



Explaining women's presence on corporate boards: The institutionalization of progressive gender-related policies[☆]

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ABSTRACT

We draw on a phenomenological model of institutional theory to explore how sub-national policies shape corporate board gender diversity of publicly traded firms. Using a sample of S&P 1500 firms in 49 U.S. states from 2003 to 2014, we find that firms headquartered in states with progressive policies that protect women from discrimination and provide greater availability of emergency contraception and public funding for abortions have greater shares of women directors in their board of directors. Our findings hold after a series of robustness checks and offer implications for theory, policy, and practice.

1. Introduction

Considerable public discussion centers on perceived career barriers, with one of the most debated topics, the gender composition of the highest echelon of corporate leadership—the board. Presently, women comprise only 27.8% of new directors' appointments to Fortune 500 firms, a 2% decline from the prior year (Heidrick & Struggles, 2017). The share of women directors in many countries has largely stagnated over the last 20 years, prompting fourteen national governments to enact gender quotas for corporate boards and another sixteen countries to establish “comply or explain” codes (Rodrigues & Lopes, 2017; Terjesen, Aguilera, & Lorenz, 2015).

Scholarly research explores the antecedents of women's presence on corporate boards focusing on individual-, board-, firm-, and industry-level predictors (e.g., Brammer, Millington, & Pavelin, 2007; Grosvold, 2011; Grosvold, Brammer, & Rayton, 2007; Hillman, Shropshire, & Cannella, 2007). Extant research also delves into country-level determinants emphasizing, for example, the importance of female representation in managerial positions, gender pay gap, and traditions of women's political representation (Terjesen & Singh, 2008), and the role of legal, cultural, and religious systems (Chizema, Kamuriwo, & Shinozawa, 2015) and dominant institutions (e.g., government, family, education, religious, economic) (Grosvold & Brammer, 2011; Grosvold, Rayton, & Brammer, 2016).

A major gap in the literature is attention to lower levels of geographic analysis and local context (Terjesen, Sealy, & Singh, 2009). This gap may be explained by the difficulty in obtaining data and the fact that many developed countries utilize fairly homogeneous national governance systems. In large countries such as the U.S., state laws often supersede federal requirements (Caughey & Warshaw, 2016) and individual states have the power to adopt legal statutes that influence governance practices such as board composition (Luoma & Goodstein, 1999). Anecdotal evidence suggests that there are sub-national differences across the U.S. in terms of women's representation in top leadership. For example, a Massachusetts study of corporate directors indicates that larger pools of local women in academia and consulting are associated with new routes to boardrooms (Adams & Flynn, 2005), while a Tennessee study reveals low levels of board gender diversity compared with national averages (Helms, Arfken, & Bellar, 2008).

Institutional theorist John Meyer (2008, 2010) posits that adopting a phenomenological perspective can inform research on the institutional patterns that constrain and empower actors. We leverage institutional theory (e.g., DiMaggio & Powell, 1983; Meyer, 2010; Meyer & Rowan, 1977) and research on women in corporate boards (e.g., Grosvold et al., 2016; Orloff, 1993) to argue that heterogeneous institutional forces can motivate and direct women's attitudes, actions, and career aspirations such that the share of women appointed to corporate boards varies based on geography. In doing so, we investigate

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the research question: how do gender specific legislative institutions at the state level shape corporate board gender diversity of publicly traded firms? We test our theory using a sample of S&P 1500 firms which captures 90% of U.S. market capitalization and demonstrates the heterogeneity of female board representation across the U.S. Controlling for alternative explanations, we find that state-level policies that protect women from discrimination and are progressive regarding family planning are associated with greater shares of female directors. These findings suggest that as state progressive policies become institutionalized and accepted, there are more opportunities for women to attain directorships.

Our research makes three primary contributions to the literature. First, we extend *Knyazeva, Knyazeva, and Masulis' (2013)* finding that the local supply of executives and talent impacts board composition and structure by developing a phenomenological view of institutions and examining state-level policies' important role in shaping local female director talent supply. Second, we respond to calls to examine how policies explain differences in corporate governance outcomes (*Aguilera & Jackson, 2003; Aguilera, Judge, & Terjesen, 2018*) such as women's representation on corporate boards (*Grosvold et al., 2016; Terjesen et al., 2015*). Third, our single country design controls for latent institutional factors such as national differences in corporate governance systems that can confound international comparative findings (*Aguilera & Jackson, 2003*) and answers calls to explore within-country institutional heterogeneity (*Terjesen et al., 2009*) and bundles of institutions (*Grosvold & Brammer, 2011*).

