



ISSN: 0975-833X

RESEARCH ARTICLE

INVESTIGATING GENDER DIVERSITY POLICIES & PERFORMANCE OF US COMPANIES IN
RELATION TO GENDER INCLUSIVITY AT THE SENIOR CORPORATE LEADERSHIP LEVEL

*¹Ms. Aditi Acharya and ²Gupta, O. P.

¹St. Thomas College, Ruabandha, Bhilai, C.G., India
²Govt. V.Y.T PG Autonomous College, Durg, C.G., India

ARTICLE INFO

Article History:

Received 05th June, 2015
Received in revised form
08th July, 2015
Accepted 10th August, 2015
Published online 16th September, 2015

Key words:

Gender diversity,
Female corporate leaders,
U.S. companies.

ABSTRACT

With growing significance of social responsibility of business, companies worldwide have relented to embrace the notion of workforce diversity for providing equal opportunities of growth for people irrespective of their gender, race, religion ethnicity etc. The study examined gender diversity policies of 20 U.S. companies by dividing them into two groups, of which first group of companies were led by female corporate leaders & second group never had any female leaders since their inception. The findings highlighted the fact that the first group has taken up more initiatives to fortify the skills of female employees & guide them on the path of their career progress. Also, though the second group of companies seemed to be open in accepting & assisting the female talent, the policies of first group of companies prioritized gender diversity across all levels of the organization, even at the topmost position.

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Citation: Aditi Acharya and Gupta, O. P. 2015. "Investigating gender diversity policies & performance of US companies in relation to gender inclusivity at the senior corporate leadership level", *International Journal of Current Research*, 7, (9), 20181-20186.

INTRODUCTION

In an organization with employees of different backgrounds, management needs to ensure that all employees are treated fairly without any partiality on basis of gender, race, ethnicity, religion, education etc. Yet, instances of prejudice at the time of appointment, promotion or assignment of important projects are not uncommon. Earlier the discrimination was more obvious, but as specific legislations & directives were introduced, the bias became subtle. Though corporate governance policies of companies expounded their commitment & earnestness towards regulating workplace diversity, colored treatment continued in the form of negative performance appraisal, denying access to crucial information, non-cooperation in day-to day activities etc. Even the concept of affirmative action formed with the objective of furthering the growth prospects of excluded sections did not prove effective. It aggravated the workplace segregation by giving an inferior status to the aggrieved groups instead of providing equal opportunities to them. Gender discrimination at the workplace is one of the most common problems in relation to gender diversity.

In the past, women worked as cheap labor on farms & in factories. Prioritizing their roles as homemakers, they often took temporary or part time jobs either to supplement their family income or to utilize their leisure time. The societal norms, cultural notions, socialization process & gender roles created barriers for women in pursuing jobs on full-fledged basis. But with the spread of education & new found sense of independence & security, women became more career oriented. But they did not receive equal resources, opportunities & rewards at workplace. They were subject to bias in form of stereotyping & exclusion from professional networks in form of glass ceiling that affected both their career progress & self-worth.

The gender inequality is not only limited to underdeveloped & developing economies. Even in U.S., where women make up about half of the population, only about 15% of women are appointed to the posts of executive officers_(-Fact Sheet: The Women's Leadership Gap Women's Leadership by the Numbers issued by Center for American Progress). Though women have outnumbered men in earning college degrees, this educational advantage failed to assist them in attaining positions of higher corporate offices. In U.S., women secure 60% of graduate degrees & all masters' degrees but only 8% of women belong to the group of top earners_(-Fact Sheet:

*Corresponding author: Aditi Acharya,
St. Thomas College, Ruabandha, Bhilai, C.G., India.

The Women's Leadership Gap Women's Leadership by the Numbers issued by Center for American Progress). It is also worthwhile to note that though women are entering the workforce in greater numbers, there is no significant increase in their joining positions of power & prominence. About half of the entry level employees in U.S. are women but their numbers dwindle as they move up on the career ladder. The female representation in top management positions is below 9 % (-Fact Sheet: The Women's Leadership Gap Women's Leadership by the Numbers issued by Center for American Progress).

