do not follow a single direction. Firm size becomes positively associated with the response variable so that, contrary to the full sample analysis, the results support H1. The effect of company age remains negligible and lends no support to H2. As predicted in H5, the effect of executives’ tenure disappears, resulting in a rejection of H3a at this stage of the analysis, however, the effect of board size remains stable, supporting H3b. The results regarding measures of compensation changed, but the observed effects cannot be described as either weaker or stronger compared to the former analysis. In summary, the results regarding strength and direction of the changes in the observed effects do not support H5.

The additionally introduced control dummies for the functions of female executive officers revealed that women in all critical functions have a positive influence on the

appointment of additional female executives. However, the values of the marginal effects should be regarded with great caution as the observed effects are partly reciprocal due to the cross-sectional design of the sample. In contrast to a time series, a female CFO, who may have a positive effect on the dichotomous outcome variable, is also inevitably included in it for being classified as a female executive officer. Therefore, I expect that the marginal values would be considerably smaller in a time series analysis. Nevertheless, considering that the sample includes only a very small number of female CEOs (see Figure 5), the comparatively strong effect of the “Female CEO” dummy reveals that female chief executives have a positive impact on the overall presence of female executives. As previously mentioned, the effect can be bidirectional since a female CEO may be instrumental in facilitating equal employment opportunities for subordinate female executives, but female executives below the CEO may likewise catalyse the appointment of a woman as chief executive, who would then be included in both the outcome variable and the independent control variable. However, either of the two possible explanations conflicts with the assumption of the queen bee syndrome made in Hypothesis 5.

A comparison of model 1a and 1b reveals that the introduction of the control dummies indicating the functions of female executives increases both significance and strength of some of the observed effects of the explanatory variables. The effects of the remaining control variables remain largely unchanged. Year dummies (not reported) still have no substantial impact and effects regarding regions and economic sectors have mostly disappeared, with the exception of the “Non-manufacturing” sector dummy. Furthermore, sample diagnostics show a higher sensitivity (31.3% for Model 4) compared to the full sample analysis as well as a considerably better quality of prediction in a probability interval of  $[0 ; .6]$ , where the majority of observed values lie (see Appendix B). In summary, the obtained results indicate that the statistical model was slightly better

specified for the reduced sample than for the full sample, partly due to the additional control dummies introduced in model 1b.

Table 4

*Summary of Results of Reduced Sample Multivariate Logit Regression*

|                                                                               | <i>Model 1a</i>    | <i>Model 1b</i>     | <i>Model 2</i>     | <i>Model 3</i>     | <i>Model 4</i>     |
|-------------------------------------------------------------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| <i>pseudo R<sup>2</sup></i>                                                   | .066               | .185                | .228               | .195               | .232               |
| <i>probability &gt; <math>\chi^2</math></i>                                   | 0                  | 0                   | 0                  | 0                  | 0                  |
| dependent variable: more than one seat on executive board occupied by a woman |                    |                     |                    |                    |                    |
| Number of Employees†                                                          | .061 **<br>(.019)  | .074 ***<br>(.018)  | .055 **<br>(.021)  | .071 ***<br>(.018) | .054 *<br>(.021)   |
| Year of Foundation                                                            | .000<br>(.000)     | .000<br>(.000)      | .000<br>(.000)     | .000<br>(.000)     | .000<br>(.000)     |
| Executives' Average Tenure†                                                   | -.010<br>(.013)    | -.006<br>(.012)     | -.003<br>(.013)    | -.012<br>(.012)    | -.003<br>(.013)    |
| Number of Executives                                                          | .024 *<br>(.010)   | .036 ***<br>(.009)  | .049 ***<br>(.010) | .046 ***<br>(.010) | .047 ***<br>(.011) |
| Base Salary†                                                                  | .                  | .                   | .074<br>(.038)     | .                  | .046<br>(.050)     |
| Bonus†                                                                        | .                  | .                   | -.014<br>(.011)    | .                  | -.021<br>(.014)    |
| Salary Spread†                                                                | .                  | .                   | -.046<br>(.032)    | .                  | -.030<br>(.039)    |
| Bonus Spread†                                                                 | .                  | .                   | .009<br>(.016)     | .                  | .023<br>(.024)     |
| Total Current Compensation (TCC)†                                             | .                  | .                   | .                  | .093 *<br>(.040)   | .075<br>(.066)     |
| Total Deferred Compensation (TDC)†                                            | .                  | .                   | .                  | -.006<br>(.024)    | -.032<br>(.031)    |
| TCC Spread†                                                                   | .                  | .                   | .                  | -.062 **<br>(.023) | -.039<br>(.042)    |
| TDC Spread†                                                                   | .                  | .                   | .                  | .002<br>(.015)     | .005<br>(.017)     |
| Female CEO                                                                    | .                  | .370 ***<br>(.041)  | .377 ***<br>(.050) | .363 ***<br>(.041) | .380 ***<br>(.050) |
| Female CFO                                                                    | .                  | .104 ***<br>(.029)  | .116 ***<br>(.032) | .102 ***<br>(.029) | .110 ***<br>(.033) |
| Female COO                                                                    | .                  | .133 **<br>(.048)   | .166 **<br>(.053)  | .139 **<br>(.048)  | .172 ***<br>(.053) |
| Female CCO                                                                    | .                  | .192 *<br>(.079)    | .232 *<br>(.103)   | .194 *<br>(.080)   | .232 *<br>(.102)   |
| Female General Counsel                                                        | .                  | .177 ***<br>(.033)  | .171 ***<br>(.039) | .182 ***<br>(.033) | .173 ***<br>(.040) |
| Total Assets†                                                                 | -.012<br>(.015)    | -.005<br>(.014)     | -.013<br>(.017)    | -.008<br>(.015)    | -.012<br>(.018)    |
| Revenues†                                                                     | -.069 **<br>(.028) | -.082 ***<br>(.027) | -.074 *<br>(.031)  | -.080 **<br>(.027) | -.073 *<br>(.031)  |
| Region Midwest                                                                | -.087 *<br>(.041)  | -.068<br>(.038)     | -.017<br>(.044)    | -.067<br>(.038)    | -.022<br>(.044)    |
| Region South                                                                  | -.056<br>(.034)    | -.030<br>(.033)     | -.018<br>(.039)    | -.029<br>(.034)    | -.023<br>(.039)    |
| Region West                                                                   | .023<br>(.036)     | .054<br>(.034)      | .042<br>(.040)     | .055<br>(.034)     | .041<br>(.040)     |
| Sector                                                                        | .109 ***<br>(.033) | .163 ***<br>(.032)  | .146 ***<br>(.036) | .153 ***<br>(.032) | .143 ***<br>(.036) |
| Non-Manufacturing                                                             | -.046<br>(.052)    | .056<br>(.049)      | .037<br>(.056)     | .057<br>(.049)     | .039<br>(.056)     |
| Sector Health                                                                 | .000<br>(.047)     | .014<br>(.046)      | -.030<br>(.054)    | .018<br>(.046)     | -.027<br>(.054)    |
| Sector High-tech                                                              | .059<br>(.063)     | .129 *<br>(.058)    | .104<br>(.065)     | .133 *<br>(.059)   | .103<br>(.066)     |

