

LGBTQ+ Leadership in Corporate America

On NASDAQ diversity, market reactions, and board experiences

Annual summit of The Association of LGBTQ+ Corporate Directors

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Prof. Wouter Torsin

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1. Behind the numbers: A look at the 2024 Nasdaq Board Diversity Disclosures
2. How do markets respond to the appointment of LGBTQ+ Leadership?
3. Diversity on the board: Understanding the experience of LGBTQ+ directors

Content

1. **Behind the numbers: A look at the 2024 Nasdaq Board Diversity Disclosures**
2. How do markets respond to the appointment of LGBTQ+ Leadership?
3. Diversity on the board: Understanding the experience of LGBTQ+ directors

1. Behind the numbers

1.1 A brief background on the NASDAQ disclosure rule

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1.1 A brief background on the NASDAQ disclosure rule

On December 1, 2020, NASDAQ filed a proposed rule with the U.S. Securities and Exchange Commission (SEC) that would require certain listed companies to have at least two diverse directors or explain why they didn't meet those requirements.

- More precisely, NASDAQ requires its constituents to at least have one female director and one other diverse board member (race, LGBTQ+) by 2026
- “Kind measure”
 - Two-year grace period for new listings
 - One-year grace period for board vacancies
 - Only one diverse board member for small boards (≤ 5)
 - ...

The SEC accepted NASDAQ's proposal on August 6, 2021. But this was heavily challenged by conservative groups

On October 18, 2023, a three-judge panel of the Fifth Circuit ruled that the SEC acted within its authority. “A *reasonable investor*’ could find board diversity information *important*,” the panel ruled.

1.2 Methodology

In response, firms have massively started to disclose their diversity matrices, allowing us to (i) understand the status of diversity on the NASDAQ in 2023/2024 and (ii) understand LGBTQ+ representation for NASDAQ listed constituents

Firms either disclose these in their proxy statements, or on their website ('investor relations')

But with a plethora of different formats...

| | Levinson | Cook | Austin | Gorsky | Jung | Lozano | Sugar | Wagner |
|--------------------------------|----------|-------|------------------|--------|--------|--------|-------|--------|
| Core | | | | | | | | |
| Leadership | ● | ● | ● | ● | ● | ● | ● | ● |
| Corporate Governance | ● | ● | ● | ● | ● | ● | ● | ● |
| Risk Management | ● | ● | ● | ● | ● | ● | ● | ● |
| Financial | ● | ● | ● | ● | ● | ● | ● | ● |
| Strategic | | | | | | | | |
| People and Culture | ● | ● | ● | ● | ● | ● | ● | ● |
| Global Business and Operations | ● | ● | ● | ● | ● | | ● | ● |
| Innovation and Technology | ● | ● | ● | ● | | ● | ● | ● |
| Brand and Marketing | ● | ● | | ● | ● | ● | | ● |
| Privacy and Security | | ● | | | | | ● | |
| Public Policy and Government | | | ● | | | ● | | |
| Environment and Climate | | | | | ● | | | |
| Identity | | | | | | | | |
| Gender Expression | Male | Male | Female | Male | Female | Female | Male | Female |
| LGBTQ+ | No | Yes | No | No | No | No | No | No |
| Race/Ethnicity | White | White | African American | White | Asian | Latino | White | White |
| Veteran | No | No | No | Yes | No | No | No | No |

Apple Inc.

Board Diversity Matrix (As of April 1, 2023)

| Total Number of Directors: five | Female | Male | Non-Binary | Did Not Disclose |
|---|---------------|-------------|-------------------|-------------------------|
| Part I: Gender Identity | | | | |
| Directors | 1 | 4 | 0 | 0 |
| Part II: Demographic Background | | | | |
| African American or Black | 0 | 0 | 0 | 0 |
| Asian | 1 | 0 | 0 | 0 |
| Hispanic or Latinx | 1 | 0 | 0 | 0 |
| Native Hawaiian or Pacific Islander | 0 | 0 | 0 | 0 |
| White | | | | |
| Two or More Ethnicities | 0 | 0 | 0 | 0 |
| LGBTQ+ | | | | |
| Did Not Disclose Demographic Background | 0 | 0 | 0 | 0 |

BT Brands Inc.

