Stakeholder Salience in Gender Balance Strategy

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Introduction

Increasing gender diversity on top management positions is an important issue in many countries. Even though there is an increasing number of women who enter the workforce and access to managerial positions, the vast majority of corporate board seats in both the USA and throughout the world remain occupied by males rather than females (Daily *et al*., 1999; Weyer, 2007). Women hold only 14.8 percent of US Fortune500 board seats in 2007 (Catalyst, 2007), 13 percent of board seats in Canadian FP500 companies in 2007 (Catalyst, 2008), and 9.7 percent of board seats in European companies in 2008 (EPWN, 2008). For example, in Spain the percentage of women on top management and corporate boards is lower than in most other countries. Within the 120 companies that are quoted on the Stock Exchange, only 50 among 1,296 directors (3.8%) are women. The situation is not better among the 35 largest companies (Ibex 35) because there are only 16 women among 508 directors (3.1%). Furthermore in 24 out of 35 companies there was not any woman on the corporate board whereas in other 9 companies there was only one woman (Fundación Ecología y Desarrollo, 2004). Recently we carried out a research using data from the largest Spanish industrial and service firms, classified by sales, in the period 2000-2004. The percentage of firms with at least 1 woman on boards and top management teams is 51.34% in our data set, but only 3.34% of CEOs were women (De Luis *et al*, 2007).

A lot of developed countries try to arise the number of women on top management with norms or advices from the government or business institutions, like affirmative actions or including the gender diversity issue in Good Corporate Governance Codes. Whereas in Spain and many European countries, increasing gender diversity on corporate boards is only an advice, some countries like Norway have supported these recommendation upon financial penalties to the companies that do not achieve the balanced presence on a requested time period.

The researches that try to get a balanced level of gender diversity on top management positions is been studied from two points of view: financial and ethical point of view.

Most of the research about it uses financial approach to explain the benefits women would give to the firm performance or at least a gender balance on the top management. This point of view has been support by different theories: Agency theory (Kesner, 1988 Selby, 2000; Carter *et al*., 2003), Resource-based view of the firm (Rosener, 1995; Yammarino *et al*., 1997; Early and Mosakowski, 2000; Burke and Collins, 2001; Eagly and Johannesen-Schmidt, 2001; Schyns and Sanders, 2005), or

social identity theory (Tannen, 1990; Kent and Moss, 1994). The lack of women on boards may potentially exclude qualified talent. If only male individuals are potential candidates for the boards, the selection of board members will take place from this restricted distribution of qualifications, and on average this implies a much lower quality than if the candidates are selected among the best from the distribution of both men and women (Smith *et al*., 2006).

Alternatively, the gender balance on the top management in an important social issue related to the equality of opportunities between women and men, so the firm's attitude to the gender balance has been studied from the feminist theories (Ely and Padavic, 2007; Cinar and Hakan, 2008; Syedand Murray 2008) or corporate social responsibility approach. Corporate social action, and all the concepts derived from it, has continued to develop, and it continues to do so now. The debate about the service a corporation should give to society, which is at the same time its market, is complex and still open (Reich, 1998). The approach, notably influenced by the seminal work of Carroll (1991), has analyzed how the system of values and the psychology of managers with respect to equality of opportunities influences a firm's gender balance behaviour.

In this work we try to combine both approaches (financial and ethic) by making use of the framework provided by stakeholder theory (Freeman, 1984). This theory has proved fundamental in achieving a more practical view of corporate social responsibility, and in helping managers to determine strategies to confront it. In this sense, a gender equality strategy can be seen as a response to the pressures and demands of different stakeholders (Fineman and Clarke, 1996; Henriques and Sadorsky, 1999) even it do not result in financial performance improve (Francoeur *et al*, 2007).

In order to define (socially responsible) gender equity strategies, it is crucial to identify the stakeholders relevant to the firm with respect to gender balance issues. In other words, how far should the firm's gender equity strategy satisfy the aspirations of the different stakeholders?

According to Michell *et al* (1997) and Agle *et al* (1999) the appropriate way to identify relevant stakeholders is on the basis of four general attributes (power, urgency, legitimacy and salience). Concurring with this view, we propose to analyze these attributes with respect to a specific social issue – gender balance on top management – in order to identify the stakeholders relevant to firms designing their gender equity strategies.

Stakeholder Theory

As originally detailed by R. Edward Freeman (1984), stakeholder theory identifies and models the groups which are stakeholders1 of a corporation. This theory describes and recommends methods by which management can give due acknowledgment to the interests of those groups. In short, it attempts to address the "Principle of Who or What Really Counts."

[1] A corporate **stakeholder** is a party who affects, or can be affected by, the company's actions. A narrowly defined list of stakeholders might include: Employees; Communities; Shareholders; Creditors; Investors; Government. Broader lists of stakeholders may also include: Suppliers; Labour unions; Government regulatory agencies; Industry trade groups; Professional associations; NGOs and other advocacy groups; Prospective employees; Prospective customers; Local communities; National communities; Public at Large (Global Community); Competitors; Schools

In the traditional view of the firm, the shareholder[2] view (the only one recognized in business law in most countries), the shareholders or stockholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, to increase value for them. In earlier input-output models of the corporation, the firm converts the inputs of investors, employees, and suppliers into usable (saleable) outputs which customers buy, thereby returning some capital benefit to the firm. By this model, firms only address the needs and wishes of those four parties: investors, employees, suppliers, and customers. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, associated corporations, prospective employees, prospective customers, and the public at large. Sometimes even competitors are counted as stakeholders.

