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## Management Focus

## Increasing women's contribution on board decision making: The importance of chairperson leadership efficacy and board openness

Sadi Boğaç Kanadlı, PhD. <sup>a,\*</sup>, Mariateresa Torchia, PhD. <sup>b</sup>, Patricia Gabaldon, PhD. <sup>c</sup><sup>a</sup> Universitat Ramon Llull – ESADE, Av. Torrelblanca, 59, E-08172 Sant Cugat, Barcelona, Spain<sup>b</sup> Management and Governance, Witten/Herdecke University, Alfred-Herrhausen-Straße 50, 58448 Witten, Germany<sup>c</sup> Economic Environment Department, IE Business School, C/ Maria de Molina, 13, 28006 Madrid, Spain

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## ABSTRACT

In the last decade, the number of women on corporate boards has increased slightly, but the prevailing minority status of women directors implies that they will continue to face social barriers. While prior research has largely focused on explaining social barriers (e.g., being categorized as an out-group member) to increase diversity and its negative consequences, how boards can avoid these obstacles remains unclear. Stemming from recategorization theory, we examine whether and to what extent board chairperson leadership efficacy and board openness (as mechanisms to avoid out-group bias) enhance the influence of women when they are in the minority in board decision-making. In a sample of 146 Norwegian firms, we found a positive relationship between women minorities and women directors' contribution to board decision-making. Moreover, we found that this positive impact increases when the board chairperson exercises leadership and the board operates in an atmosphere of openness.

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## 1. Introduction

The number of women on corporate boards continues to slightly increase (Catalyst, 2014; GAO, 2015; MSCI, 2015). Norway (40.1%) has the highest percentage of board seats filled by women (MSCI, 2015); however, worldwide, this is an exception due to a 40% gender quota restriction that came into force in 2008 (Matsa & Miller, 2013). In fact, the percentage of board seats occupied by women in Canadian (20.8%), US (19.1%), the majority of European, and the Asia-Pacific Stock Index Companies are lower than 30% (Catalyst, 2014). Moreover, MSCI ESG Research estimates that according to current “business as usual” trends, women are unlikely to comprise 30% of directorships in publicly held companies until 2027 (MSCI, 2015). Considering the present gender diversity landscape and estimations stated in various reports, it is highly probable that the minority status of women directors, with women comprising less than 30% of the total board, will prevail worldwide in the upcoming decades. This long-term issue has important practical implications. Being minorities in male-dominated boards, women directors face social barriers (e.g., being categorized as out-

group members) that limit their contribution to the board processes and board decisions (Groysberg & Bell, 2013; Huse & Solberg, 2006).

Indeed, women directors' influence on board decisions has become a widely discussed topic in academic circles (Adams, Haan, Terjesen, & van Ees, 2015; Hillman, 2015). Research shows that women directors influence strategic decisions (e.g., innovation, investments) (e.g., Miller & del Carmen Triana, 2009; Sun et al., 2015) through their contribution to board decision-making (Nielsen & Huse, 2010a; Westphal & Milton, 2000). This contribution is contingent upon their knowledge, experience, and values that are different than their male counterparts (Hillman, Cannella, & Harris, 2002; Letendre, 2004; Post & Byron, 2015). However, considering social barriers they face in the boardrooms, previous studies have suggested that women minorities should also have other qualities to be influential directors, such as specific prior board experience and network ties (Westphal & Milton, 2000), interlinks with other boards (Cook & Glass, 2015), and individual power (Triana et al., 2013). Others have suggested they should reach a critical mass (Kanter, 1977; Konrad, Kramer, & Erkut, 2008), which the literature identifies as three members (Joecks, Pull, & Vetter, 2013; Torchia, Calabrò, & Huse, 2011). In this regard, interestingly, solutions that can be created by and within boards to cope with social barriers women minorities face in the boardrooms have

\* Corresponding author.

E-mail addresses: [Sadi.kanadli@esade.edu](mailto:Sadi.kanadli@esade.edu) (S.B. Kanadlı), [mariateresa.torchia@uni-wh.de](mailto:mariateresa.torchia@uni-wh.de) (M. Torchia), [patricia.gabaldon@ie.edu](mailto:patricia.gabaldon@ie.edu) (P. Gabaldon).

remained unclear in the literature.

The purpose of this study is to empirically examine if, and to what extent, chairperson leadership efficacy and a board atmosphere of openness may avoid out-group categorization, the consequences of which stand as a barrier against women minorities' contribution to board decision-making. Board decision-making can be defined as the interactions between and among board members through cognitive stages of decision-making, including processes of collecting and sharing information, creating knowledge and perspectives, and evaluating alternatives to reach a final decision (Bailey & Peck, 2013; Rindova, 1999). From an information/decision-making perspective, women directors may contribute to decision-making processes because of their different knowledge, experience, and values. From a social categorization perspective, because of their visible difference (gender), women minorities may be automatically and instantly categorized as out-group by male-dominated boards and face negative consequences of out-group categorization (Fiske, Bersoff, Borgida, Deaux, & Heilman, 1991; Milliken & Martins, 1996; Zhu et al., 2014). We integrate and use information/decision-making and social categorization perspectives (van Knippenberg & Schippers, 2007) to argue that women minorities, even if they have the potential, will offer no contribution to board decision-making.