*Note.* Table shows the marginal effects on the binary dependent variable. Standard errors are shown in parentheses. The dependent variable is the presence of more than one woman on a company's executive board during the given reporting year.

† indicates that the natural logarithm of the absolute value was used for the analysis.

Variables relating to executive compensation measured in units of 1,000USD, "Total Assets" and "Revenues" in units of 1,000,000USD. "Number of Employees" measured in units of 1,000. "Year of Foundation" measured in years. "Executives' Average Tenure" measured in days. CEO = chief executive officer, CFO = chief financial officer, COO = chief operating officer, CCO = chief communications officer. Reference year for "Year" dummy (not reported) is 2005. Reference category for "Region" dummy is "Northeast". Reference category for "Sector" dummy is "Manufacturing". Reference category for "Female" dummy is "Other Executive".

n = 1188. Number of observations varies for some key variables due to missing observations.

Levels of significance are shown as \*\*\* for  $p < .001$ , \*\* for  $p < .01$  and \* for  $p < .05$ .

## Discussion of Results

Support for H1 is limited to the set of companies which already employ at least one female executive and where the size of the workforce is used as a proxy to determine the probability that additional women will be promoted to the executive board. This result is quite astonishing since it implies the existence of two kinds of corporations: one type of companies which readily employ women as executive officers and a second type of companies which do not employ female executives. For the former type, the hypothesised size effect matters as internal HR development capacities appear to increase with a greater number of workers. However, for the latter type, which constitutes the majority of the sampled corporations, establishment size is irrelevant as willingness and desire to open top management positions to women are likely to be missing.

The effect of company age is extremely weak in the full sample analysis, indicating a less than 0.2 per cent average decrease in the probability that a woman occupies a seat on the executive board for a one-year decrease in company age. Not surprisingly, the effect disappears completely in the reduced sample analysis. Interestingly, earlier attempts to establish a causal relationship between firm age and female representation in top management also failed (Blum *et al.*, 1994; Goodman *et al.*, 2003). A possible reason for this is that most companies evolve organically. Large corporations frequently come into existence as the result of mergers between smaller companies, which subsequently acquire other rivals. During these stages of growth major restructurings can occur which include changes in company names. On the other hand, corporations may also outsource parts of their businesses or split into smaller, however still significant, firms. This incremental development periodically introduces new elements to the corporate culture so that it is improbable that any major company would succeed in conserving the cultural values from the time of its foundation. Furthermore, the organic growth makes it occasionally difficult

to determine the precise date of a company's foundation if it experienced a series of smaller acquisitions, restructurings and outsourcings.