1.1. Context: U.S. sub-national institutions and female labor force participation

The share of women in the American labor force rose dramatically over the last 50 years from 32% in 1948 to 56.8% in 2016, while men's labor force participation fell from 86.6% to 69.2% in the same time period (*U.S. Bureau of Labor Statistics, 2017*). Yet women's growing share of labor force employment is not met with equivalent increases in the share of female managers or directors (*U.S. Census, 2010*). Among U.S. boards, the share of women directors grew in the 1970s and 1980s, but slowed in the 1990s such that in 2017 about 27% of Fortune 500 board directors were women, compared to 10% in 1995 (*Catalyst, 2017*). These country level statistics disguise the tremendous heterogeneity in state levels of women's advancement to the corporate elite. For example, in our data of all S&P 1500 firms from 2003 to 2014, we do not find a single female director among Alaskan firms, while New York firms have as high as 64% women directors in a given year.

The vast differences across states in policies for family planning, work and family balance, and gender discrimination in hiring reflect distinct state institutional environments. While federal law provides a basic guideline, the U.S. Constitution's 10th Amendment grants extensive powers to the states, as originally articulated by *James Madison (1778: 303)* in the Federalist Papers:

“The powers delegated by the proposed Constitution to the federal government... will be exercised principally on external objects, as war, peace, negotiation, and foreign commerce.... The powers reserved to the States will extend to all the objects which... concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the State.”

Thus, the majority of laws that direct Americans' opportunities and actions are passed by the state in which individuals live, work, and raise families. States' prioritization of certain legislative ideologies and programs signals commitment to specific outcomes and sets parameters for individuals' and organizations' actions.

2. Institutional theory and hypotheses

A large body of institutional theory describes how practices are

driven by “fit” to the environment such that actors' behavior is constrained by their contexts' technical pressures and societal expectations (*Meyer & Rowan, 1977; Scott, 2001*). Scholarship on institutions emphasizes “long-lasting, embedded, and persistent aspects of a social environment, which in turn have profound effects on individuals' behavior” (*Grosvold et al., 2016: 1164*). Institutional theorists such as *Meyer (2010)* highlight the complexity and richness of institutions that operate at multiple levels and include both formal dimensions such as laws, regulations, and policies around work and family life and informal dimensions such as norms, values, and conventions (*North, 1990; Scott, 2001*).

As there are many strands of institutional theory, we focus on contemporary phenomenological institutional theories that advocate for approaches that consider how “expanded and globalized modern systems of social control construct expanded models of proper persons, organizations, and states” (*Meyer, 2010: 15*). In particular, we concentrate on the extent to which “actors are constructed entities, playing parts as in the theater” (*Meyer, 2010: 4*), and emphasize the importance of institutional environments in influencing actors' actions, decisions, and behaviors. While institutional environments are multi-layered and conflicted (*Scott, 2005*), we delve into one aspect—the sub-national context. Building on the work of *Grosvold et al. (2016)*, we focus on gender-related policies specifically, a set of state-level formal institutions that are likely to define and influence the choices and behaviors of individual actors (e.g., women). Our theorizing posits that the parameters established through such policies enhance women's career prospects and aspirations, including to firms' top echelon—the board of directors.

Our focus on institutional theory mirrors a large body of comparative corporate governance research that uses institutional lenses to examine governance practices such as board composition (*Terjesen & Sealy, 2016*). Regarding the female composition of boards, extant research indicates that institutional theory is particularly suitable for examining gender-related issues given the contextual dependence on deeply embedded historical phenomena (*Grosvold et al., 2016*). For example, an early study demonstrates how stereotypes about what constitutes women's work shape compensation patterns that result in disadvantages to women (*Pfeffer & Davis-Blake, 1987*), while subsequent research examines how institutions shape gendered patterns of work-family conflict (*Thompson, Beauvais, & Lyness, 1999*). These institutional configurations are likely to set the parameters that hinder or enable women's opportunity to obtain the requisite skills, network, and confidence to obtain a board appointment.

Other research specifically compares female board representation across borders and delves into country-level determinants. For example, examining the European context, *Grosvold et al. (2016)* find that family, education, religious, economic, and government institutions influence the share of female directors. A recent study of firms in 45 countries by *Chizema et al. (2015)* finds that social institutions alleviate stereotypical attitudes viewing board directorship as a role more suitable for men than for women. While this body of work expands our understanding of country-level predictors of female board representation, such perspectives neglect the potential for significant within-country heterogeneity that may influence board composition. The present study adopts a phenomenological lens on institutional theory to survey the impact of state differences in institutional policies on women's corporate career ambitions by presenting various opportunities and constraints. Specifically, we maintain that states with more progressive policies that support family planning, offer family leave, and eliminate gender discrimination in hiring will increase the supply of better educated and more experienced women. Hence, firms originating from these states will have more female directors on their board of directors. *Fig. 1* depicts our model.

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