The purpose of this study is to investigate the manner in which North American companies are supporting and promoting gender diversity & inclusion in their organizations. The industries of this region have centralized management with incentives & career growth being dependent on efficient performance. According to the Global Diversity & Inclusion report published by Society for Human Resource Management in 2010, though diversity issues are promoted by about three-fifths of North American companies, gender diversity was prioritized by less than one-third of the companies. Therefore, this study will specifically focus on the issue of gender diversity & will analyze the initiatives taken by 20 U.S. companies out of which 11 are headed by females.

LITERATURE REVIEW

Frank Dobbin and Jiwook Jung studied the appointment of female directors in American companies & how it affected their profits & stock prices. They collected data from 432 companies over a period of 10 years & analyzed it using time series models. They found that suggestions of shareholders led to increase in appointment of women on the Board of Directors. However, the increase in gender diversity didn't have any effect on profit earning capacity of company but led to reduction of stock prices due to investors' bias towards female directors. Also, CEO tenure & average tenure of male directors were found to hamper the chances of appointment of female directors.

Muhammad Ali *et al.* analyzed the way in which gender diversity is related to company's performance and how it affects the companies in manufacturing and service sector. They collected data from 1855 companies listed on Australian Securities Exchange in 2006 and information regarding the companies was gathered from Fin Analysis and Data link databases. They used Blau's index for computing gender diversity. They found gender diversity to be positively related to productivity of an individual but over a period of 5 years the relation was seen to be in an inverted u shape. The positive effects of gender diversity on performance were more marked in companies belonging to service sector. Ruth Mateos de Cabo *et al.* investigated the female representation on boards of EU banks & possible factors that can favor or deter their appointment. They used descriptive statistics & Poisson regression to analyze the data collected from 612 EU-25 banks from Bank Scope database in 2006. They found that gender diversity was seen in banks where the number of board members was more, quantum of risk related to business was less & expansion plans were in progress.

The banks located in northern & eastern Europe were found to have greater number of women as directors as compared to their southern counterparts. Getinet Haile examined whether gender diversity affected employees' perception of wellbeing regarding their jobs. She collected data from 18064 employees working in 1506 companies from 2004 British Workplace Employment Relations Survey and analyzed it using descriptive statistics, factor analysis & Bartlett's test. She found a negative relationship between factors of wellbeing and gender diversity. This negative influence was observed in case of female employees only & it got more pronounced with greater gender diversity within the organization. The HRM policies were found to be ineffective in lessening this negative impact. The research on gender diversity has focused more on analyzing the effect of count of female employees in workforce & the Board of Directors on performance of organizations. This study attempts to explore the fact that whether ideologies & policies of companies regarding gender diversity are translated into practices. It also intends to find out the various qualitative measures taken by the companies to nurture & develop the potential of their female employees. Finally, it wants to ensure that whether the female corporate leaders are not merely standalone exceptions & their companies are committed towards embracing gender diversity at all organizational levels.

MATERIALS AND METHODS

From the list of Most Powerful Women in business 2014 issued by Fortune Magazine, 11 companies belonging to 9 different sectors were selected for study. The magazine prepares the list taking into consideration the size & importance of companies led by women at international level, their financial health & progress, trends of women's career and their impact on society & culture. The companies taken as the sample included IBM, General Motors, PepsiCo, Lockheed Martin, DuPont, Hewlett Packard, Mondelez International, Archer Daniels Midlands, Fidelity Investments, Facebook, TJX Companies & Duke Energy. Nine other companies belonging to the 9 sectors chosen earlier, where in men led the Board of Directors were also taken so as to make comparisons between the gender diversity initiatives between 2 groups of companies. The second group included the following companies-Cognizant Technology Solutions, Ford, Kellogg, Boeing, Sherwin Williams, Tyson foods, Morgan Stanley, Gap Inc. & Exelon. The Fortune 500 ranking of each company was also considered to have an idea about the financial performance of the companies. Fortune magazine annually ranks large U.S. companies on basis of their gross revenue earned. The component of gender diversity of Corporate Equality Index of 2015 was also used to see how well the companies fared in the third party evaluation. This report published by Human Rights Campaign rates American companies on their competence, commitment & responsible citizenship towards providing equal employment opportunity & employee benefits to LGBT groups. The annual reports & sustainability reports of the companies of the years 2014 & 2013 were also analyzed to find out the policies regarding workplace diversity & activities undertaken to provide greater opportunities for development to various diverse groups. Also, the corporate governance & composition of workforce of companies were examined to get an idea about prevailing gender diversity within the company.