Mitchell, *et al*. (1997) derive a typology of stakeholders based on the attributes of power (the extent a party has means to impose its will in a relationship), legitimacy (socially accepted and expected structures or behaviours), and urgency (time sensitivity or criticality of the stakeholders' claims). By examining the combination of these attributes in a binary manner, 8 types of stakeholders are derived along with their implications for the organization. Friedman and Miles (2002) explore the implications of contentious relationships between stakeholders and organizations by introducing compatible/incompatible interests and necessary/contingent connections as additional attributes with which to examine the configuration of these relationships.

Blattberg (2004) has criticized stakeholder theory for assuming that the interests of the various stakeholders can be, at best, compromised or balanced against each other. Blattberg argues that this is a product of its emphasis on negotiation as the chief mode of dialogue for dealing with conflicts between stakeholder interests. He recommends conversation instead and this leads him to defend what he calls a 'patriotic' conception of the corporation as an alternative to that associated with stakeholder theory.

Stakeholder gender balance attributes

Salient stakeholders in a company can be classified in different ways, according to the issue under consideration. Likewise, each individual or group can be affected differently depending on the issue. Therefore, it seems logical to limit the analysis to a specific topic and determine stakeholders' interest in it, as well as the response each should receive from management. We will limit our analysis to the problem of the lack of women on boards, one of the most important issues in the political and social agenda.

Because of the lack of studies about the groups to be corporate stakeholders in relation to gender balance on corporate governance we choose similar groups that have been taken in other social issues, as environmental issues (Fernandez and Nieto, 2004; Caballero *et al*, 2007). The stakeholders will be ten: the government, managers, employees, owners, costumers, mass media, suppliers, unions, future generations and finally feminist groups or women associations.

[2] A **shareholder** or **stockholder** is an individual or company (including a corporation) that legally owns one or more shares of stock in a joint stock company. A company's shareholders collectively own that company. Stockholders or shareholders are considered by some to be a partial subset of stakeholders, which may include anyone who has a direct or indirect equity interest in the business entity or someone with even a non-pecuniary interest in a non-profit organization. Thus it might be common to call volunteer contributors to an association stakeholders, even though they are not shareholders.

We will classify stakeholders according to their power, legitimacy and urgency; variables that can condition the stakeholders' salience, according to Mitchell *et al* (1997). The number of attributes a stakeholder has will determine the importance, salience or priority it will be accorded by the firm, i.e. the attention it will get from corporate managers. Not having any of these attributes would imply being defined as a non-stakeholder. It is interesting to consider the relative importance of each stakeholder when its expectations concern the company's gender equity policy. The stakeholder attributes will be assessed differently, depending on the stakeholder and the issue concerned, in this case, the gender balance on the top management.

In this paper we propose to describe the firm's stakeholders according to their gender equity attributes. So we shall also examine if the salience managers give a specific stakeholder in gender equity issues is higher when its power, urgency and legitimacy is also high. Apart from the individual effect of each of these attributes, a combined affect of all three will be also considered. This view is held by Mitchell *et al* (1997) and by Agle *et al* (1999) when dealing with stakeholders in general. We will try to test if this proposition also holds true with the gender balance attributes of the stakeholders. Thus, we propose the following hypotheses:

H1. A stakeholder's gender balance power will positively affect its gender equity salience.

H2. A stakeholder's gender balance legitimacy will positively affect its gender equity salience.

H3. A stakeholder's gender balance urgency will positively affect its gender equity salience.

H4. The accumulation of gender balance power, legitimacy and urgency in a stakeholder will be associated with a greater environmental salience.

Methodology

We propose to carry out a survey to firms with the objective of finding out how managers assess different stakeholders and their attributes in relation to gender equity issues. The questionnaire explicitly will define stakeholder attributes in relation to the gender balance on the top management. Subsequently, we will ask the managers to score attributes from one to seven for the other nine described stakeholders: the government, employees, owners, costumers, mass media, suppliers, unions, future generations and feminist groups or women associations. The attributes will be the following:

- Gender equity power: Capacity and ability to make the company adopt decisions in accordance with the stakeholder's gender balance demands, either by means of economic rewards or punishments, by resorting to direct force or legal action, or by influencing the company's public image (1= no power; 7= maximum power)
- Gender equity legitimacy: Capacity of the stakeholder's gender balance demands to be considered as appropriate by managers (1= no legitimacy; 7= maximum legitimacy)
- Gender equity urgency: the importance stakeholders give their gender balance demands and how fast they demand satisfaction (1= no urgency; 7= maximum urgency).

- Gender equity salience: Attention, time and priority managers accord to the stakeholder's gender equity demands (1= no salience; 7=maximum salience).

We will use two control variables: First, the gender of manager because of the influence of the gender could have in the manager perceptions (Scholem and Mavondo, 2003). Secondly, the sector related to the presence of women as workers.

Conclusions

The lack of women on the top positions in the companies can be analysed from different perspectives. Public Institutions believe that reaching a balanced presence is a political objective in order to get the equality of opportunities between men and women. Nevertheless, the efforts that Public Institutions are doing are not present in the enterprises. Gender diversity is a reality need and to get it, social structural changes are necessary.

We ask if promoting women to top management positions is a social equity issue: Why we do still have to demonstrate that women can improve the firm´s financial performance? Increasing the number of women on top management should be a strategic objective even if this presence does not increase the financial performance. Stakeholder's theory gives us a framework to get a balanced presence on corporate boards. For that, it is necessary that companies recognize the corporate social responsibility as a strategic act and it will be so if managers recognize the stakeholders demands in this issue and the importance stakeholder attributes in relation to gender equity have for the managers. We propose to find out this question in order to help the gender equity and mainly the gender balance on top management becomes a reality.

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