The differences in effects between the full sample and the reduced sample analysis further corroborate the conclusion that gender discrimination exists in a substantial fraction of US corporations. In the majority of firms, women have significantly better chances of employment as executive officers if turnover rates among executive board members are high. This finding supports the assumption that female leaders are preferentially employed during crises or when the internal pool of qualified male candidates is depleted due to extended periods of high turnover among executive officers. The crisis theory is further supported by the observation that women were indeed appointed as executive officers in greater numbers at the peak of the subprime mortgage crisis, i.e. just before the beginning of the global financial crisis in 2007 (see Figure 4). Therefore, the lack of support for H3a in the case of companies which employ at least one female executive is likely to be the result of equal employment opportunities and a lower degree of gender-based discrimination in these companies. Apparently, only a fraction of corporations employ executives of both genders irrespective of the precariousness of the vacant positions. A further interpretation may be that the non-discriminating employers hire female successors to fill vacant positions in top management even if turnover rates are low enough so that, theoretically, the pool of male candidates would be sufficient.

Furthermore, the strong support for H3b in both samples reveals that the impact of the size of the executive board is not a purely statistical effect. Since the turnover rate among executives has no influence on the dependent variable in the reduced sample, increasing the observation area should be of no consequence to the outcome variable. Therefore, the effect of board size is likely to reflect external pressure to comply with expectations regarding corporate social responsibility and gender equality. This pressure

increases with a larger executive board so that H3b is likely to capture a size-related effect, similar to the one predicted by H1.

The results of the full sample analysis do not support either assumption made in H4. In fact, they point to the exact opposite of the hypothesised effects, indicating that higher absolute compensation levels as well as larger spreads increase the probability that women are appointed as executive officers. However, none of the effects is highly significant. Furthermore, it is questionable whether the results signify gender differences in preferences regarding executive compensation since discrimination against women aspiring top management positions is very likely, as revealed in the discussion of H1 and H3. Contrastingly, the reduced sample excludes many discriminatory employers and may present a more realistic picture regarding compensation issues. Although the results obtained from the analysis of the reduced sample may not be generalisable to the entirety of corporate America, they point to a greater risk aversion of female executives compared to the male majority group, consistent with H4b. The results further indicate that female executives prefer higher absolute levels of compensation, in particular a higher base salary, in exchange for a lower spread in total current compensation. This implies that female executives may exhibit risk aversion by avoiding tournaments and preferring higher levels of performance insensitive, and therefore risk-free, compensation elements.

The overall lack of support for H4 might also be explained by job candidates' evaluation regarding the desirability of particular executive positions. Since compensation packages for executive officers depend on individual negotiation abilities and are defined by a wide range of candidates' professional skills rather than collective agreements, prospective executives may not be able to predict their individual compensation based on incumbent executive officers' remuneration in a given firm. Therefore, candidates for seats on the executive board might consider other easily accessible information denoting

employers' ability to pay as a proxy for their expected income (Agarwal, 1981). The results indicate that the value of total company assets and revenues, two indicators of a firm's financial strength, are negatively associated with female board representation. Total assets and revenues are also persistently positively correlated with measures of executive compensation and might hence be regarded as proxies for executive officers' pay (see Table 2). In consequence, companies with more assets and higher revenues might be perceived as more attractive employers and, therefore, be able to attract qualified male candidates more easily. However, this explanation for the empirical results which were obtained in connection with H4 is purely speculative and requires further examination in future research.

The token theory was rejected on several stages of the analysis. First and foremost, no selection effect was found, which could have indicated that the employment of a single female executive officer is causally related to the employment of additional female executives. This finding rejects the fundamental assumption underlying H5, according to which women are promoted into top management positions in single cases in order to maintain a false image of equal employment opportunities. Furthermore, magnitude and direction of the changes in the observed effects between the full and the reduced sample are incompatible with the predictions of H5. Tenure was the only effect which became clearly weaker in the reduced sample. However, as previously discussed, no indication exists that this change reflects tokenism, especially, since the corollary effect regarding board size remains stable throughout both regression analyses. Finally, the comparatively strong positive effect that female CEOs have on the overall probability that additional female executives are employed further corroborates the rejection of H5 by negating the existence of a queen bee syndrome.

## **General Discussion**

### **Gender Discrimination in the Labour Market**

The findings of this study give reason to believe that gender-based discrimination, which puts women at a disadvantage in the US labour market, still exists. The size of the workforce was hypothesised to affect female executive board representation. However, the effect was limited to those companies which already employed at least one female executive officer. Likewise, the positive impact of high turnover rates among executive board members on female board representation, which was associated with a greater precariousness of leadership positions, vanished in the reduced sample. Therefore, my findings indicate that although a large company size may be advantageous to women's career perspectives, it is insufficient to ensure equal opportunities. Instead, other mechanisms, unrelated to establishment size, must be responsible for the observed differences in employment practices among major US corporations.

The initial literature review identified the glass cliff phenomenon as such a discriminating mechanism. It constitutes a combination of stereotypical beliefs about women's leadership abilities and related market pressure not to appoint women to the executive board. The test of Hypothesis 3 produced results in support of the glass cliff theory but also revealed that discriminatory employment practices are not uniformly distributed across US corporations. In light of Haslam's (2010) theory, it is possible that the vicious circle of perceived underperformance of female executives and their assignment to precarious positions may be overcome if a woman is appointed to the executive board and markets realise that financial performance is not declining thereafter. Stakeholders may interpret any subsequent appointment of women to the executive board

as a sign of greater gender equality within the company rather than as a harbinger of a looming crisis.