In addition, and more importantly, we apply recategorization theory, which focuses on the occurrence of out-group categorization and its negative consequences, attempting to reduce biases toward minorities (Gaertner & Dovidio, 2000; Gaertner, Mann, Murrell, & Dovidio, 1989). Bias perceptions and stereotyping may be avoided when other attitudes, beliefs, or social features that group members have in common are made salient (Kramer, 1991). We argue that certain leadership behaviors (Gabrielsson, Huse, & Minichilli, 2007; Machold et al., 2011) and an open atmosphere (Huse, 2005; Roberts, McNulty, & Stiles, 2005; Sun et al., 2015) can facilitate recognition of women directors' other salient features (e.g., functional background, educational background), which are shared by their male counterparts during board decision-making. We further argue that when women minorities are recategorized as in-group members, out-group bias and its negative consequences will be avoided and women directors' potential will be utilized in board decision-making.

This research builds on previous research in several ways. First, it makes a theoretical contribution to the literature on board gender diversity that mainly investigates the effects of gender diversity on organizational outcomes. Previous studies have mainly applied an information/decision-making perspective, arguing that women directors will contribute to quality or creativity of strategic decisions and therefore organizational outcomes. This research, however, has provided mixed results (Post & Byron, 2015). Following scholars' calls (van Knippenberg & Schippers, 2007); we integrate an information/decision-making perspective with a social categorization perspective, which implies that it is unrealistic to think that once a competent woman is appointed to a male-dominated board she will be influential, contributing to board tasks and processes. Our approach may provide one explanation for the mixed results of the link between gender diversity and organizational outcomes.

Second, we contribute to the literature on the link between board diversity and strategic decisions and to the recategorization theory. While prior research has largely focused on explaining social barriers to increase diversity and its negative consequences (Zhu et al., 2014), to the best of our knowledge, this study is the first to advance a novel understanding of how boards can utilize the talents of minority groups on strategic decisions, despite existing social barriers in the boardrooms. In a board context, the recategorization lens has rarely been empirically tested, and thus, more

research is required (Hillman, 2015). Zhu et al. (2014) provided evidence that the recategorization of women directors may contribute to a board's ability to effectively perform control tasks and administer advice and counsel. We apply a recategorization lens to specify certain conditions for positive effects gender diversity may have on board decision-making (Eagly, 2016).

Third, this paper makes an empirical contribution to research that investigates qualities and numerical representation of influential women directors and corporate governance literature. Our findings support the arguments that to be influential directors, the quality of women directors may be more important than their numerical representation on boards. Following scholars' appeals (e.g., Bailey & Peck, 2013; Triana et al., 2013), we demonstrated the importance of leadership behaviors in the boardroom and board norms (openness) in utilizing board members' (minority women's) contribution to board decision-making. The moderation effects of chairperson leadership efficacy and a board atmosphere of openness may explain why some firms benefit better from gender-diverse boards than others in the strategy process.

## 2. Theories and hypotheses

### 2.1. Diversity as a double-edged sword

Diversity research has largely been guided by two traditions: the information/decision-making perspective and the social categorization perspective (Pringle & Strachan, 2015, pp. 39–61). This focus addresses how differences between work group members affect group processes and group performance (e.g., Williams & O'Reilly, 1998; van Knippenberg & Schippers, 2007). Because of the differing contradictory predictions of these two perspectives, diversity in work groups is commonly seen as a double-edged sword (e.g., Milliken & Martins, 1996; Williams & O'Reilly, 1998).

According to the information/decision-making perspective, diverse groups should outperform homogeneous groups (Williams & O'Reilly, 1998). Diverse groups are more likely to benefit from a broader range of task-related information, knowledge, and skills and thus generate different opinions and perspectives. This gives diverse groups a larger pool of resources in dealing with non-routine problems. Furthermore, diverse groups may have to thoroughly process task-related information in an effort to reconcile conflicting opinions and perspectives. In turn, this may lead to more creative and better quality group outcomes (Bantel & Jackson, 1989; van Knippenberg & Schippers, 2007; van Knippenberg, Dreu, & Homan, 2004).

On the contrary, according to the social categorization perspective, homogeneous groups should outperform heterogeneous groups (Williams & O'Reilly, 1998). In explaining social categorization perspective, social identity and self-categorization theories have been extensively overviewed as an integrated whole (Hogg, 2001). While social identity theory (Ashforth and Mael, 1989; Tajfel & Turner, 1979) explains why minorities may be categorized as out-groups, self-categorization theory (Turner et al., 1987) explains the consequences of this intergroup bias on minorities. The term "minority" refers to those individuals who have salient demographic characteristics (e.g., age, gender, and ethnicity) that are possessed by less than half of the group (Nemeth, 1986).

At its core, social identity theory explains how individuals create and define their own place in society by categorizing themselves in social groups with some emotions and values significant to them regarding their group membership (Tajfel, 1972; cf.; Hogg, 2001). The process of social categorization segments between in-groups and out-groups, cognitively represented as prototypes. These prototypes are sets of attributes that define and prescribe feelings and

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