Board Diversity Matrix

| Board Diversity Matrix (As of August [22], 2022) | | | | |
|---|--------|------|------------|-------------------------|
| Board Size: | | | | |
| Total Number of Directors | 10 | | | |
| Gender | Female | Male | Non-Binary | Did not Disclose Gender |
| Directors | 3 | 7 | | |
| Number of Directors who identify in Any of the Categories Below: | | | | |
| African American or Black | 1 | | | |
| Alaskan Native or Native American | | | | |
| Asian (other than South Asian) | | | | |
| South Asian | | | | |
| Hispanic or Latinx | | | | |
| Native Hawaiian or Pacific Islander | | | | |
| White | 2 | 7 | | |
| Two or More Races or Ethnicities | | | | |
| LGBTQ+ | | | | |
| Persons with Disabilities | | | | |
| Did Not Disclose Demographic Background | | | | |

Freshpet Inc.

1.2 Methodology

... so the solution is hand collection!

To facilitate this process, I wrote a computer script that 'scrapes' the SEC proxy statements (DEF 14A) for the mention of the diversity matrices, which were manually encoded afterwards


At the time of collection NASDAQ hosts 7,019 securities:

- ▶ Exclude trusts, funds, and special purpose acquisition vehicles
- ▶ Data was searched for 2,933 unique firms
- ▶ Complete data was found for 2,835 firms (96%)
 - ▶ 2,223 are US firms
 - ▶ 612 are foreign listings

Enter the Matrix...

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| Date | Exchange | Name | CIK | Firm | Source | Country |
|---|----------|--------------|-----------|------------|--------|---------------|
| 2023 | NASDAQ | OFS Credit C | 1716951 | occi | | United States |
| Total Number of Directors | | | 5 | | | |
| Notes | | | | | | |
| Total Male | | | 2 | | | |
| Total Female | | | 3 | | | |
| Total Gender Not Disclosed | | | | | | |
| Part I: Gender Identity | | | | | | |
| | MALE | FEMALE | NONBINARY | DND_GENDER | | |
| BLACK | | | | | | |
| ASIAN | | | | | | |
| LATINX | | | | | | |
| NATIVE AMERICAN | | | | | | |
| PACIFIC ISLANDER | | | | | | |
| WHITE | 1 | 2 | | | | |
| TWO OR MORE RACES | | | | | | |
| Part II: Demographic Background | | | | | | |
| Did Not Disclose Demographic Background | | | | 1 | | |
|  LGBTQ+ | | | | 1 | | |

[View Filing for occi](#)

| Total Number of Directors | 5 | | | |
|---|---|------|------------|-------------------------|
| | Female | Male | Non-binary | Did not disclose gender |
| Part I: Gender Identity | | | | |
| Directors | 3 | 2 | | |
| Part II: Demographic Background | | | | |
| African American or Black | | | | |
| Alaskan Native or Native American | | | | |
| Asian | | 1 | | |
| Hispanic or Latinx | | | | |
| Native Hawaiian or Pacific Islander | | | | |
| White | 2 | 1 | | |
| Two or More Races or Ethnicities | | | | |
| LGBTQ+ | 1 | | | |
| Did Not Disclose Demographic Background | 1 | | | |
| Experience, Expertise or Attribute | Importance | | | |
| Leadership and Management Ability (L) | The Company believes that those who have held significant executive leadership roles bring a unique perspective to board service. Generally, these individuals possess a number of important leadership qualities, including strategic planning skills, practical application of risk analysis, the ability to problem solve in even the most difficult of circumstances, and the ability to make highly impactful, definitive decisions. | | | |
| Financial Experience (FE) | An understanding of finance, the financial services industry and asset management is an important component of serving on our board of directors. | | | |
| Audit and Financial Reporting (AFR) | Experience as an accountant or auditor at a large accounting firm, chief financial officer, chief accounting officer or other similar position in accounting and financial reporting mitigates financial risks and enhances the oversight role of the board of directors. | | | |
| Structured Finance Experience (SFE) | Directors with experience in structured finance transactions and investments possess additional qualifications to oversee the Company's operations and investment strategy. | | | |
| Corporate Governance (CG) | The rules, responsibilities and obligations governing the Company, and its subsidiaries, create a framework from within which the Company operates and executes its strategic mission. As such, they create an important backdrop to every board discussion, decision and plan, and knowledge of these rules aids in fostering such discussions, making such decisions and creating such plans. | | | |
| | The practical, solutions-oriented experience that comes with business operations and the planning, implementation and maintenance of strategic activities | | | |