Contrary to my initial assumptions, the attitude towards women in top management is not uniform across corporate America. The rejection of the token theory demonstrates that companies do not base decisions to employ additional women as executive officers on the prior presence or absence of a female executive in the firm. Likewise, the queen bee syndrome, which would impair the appointment of additional women to the executive board, could be exposed as a modern myth. The results of my analyses justify moderate optimism regarding the future of women in top management since they indicate that women support, rather than hinder, each other in their career advancement. Furthermore, the attitude towards women in leadership positions appears to improve in companies after the appointment of a female executive, which implies the possible existence of a “reverse” or “positive” token effect.

Apart from the glass cliff phenomenon and tokenism, I also attempted to examine the hypothesised causal connection between female executive board representation and certain phenomena related to corporate culture, such as the intensity of market competition, financial risks and innovative pressure, by using establishment age as a proxy. The attempt was unsuccessful, which could mean the nonexistence of such effects. However, it could also motivate future research to apply more sophisticated models and gather additional data in order to investigate the role of corporate culture more thoroughly. Specifically, the strong positive effect which female CEOs appear to have on the likelihood of appointment of additional women to the executive board corroborates previously mentioned theoretical findings, according to which the commitment of a company’s top management is indispensable for achieving greater gender equality.

## **Effects Related to Company Size**

Company size was found to have a positive effect on female executive board representation in the case of non-discriminatory employers. The literature review identified flexible workplace arrangements as being influenced by firm size since larger employers have more resources available to support staff and can better utilise economies of scale to provide on-site or off-site day care, extended periods of leave and support female employees in their re-integration into professional life. As a result of their societal role, women are more likely to experience certain obstacles in their professional development, particularly during midlife. Organisational structures may alleviate the impact of such impediments, which are related to childbearing, childrearing and elderly care and frequently exacerbated by lacking support from spouses and family members.

Likewise, formal mentoring and networking initiatives are believed to be associated with firm size as large companies are characterised by a relatively higher degree of formalisation of procedures and greater objectivity, which are required for the effective implementation and evaluation of the aforementioned programmes. However, as discussed in the previous chapter, a large company size alone does not guarantee the success of HR development programmes. In order to be successful in facilitating the advancement of female professionals, company leadership must be honestly committed to developing female leadership potential. Furthermore, clear targets must be formulated and responsibilities must be defined.

With increasing company size outside pressure to legitimise procedures also increases because large firms carry responsibilities for a disproportionately large number of employees. Large firms are also more thoroughly scrutinised by the general public as they are known to a greater number of people and are more frequently mentioned in the

media. Furthermore, the number of shareholders increases with a larger workforce<sup>10</sup>, which implies a greater probability that shareholders may exercise pressure through shareholder resolutions and other instruments. However, although firm size is undoubtedly a factor determining the importance of sensitive CSR-related issues, it is not directly related to female executive board representation for the majority of US corporations. It is possible that gender equality in top management is currently perceived as less controversial compared to other topics associated with CSR, such as environmental sustainability, human rights or the ethical use of social media (Mohin, 2012).

### **The Role of Executive Compensation Schemes**

The results of my analysis provide no indication that female executives are employed by companies characterised by lower average compensation levels for the executive board. However, this finding does not necessarily mean that female executives are compensated equally to their male colleagues since compensation levels were calculated at the corporate level. My study does not consider possible compensation-related discrimination within companies and, therefore, does not conflict with the extensive body of literature on the gender pay gap. However, the study does reveal that female executives may be more risk-averse by avoiding employment at firms offering steep tournament schemes. This finding supports the widely accepted opinion among scholars that women are more risk-averse than men. However, a closer examination of compensation spreads on senior management levels below the executive board would be required in order to establish whether female managers really behave in a more risk-averse way than their male colleagues in tournament settings.

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<sup>10</sup> In the sample used for this study the number of employees in a company and the number of shareholders are positively correlated ( $r = .23$  \*\*\*).

Nevertheless, the study findings regarding risk preferences of female executives have certain implications for major corporations which attempt to promote more women to top management positions. Since women may avoid steep tournaments due to the greater risk regarding personal finances, companies may adapt their compensation schemes accordingly by reducing tournament prizes in order to attract more female job candidates. However, this seemingly simple solution would obviously result in a reduction in the overall strength of pecuniary incentives. The results indicate that base salary would have to be increased following a reduction in incentive intensity in order to maintain a constant level of job attractiveness for more risk-averse employees. In consequence, the new compensation scheme would not be optimal for men, assuming that any firm's compensation scheme was initially optimised for the less risk-averse male executive board members.