RESULTS

36% of the companies headed by women corporate leaders have not shared workforce statistics on the basis of gender while 33% of companies in the group without senior female corporate executives did not reveal information regarding the gender distribution of their employees. In the group of companies led by women, General Motors had the highest % of women on board (42%) & the lowest representation was found in Archer Daniels Midlands (15%). In the second group of companies, Kelloggs had the highest female board representation of 42% & Exelon had minimum number of female directors (8%). 3 companies of the first group were not listed on Corporate Equality Index & one company, namely, Archer Daniels Midlands was not approved by this index under the criteria of non-discrimination on basis of gender.

The information related to gender diversity of 2 companies of the second group was gathered from external sources. When the criteria of conducting of programs, forums &/or events for skill development for female employees was considered, 82% of companies of first group as compared to 56% of the second group organized such events. 55% of companies of the first group included the provision of providing employee diversity training in their corporate policy as opposed to 44% companies in the second group. 73% of companies of the first group have established ERGs (Employee Resource Groups), task forces &/or networks for female employees where as 67% of companies in the second group promoted formation of such groups. 55% of companies of the first group have formed women councils or diversity councils for handling gender diversity issues while 33% of companies of the second group have constituted such councils.

36% of companies in the first group have implemented some other programs & policies for promoting gender diversity within their organizations. PepsiCo & Mondelez International rewarded efforts directed towards enhancing diversity with incentives. Lockheed Martin implemented a policy of open discussion of employees with managers regarding diversity issues. Hewlett Packard provides sponsorship to female employees who have performed well. In the second group, 33% of companies have initiated other programs for greater gender diversity. Ford Motors has launched annual Global Diversity & Inclusion Awards to be given to individuals as well as teams who have contributed towards furthering its work towards diversity.

Tyson Foods has the provision of organizing round table meetings to discuss the problems faced by its female employees. Exelon organizes Diversity & Inclusion webinar series for raising awareness about diversity among its employees. But in some areas, the companies of the second group performed better. They provided greater mentoring support to female employees by senior executives with 78% of companies including it in their diversity management policy as against 45% among those of the first group.

Also, 78% of companies of second group have formed special groups/partnerships for greater recruitment & retention of female employees as compared to 45% of companies belonging to the first group.

Conclusion & future Directions

The study sought to find out whether a company's focus on gender diversity is reflected by appointment of females to senior positions, either to CXO group or to the Board of Directors. The findings indicated that companies, on the whole, are aware & responsive towards gender diversity. Though there is still some reluctance regarding revealing the workforce statistics, all the companies have taken steps towards growth & development of female employees. If employee statistics are considered, General Motors & Kellogg have the highest percentage of women on the Board of Directors & TJX Companies has the highest percentage of women in workforce. The study analyzed efforts towards gender diversity in 7 different areas which included diversity training, mentoring, employee resource groups, diversity councils, special groups/partnerships for recruitment of female employees, forums/events for skill building & other company specific programs.

The companies were given a point for each category for their initiatives taken for enhancing gender diversity. Hewlett Packard tied up with Lockheed Martin for its efforts towards promoting the growth & development of female employees. Kellogg was the third best company in terms of implementing gender diversity. Cognizant & Mondelez International obtained lowest scores and need to intensify & broaden the scope of their activities in this direction. Organizing programs, forums &/or events for skill building, formation of Employee Resource Groups and provision of mentoring support via senior executives were found to be most popular initiatives for advancing the cause of gender diversity.