Search by ticker, name, or CIK

1.3 General diversity among NASDAQ constituents

NASDAQ requires its constituents to at least have **one female director** and **one other diverse board member** (race, LGBTQ+) by 2026

So how far along are we in the US (2,223 firms)?

At least one woman: 2,039 firms (91.7%)

At least one other* diverse board member: 1,778 firms (79.9%)

At least one woman and one other* diverse board member: 1,602 firms (72%)**

→ So over **one quarter** of the firms does not yet meet the diversity criteria

*(i.e. non-white or LGBTQ / Non-Binary)

** This is likely an overestimation, as some firms 'overdisclose' diversity

1.4 LGBTQ+ diversity among NASDAQ constituents

- 272 firms out of 2,835 reported having at least one LGBT board member (**9.6%**)
 - 240 firms in the US (**10.7%**)
- In total 292 seats are being held by LGBTQ+ individuals (out of a total of 22,240 seats) → **1.31%**
 - 259 seats out of 18,066 seats in the US (**1.43%**)
- 96.6% of firms with an LGBTQ+ board member have at least one woman on the board, while 78.8% of firms with an LGBTQ+ board member have one other diverse board member

| INDUSTRY | # LGBT SEATS | % OF TOTAL LGBT SEATS | TOTAL SEATS | % LGBT RELATIVE TO TOTAL |
|-----------------------------|--------------|-----------------------|---------------|--------------------------|
| Basic Materials | 1 | 0.3 | 123 | 0.8 |
| Consumer Discretionary | 44 | 15.1 | 3,966 | 1.1 |
| Consumer Staples | 5 | 1.7 | 525 | 1 |
| Energy | 2 | 0.7 | 286 | 0.7 |
| Finance | 41 | 14 | 4,300 | 1 |
| Health Care / Life Sciences | 122 | 41.8 | 6,548 | 1.9 |
| Industrials | 16 | 5.5 | 1,594 | 1 |
| Miscellaneous | 6 | 2.1 | 332 | 1.8 |
| Real Estate | 3 | 1 | 388 | 0.8 |
| Technology | 45 | 15.4 | 3,441 | 1.3 |
| Telecommunications | 4 | 1.4 | 416 | 1 |
| Utilities | 3 | 1 | 321 | 0.9 |
| TOTAL | 292 | | 22,240 | |

Yet, not all directors wish to disclose their LGBTQ+ status

Board Diversity Matrix (As of March 11, 2024)

| Total Number of Directors | 12 | | | |
|---|--------|------|------------|------------------|
| | Female | Male | Non-Binary | Did Not Disclose |
| Part I: Gender Identity | | | | |
| Directors | 2 | 8 | | 2 |
| Part II: Demographic Background | | | | |
| African American or Black | 1 | 1 | | |
| Alaskan Native or Native American | | | | |
| Asian | | 1 | | |
| Hispanic or Latinx | | | | |
| Native Hawaiian or Pacific Islander | | | | |
| White | 1 | 6 | | |
| Two or More Races or Ethnicities | | | | |
| Did Not Disclose Demographic Background | | | | 2 |
| LGBTQ+ | | | | 4 |

| | | | | |
|--|-----------------|------|------------------|------------------|
| Country of Principal Executive Offices | The Netherlands | | | |
| Foreign Private Issuer | Yes | | | |
| Disclosure Prohibited under Home Country Law | No | | | |
| Total Number of Board members | 11 | | | |
| Part I: Gender Identity | | | | |
| | Female | Male | Non-Binary | Did Not Disclose |
| Directors | 2 | 5 | 0 | 4 |
| Part II: Demographic Background | | | | |
| | Yes | No | Did not Disclose | |
| Underrepresented Individual in Home Country | 1 | 6 | 4 | |
| LGBTQI+ | 0 | 7 | 4 | |