Yet another possible solution for this problem is to offer alternative compensation packages upon employment. This compensation model could ensure an optimum effort supply from all executives, irrespective of their gender, by considering individual risk preferences. However, problems may still occur if managers competing in different compensation schemes become envious of each other. Envy may increase individuals' effort supply if contestants attempt to outperform one another in order to secure the tournament prize for themselves (Brown *et al.*, 2008; Loewenstein *et al.*, 1989). However, if certain employees, e.g. female executives, cannot win the tournament because they opted out of it, the effects of envy may become counterproductive. The envious but, nevertheless, highly risk-averse employee could be stuck in a dilemma: On the one hand, he or she is likely to be disinclined to accept greater risks regarding their individual compensation. On the other hand, feelings of frustration may arise because of the inability to win a large bonus and attain the concomitant appreciation in social status (Kragl & Schmid, 2009).

Excessive inequalities in the remuneration of executives in a company may result in a collapse of the entire incentive system as highly risk-averse employees could lose the motivation to exert themselves for their employer. In practice, female executive officers may resign their jobs or, at the very least, resign internally.

## **Concluding Remarks**

This study investigated the impact of organisational characteristics on female executive board representation in major US corporations. It revealed that establishment size has a positive effect on the presence of female executives, implying that companies which permit flexible workplace arrangements and offer formal mentoring and networking programmes are more successful in promoting female management professionals' career advancement in their organisations. The responsiveness and flexibility of employment conditions also includes offering alternative compensation schemes. However, the latter measure may be problematic with regard to companies' overall incentive systems. Furthermore, the study findings reveal the existence of gender-based discrimination in the US labour market based upon the attractiveness of particular positions on the executive board. However, the study findings reject the implications of tokenism and give substantial reason to assume that women in top management positions facilitate the career advancement of their female colleagues and subordinates.

Since this study was conducted among S&P 500 companies, the results and conclusions are almost certainly generalisable to other large companies in the United States. The implications may also be valid for companies in other industrialised regions of the world. Although Western European cultures differ from US American culture in various aspects, management structures in sizable private enterprises are relatively similar. Furthermore, as a result of progressing globalisation, corporate practices of large companies may be expected to become increasingly similar. Therefore, this study may contain a series of findings regarding the role of companies in facilitating equal employment and development opportunities for female professionals, which may be valuable for researchers and practitioners alike.

This study also has a number of limitations. First and foremost, it did not consider the dimension of race or ethnicity since this would have exceeded the scope of a master's thesis. However, existing literature shows that gender-related effects may vary strongly across ethnic groups (e.g. Kalev *et al.*, 2006). Furthermore, certain information regarding executive officers' personal characteristics, such as average age or the level of educational attainment, could not be incorporated into the empirical models due to lack of available data. Such data might have been useful for increasing the validity of the specified models. Finally, the cross-sectional design of the study fails to capture effects related to certain developments over the course of time. Future research might utilise slightly more sophisticated statistical methods. For example, time series analyses or panel studies would help to determine the effects of employing a single female executive on the appointment of additional female executives more precisely. Apart from these limitations, future research may attempt to deconstruct the role of corporate social responsibility in greater detail. Furthermore, the relatively recent theory on the role of envy in relational employment contracts requires additional investigation in light of possible effects on women's career advancement. Specifically, an analysis of compensation spreads at middle and senior management levels might improve our understanding of the role of tournament schemes regarding female board representation. Finally, the existence of systemic differences between discriminatory and non-discriminatory employers should be investigated more thoroughly.

## Appendix A

### Full Sample Diagnostics

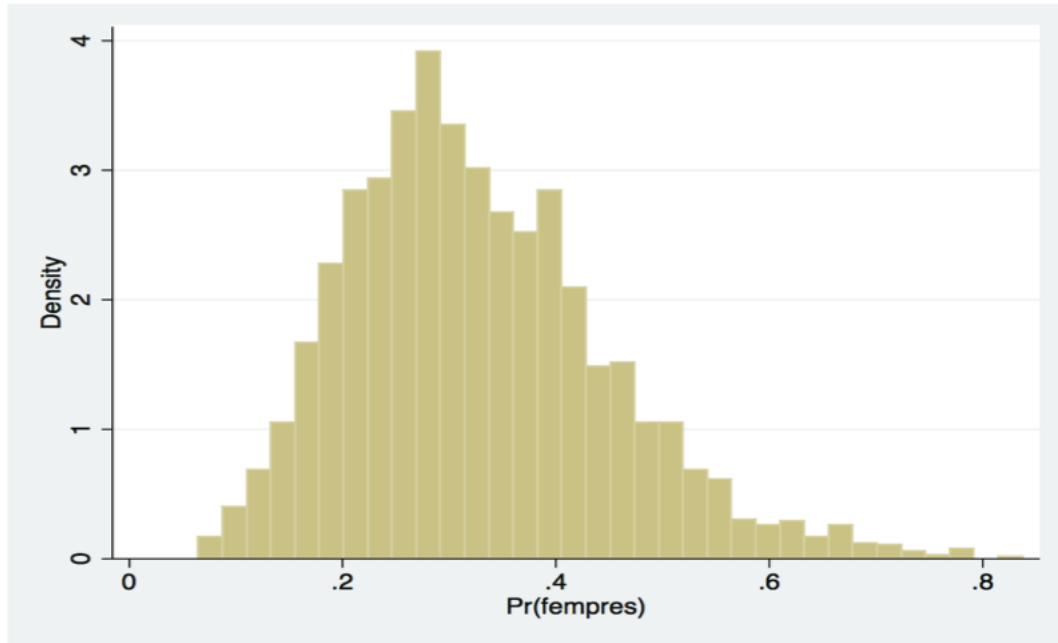


Figure 7. Histogram of density function for dependent variable in full sample.