Table 1. Companies led by female corporate leaders

S.No.	Company	Industry	Female Corporate leader	Title held in the company
1	IBM	Tech	GinniRometty	Chairman, CEO, and President
2	General Motors	Auto	Mary Barra	CEO
3	Pepsico	Food consumer products	IndraNooyi	Chairman and CEO
4	Lockheed Martin	Aerospace & defense	MarillynHewson	Chairman, CEO, and President
5	Dupont	Chemicals	Ellen Kullman	Chairman and CEO
6	Hewlett Packard	Tech	Meg Whitman	Chairman, CEO, and President
7	Mondelez International	Food consumer products	Irene Rosenfeld	Chairman and CEO
8	Archer Daniels Midlands	Food Production	Pat Woertz	Chairman, CEO, and President
9	Fidelity Investments	Finance	Abigail Johnson	President
10	TJX Companies	Specialty retailers: apparel	Carol Meyrowitz	CEO
11	Duke Energy	Utilities: gas & electric	Lynn Good	CEO

Table 2. Comparison of gender diversity policies of the companies

Company	Women in Workforce (in %)	Women on Boards (in %)	Rank in F500	Score in CEI	Programs For skill building	Diversity training	Mentoring support	ERGs	Women Councils Or Diversity Councils	Special Groups For Recruiting & Retaining Women	Other actions	Overall Points (out of 7)
IBM	30	21	24	NL	✓		✓	✓	✓	✓		5
Hewlett Packard	33	25	-	100	✓		✓	✓	✓	✓	Sponsoring good female performers	6
Cognizant Technology Solutions	NA	11	288	15			✓			✓		2
General Motors	24	42	6	100	✓	✓		✓	✓			4
Ford	23	15	9	100				✓		✓	Global Diversity Awards for individuals & teams	3
Pepsico	NA	29	44	100					✓	✓	Rewarding diversity with incentives	3
Mondelez International	NA	21	91	100		✓					Making diversity & inclusion part of compensation	2
Kellogg	34	42	210	100	✓	✓	✓	✓	✓			5
Lockheed Martin	24	33	64	100	✓	✓	✓	✓	✓		Open discussion with managers about diversity issues	6
Boeing	NA	9	27	100		✓	✓	✓	✓	✓		5
Dupont	26	21	87	NL	✓	✓		✓				3
Sherwin Williams	21	18	266	30	✓	✓	✓			✓		4
Archer Daniels Midlands	NA	15	34	20	✓		✓			✓		3
Tyson foods	38	22	83	30	✓		✓		✓	✓	Round table to discuss barriers for women in the organization	5
Fidelity Investments	NA	20	-	NL	✓	✓	✓	✓		✓		5
Morgan Stanley	NA	21	82	100	✓	✓	✓	✓		✓		5
TJX	77	30	103	100	✓	✓		✓				3
Companies												
Gap Inc.	74	30	188	100	✓		✓	✓				3
Duke Energy	23	21	116	90	✓			✓	✓			3
Exelon	22	7	111	100				✓		✓	Diversity & Inclusion webinar series on diversity issues	3

The first group of companies having women corporate leaders performed better in 5 out of the 7 criteria in which their contribution towards attaining greater gender diversity was analyzed. Though companies in the first group have taken more initiatives for promoting gender diversity, yet there is scope for improvement as not all them have taken initiatives under various criteria taken in the study. Also, the second group of companies outmatched the first group in parameters of providing mentoring facilities & greater job opportunities to female employees.

The companies with female corporate leaders have pursued more programs for gender diversity as compared to companies that are led by male executives. The approaches used by both the groups were also different. While first group was committed towards empowering the female employees, the second group focused more on their inclusion. The first group not only worked towards spreading awareness about the need & importance of diversity but also enabled female employees to form affinity groups & networks to promote their interests. The second group ensured that female employees are valued & retained in the organization by supporting them both at the time of recruitment & during the course of their career through guidance provided by their seniors.

Future research can make cross country comparisons of diversity policies of companies along with studying government support in form of legislation regarding the issue. Secondly, surveys can be conducted among beneficiaries of diversity policies of the companies to ascertain the way diversity management policies affect their morale. Finally, the relationship between satisfaction of employees belonging to minority groups with organizational campaigns can be analyzed with their turnover to determine effectiveness of diversity management.

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