Board Size:

| | | | |
|---------------------------|--|--|---|
| Total Number of Directors | | | 7 |
|---------------------------|--|--|---|

Gender:

| | | |
|-----------|---|---|
| Directors | 1 | 6 |
|-----------|---|---|

Number of Directors who Identify in Any of the Categories Below:

| | | |
|--|----|----|
| African American or Black | 1 | -- |
| Alaskan Native or Native American | -- | -- |
| Asian | -- | -- |
| Hispanic or Latinx | -- | -- |
| Native Hawaiian or Pacific Islander | -- | -- |
| White | -- | 6 |
| Two or More Races or Ethnicities | -- | -- |
| LGBTQ+ | -- | -- |
| Did not Disclose LGBTQ+ Demographic Background | -- | 1 |

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2. How do markets respond to the appointment of LGBTQ+ Leadership?

(joint with Timothée Waxin, EMLV Business School)

LGBTQ+ representation across various roles in the workplace is scarce, notably at senior executive levels:

- 7% of US adults identify as LGBTQ+ (Gallup 2022; PEW 2023)
- Yet only 1.2% of all director seats are held by LGBTQ+ individuals in NASDAQ listed firms, and only 0.7% in Fortune 500 firms (The CLS Blue Sky Blog 2023)

Very little is known about the gravity and perceptions of LGBTQ+ leadership in financial markets

This paper presents the first systematic effort in investigating how markets respond to the appointments of LGBTQ+ executives and directors

2. How do markets respond to the appointment of LGBTQ+ Leadership?

The direction in which we expect stock markets to react to the announcements of LGBTQ+ leadership is *a priori* unknown

On the one hand, markets could penalize firms that hire LGBTQ+ managers for two reasons:

1. **Stereotyping and stereotypical thinking:** There should be a match between the way an individual is perceived and the traits that are typically associated with successful leadership
 - ▶ Liberman and Golom (2018) report that traits and characteristics associated with heterosexuals are more closely aligned with the prototype of a successful manager.
2. Investors may believe that LGBTQ+ leadership comes at the expense of firms' shareholder orientation:
 - ▶ Solal and Snellman (2019): negative market reaction to the appointment of female directors on US boards attributable to firms revealing their preference for diversity and weakening their commitment to shareholder value maximization

H1_A: There is a negative market reaction to the appointment of an LGBTQ+ director or executive

2. How do markets respond to the appointment of LGBTQ+ Leadership?

On the other hand, markets may also respond favorably to the appointment of LGBTQ+ leaders

Status characteristics theory (Berger et al. 1977/80/85) proposes that marginalized individuals need to work harder to achieve similar levels of success relative to the dominant group, which could result in the development of exceptional skills

- ▶ Brown (1989, p. 451): having faced marginalization, LGBTQ+ individuals “see differently, hear differently, and thus potentially challenge the conventional wisdom”
- ▶ LGBTQ+ leaders bring diverse viewpoints and problem-solving capacities to the table

H1_B: There is a positive market reaction to the appointment of an LGBTQ+ director or executive

2. How do markets respond to the appointment of LGBTQ+ Leadership?

LGBTQ+ executive and board members are identified from proprietary data from the Association of LGBTQ+ Corporate Directors

These individuals are manually matched to their identifiers in BoardEx

- ▶ Further hand collection of some characteristics that were sometimes missing (e.g., age)

Announcement dates of the executive and director appointments are collected by scraping the website of the SEC (8-K filing containing item 5.02)

Control variables are obtained from Refinitiv Eikon

Final sample for the 1996 to 2023 period (305 unique firms):

- ▶ 116 individuals to **156 executive positions**
- ▶ 99 directors to **163 board positions**

2. How do markets respond to the appointment of LGBTQ+ Leadership?

First, we create different benchmark samples:

1) All the executive and board member introductions in all other firms (2,272 non-LGBTQ+ executive announcements and 4,239 non-LGBTQ+ board member announcements)

- ▶ From this obtained sample, we construct new samples based on:
 - ▶ **Propensity score matching** (based on gender, age, firm characteristics (firm size and ROA), year of the event date, and industry (one-digit SIC code))
 - ▶ **Coarsened exact matching** (based on firm size, ROA, gender, and year of the event date)
 - ▶ **Entropy balancing**

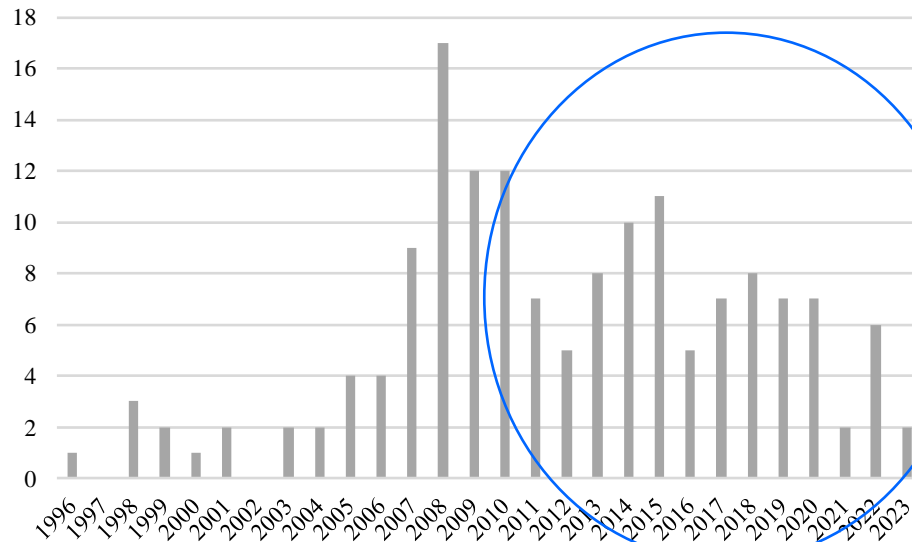
We verify that the LGBTQ+ executives and directors and their matched control samples are indistinguishable along firm, executives' and directors' observable dimensions

2) All non-LGBTQ+ appointments in the same firms as the LGBTQ+ appointments (118 non-LGBTQ+ executives and 677 board member appointments)

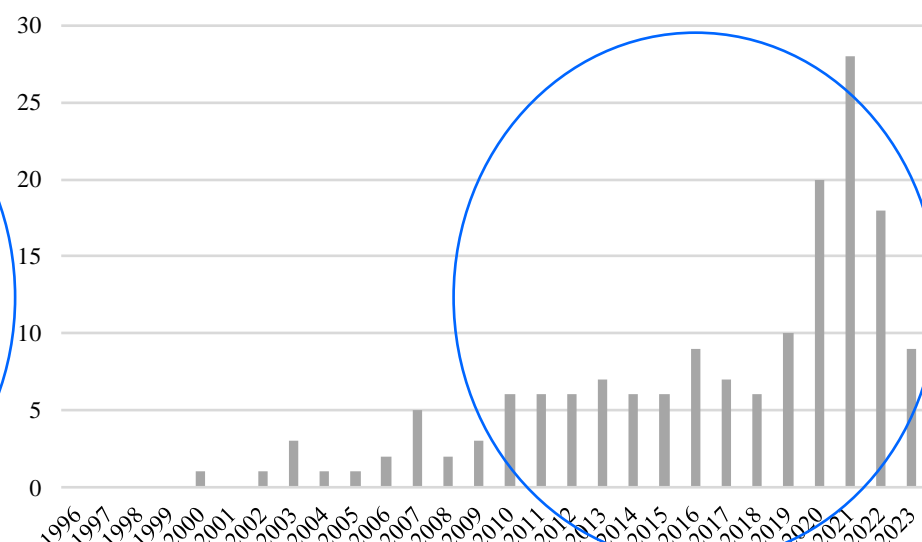
2. How do markets respond to the appointment of LGBTQ+ Leadership?