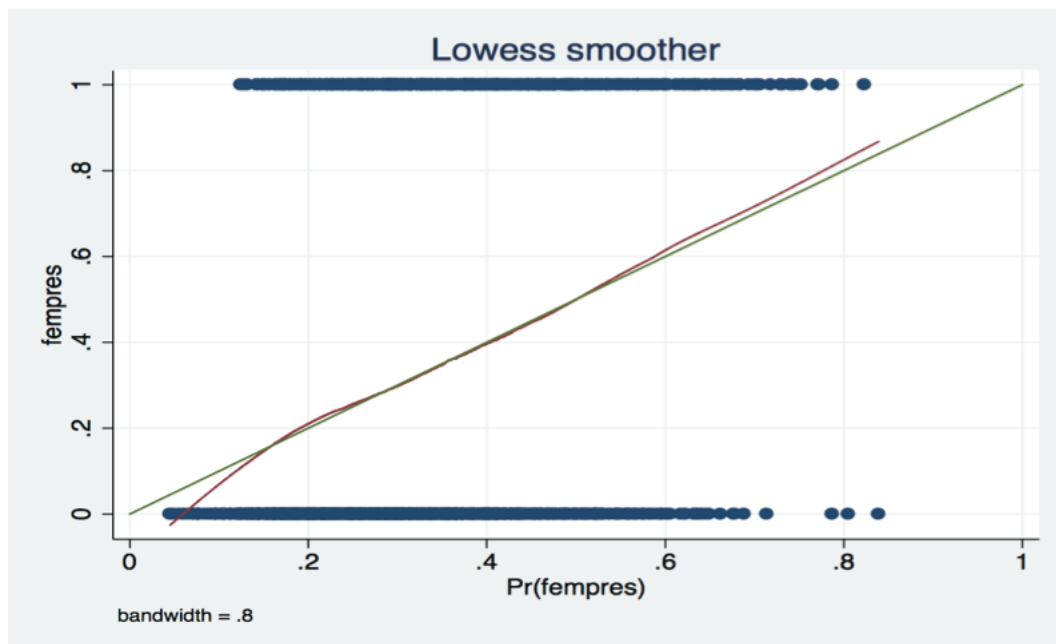


Figure 8. Test of goodness of fit of full sample analysis.

Note. Conducted for Model 4 of full sample regression analysis. Quality of prediction deteriorates with increasing distance between the two lines.

## Appendix B

### Reduced Sample Diagnostics

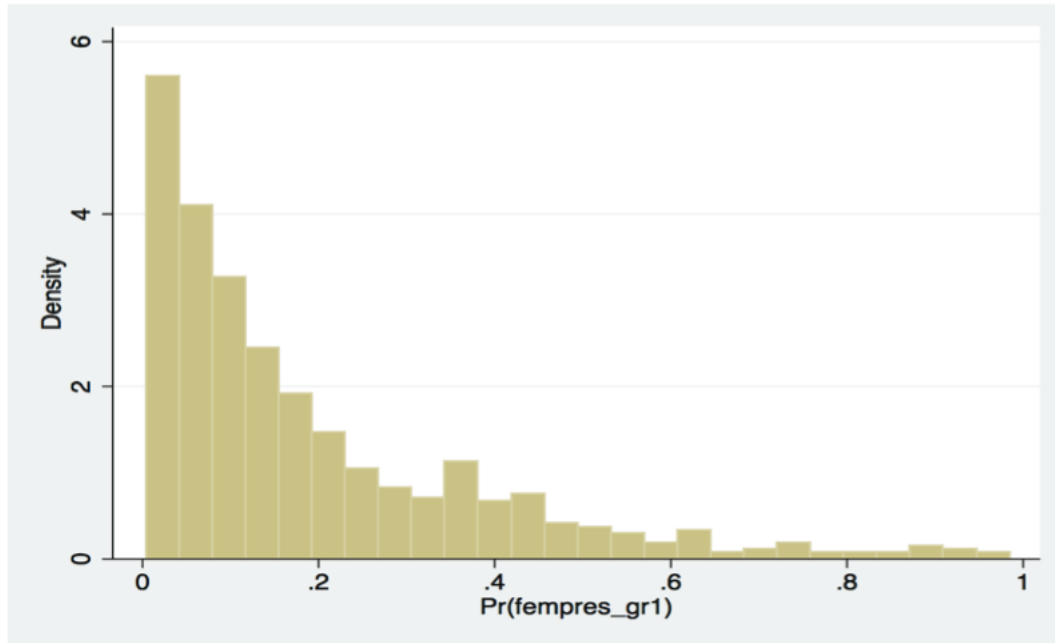


Figure 9. Histogram of density function for dependent variable in reduced sample.

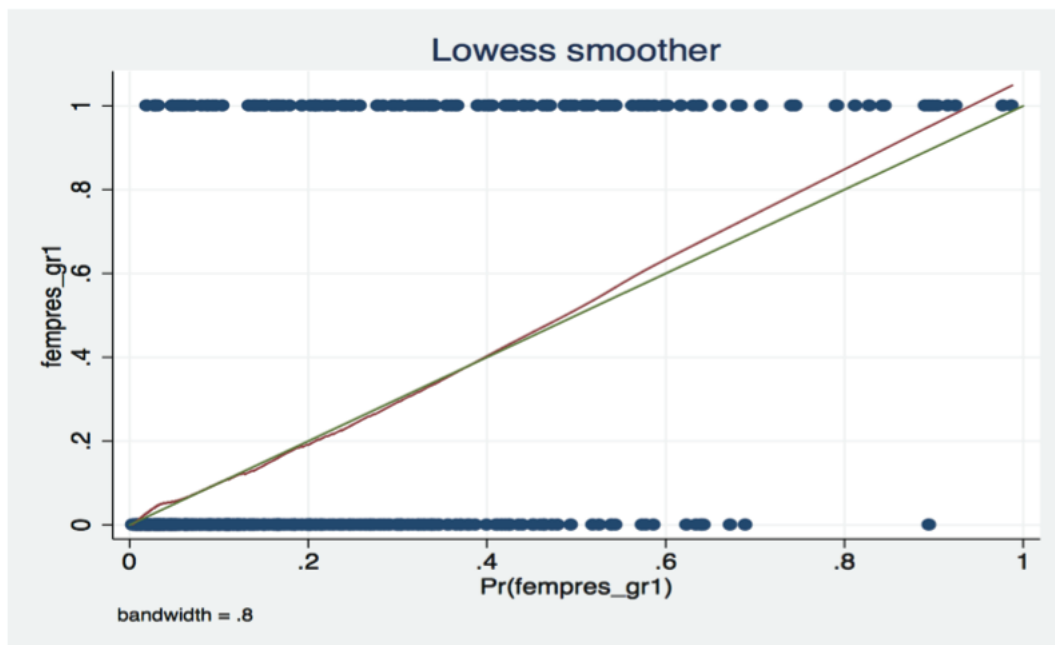


Figure 10. Test of goodness of fit of reduced sample analysis.

*Note.* Conducted for Model 4 of reduced sample regression analysis. Quality of prediction deteriorates with increasing distance between the two lines.

## **Appendix C**

### **Abstract (Deutsch)**

Die vorliegende Masterarbeit untersucht den Einfluss von Unternehmenseigenschaften auf die Präsenz weiblicher Vorstände in großen US-amerikanischen Unternehmen. Die untersuchten Unternehmenseigenschaften dienen dabei als Proxys für nicht unmittelbar beobachtbare offizielle und inoffizielle Personalpraktiken in US-amerikanischen Unternehmen. Die beobachteten Unterschiede zwischen den verschiedenen Unternehmen offenbaren positive als auch negative Einflüsse dieser Unternehmenspraktiken auf die Karriereentwicklung von Managerinnen in den Vereinigten Staaten. Für die empirische Analyse wurden Daten zu Unternehmen im S&P 500 Index aus den S&P-Datenbanken Compustat Fundamentals Annually und Compustat Execucomp erhoben. Anschließend wurde im Rahmen einer statistischen Querschnittsanalyse eine Reihe von Regressionen durchgeführt. Die Ergebnisse dieser Arbeit legen nahe, dass die Mehrzahl US-amerikanischer Großunternehmen Kandidatinnen für Vorstandsposten auf Grundlage der Attraktivität der ausgeschriebenen Stellen diskriminiert. Darüber hinaus zeigen die Ergebnisse, dass bestimmte Personalpraktiken, die mit größerer Wahrscheinlichkeit in relativ großen Unternehmen zu finden sind, die Präsenz von Frauen im Vorstand erhöhen. Ferner bestätigt die vorliegende Arbeit frühere Forschungsergebnisse, indem die Ergebnisse nahe legen, dass weibliche Vorstände im Vergleich zu ihren männlichen Kollegen möglicherweise stärker risikoavers im Bezug auf ihr persönliches Einkommen sind. Des Weiteren widerlegen die Ergebnisse die Existenz von Token-Effekten. Es existiert eine Reihe von Einschränkungen im Bezug auf die Ergebnisse dieser Arbeit. Der ethnische Hintergrund und eine Reihe weiterer persönlicher Eigenschaften von Vorstandsmitgliedern bleiben unbeobachtet. Außerdem lässt die statistische Querschnittsanalyse, die bei der vorliegenden Arbeit zur Anwendung kommt, temporale

Effekte außer Acht. Obwohl das Sample ausschließlich aus US-amerikanischen Unternehmen besteht, ist es dennoch wahrscheinlich, dass die aus der Analyse gewonnenen Erkenntnisse auf viele andere Staaten zumindest teilweise sinngemäß zutreffen. Aus praktischer Sicht legt diese Arbeit nahe, dass es für weibliche Vorstände von Vorteil sein könnte bei relativ großen Unternehmen beschäftigt zu sein. Kandidatinnen für Vorstandsposten werden jedoch häufiger als ihre männlichen Kollegen in heikle Positionen berufen, die ein höheres Misserfolgsrisiko mit sich bringen. Entgegen den Annahmen der Token-Theorie, scheinen Frauen in Topmanagementpositionen die Karriereentwicklung ihrer Kolleginnen zu fördern. Aus unternehmerischer Sicht könnten Arbeitgeber, die bemüht sind die Frauenquote auf Vorstandsebene zu erhöhen, die Ergebnisse dieser Arbeit heranziehen und ihre Personalpraktiken dementsprechend anpassen. Arbeitgeber könnten insbesondere ihre Gehaltssysteme für die Vorstandsebene überarbeiten, um Arbeitskonditionen attraktiver für weibliche Führungskräfte zu gestalten. Aus wissenschaftlicher Sicht leistet diese Arbeit einen Beitrag zur Untersuchung der Rolle von Arbeitgebern im Bezug auf die Gleichberechtigung der Geschlechter im Arbeitsleben.

## Appendix D

### Curriculum Vitae

Karol Bartecki, BA

#### Education

|                |                                                                                                                                                                                                |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008 – 2012    | MSc in International Management<br>University of Vienna – Department of Business Administration<br>Major in Personnel Economics and HR Management                                              |
| Jul./Aug. 2010 | Summer School of Polish Language and Culture<br>Jagiellonian University in Krakow                                                                                                              |
| 2007/2008      | Japanese Studies<br>University of Vienna – Department of East Asian Studies                                                                                                                    |
| 2006/2007      | ERASMUS – Exchange Semester<br>Cracow University of Economics<br>Focus on business in transitional economies                                                                                   |
| Jul. 2006      | Summer School of Russian Language and Culture<br>Academy of Labour & Social Relations in Moscow                                                                                                |
| 2004 – 2007    | BA in International Business Relations <i>summa cum laude</i><br>University of Applied Sciences in Eisenstadt (Austria)<br>Core subjects: Business Administration, Marketing, European Studies |
| 2003           | Diploma from Austrian secondary school <i>summa cum laude</i>                                                                                                                                  |

#### Language Skills

|                         |                                                                                                                        |
|-------------------------|------------------------------------------------------------------------------------------------------------------------|
| English                 | Near-native proficiency<br>Cambridge Certificate of Proficiency in English<br>English for business & academic purposes |
| German                  | Native proficiency                                                                                                     |
| Polish                  | Native proficiency                                                                                                     |
| Russian                 | Fluent<br>Good knowledge of Russian for business purposes                                                              |
| Japanese                | Basic level of command<br>Knowledge of Japanese culture & etiquette                                                    |
| Latin and Ancient Greek |                                                                                                                        |

## Appendix E

### Lebenslauf

Karol Bartecki, BA

#### Ausbildung

|                |                                                                                                                                                                                                                                                                            |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008 – 2012    | Masterstudium Internationale Betriebswirtschaft<br>Universität Wien – Betriebswirtschaftszentrum<br>Kernfachkombination Personalökonomik                                                                                                                                   |
| Jul./Aug. 2010 | Sommeruniversität für polnische Sprache und Kultur<br>Jagiellonenuniversität Krakau                                                                                                                                                                                        |
| 2007/2008      | Bachelorstudium Japanologie<br>Universität Wien – Institut für Ostasienwissenschaften                                                                                                                                                                                      |
| 2006/2007      | ERASMUS – Auslandssemester<br>Wirtschaftsuniversität Krakau<br>Schwerpunkt: Wirtschaft in MOE-Reformländern                                                                                                                                                                |
| Jul. 2006      | Sommeruniversität für russische Sprache und Kultur<br>„Academy of Labour & Social Relations“ in Moskau                                                                                                                                                                     |
| 2004 – 2007    | Fachhochschul-Bachelorstudiengang Internationale<br>Wirtschaftsbeziehungen<br>Fachhochschulstudiengänge Burgenland Ges.m.b.H.<br>in Eisenstadt (Österreich)<br>Abschluss mit ausgezeichnetem Erfolg<br>Kernfächer: BWL, Marketing, europäische Entwicklung und Integration |
| 2003           | Matura (Abitur) mit ausgezeichnetem Erfolg                                                                                                                                                                                                                                 |

#### Sprachkenntnisse

|                            |                                                                                                                                   |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Deutsch                    | Muttersprache                                                                                                                     |
| Englisch                   | verhandlungssicher<br>Cambridge Certificate of Proficiency in English<br>Wirtschaftsenglisch und Englisch im akademischen Kontext |
| Polnisch                   | Muttersprache                                                                                                                     |
| Russisch                   | fließend<br>gute Kenntnisse in Wirtschaftsrussisch                                                                                |
| Japanisch                  | erweiterte Grundkenntnisse<br>Kenntnisse von japanischer Kultur und Etikette                                                      |
| Großes Latinum und Graecum |                                                                                                                                   |

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