Appointments of LGBTQ+ executives and directors over the 1996-2023 period:

LGBTQ+ executives



LGBTQ+ directors



2. How do markets respond to the appointment of LGBTQ+ Leadership?

LGBTQ+ appointments broken down by gender, insider status, and age:

| | Executives | Directors | Total |
|-------------------------------|-------------|-------------|-------|
| <i>Unique individuals</i> | 116 | 99 | 184 |
| <i>Total appointments</i> | 156 | 163 | 319 |
| <i>Number of unique firms</i> | 154 | 159 | 305 |
| Gender | | | |
| Female-identifying | 64 (41.0%) | 106 (65.0%) | |
| Male-identifying | 92 (59.0%) | 57 (35.0%) | |
| Insider/Outsider | | | |
| Insider | 43 (27.6%) | 48 (29.4%) | |
| Outsider | 113 (72.4%) | 115 (70.6%) | |
| Age | | | |
| | mean = 45.5 | mean = 54.3 | |
| Older than 61 | 6 (3.8%) | 32 (19.6%) | |
| Between 31 and 60 | 142 (91.0%) | 131 (80.4%) | |
| Younger than 30 | 8 (5.1%) | 0 (0.00%) | |

2. How do markets respond to the appointment of LGBTQ+ Leadership?

LGBTQ+ executives and directors vs. control groups:

| | Variables | LGBTQ+ | | Non-LGBTQ+ | | t-test (p-val) ^{a-b} |
|---|------------|--------|-------------------|------------|-------------------|-------------------------------|
| | | Obs. | Mean ^a | Obs. | Mean ^b | |
| <i>All appointments (All)</i> | | | | | | |
| Executives | CAR[-1;+1] | 156 | 1.20% | 2,272 | -0.42% | 3.542 (.000) |
| Directors | CAR[-1;+1] | 163 | 0.10% | 4,239 | 0.05% | 0.122 (.903) |
| <i>Appointments within matched firms (PSM)</i> | | | | | | |
| Executives | CAR[-1;+1] | 156 | 1.20% | 156 | -0.52% | 3.097 (.002) |
| Directors | CAR[-1;+1] | 163 | 0.10% | 163 | -0.19% | 0.528 (.598) |
| <i>Appointments within matched firms (CEM)</i> | | | | | | |
| Executives | CAR[-1;+1] | 91 | 0.97% | 381 | -0.72% | 2.845 (.005) |
| Directors | CAR[-1;+1] | 142 | 0.05% | 979 | 0.15% | -0.242 (.809) |
| <i>Appointments within the same firms (Same firm)</i> | | | | | | |
| Executives | CAR[-1;+1] | 156 | 1.20% | 118 | 0.25% | 1.684 (.093) |
| Directors | CAR[-1;+1] | 163 | 0.10% | 677 | -0.09% | 0.520 (.603) |

2. How do markets respond to the appointment of LGBTQ+ Leadership?

Executives:

Directors:

| | (1) CAR [-1;+1] | (2) CAR [-1;+1] | (3) CAR [-1;+1] | (4) CAR [-1;+1] | (5) CAR [-1;+1] | (1) CAR [-1;+1] | (2) CAR [-1;+1] | (3) CAR [-1;+1] | (4) CAR [-1;+1] | (5) CAR [-1;+1] |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Sample | All | PSM | CEM | Entropy balancing | Same firm | All | PSM | CEM | Entropy balancing | Same firm |
| LGBTQ+ | 0.014 (3.019) | 0.017 (3.069) | 0.024 (2.801) | 0.015 (3.287) | 0.013 (2.144) | 0.001 (0.225) | 0.004 (0.674) | 0.002 (0.496) | 0.001 (0.277) | 0.003 (0.617) |
| Size(t-1) | 0.001 (1.339) | -0.002 (-1.122) | 0.003 (1.512) | -0.001 (-1.162) | -0.003 (-1.920) | 0.000 (0.148) | 0.001 (0.463) | 0.003 (2.272) | 0.000 (0.365) | -0.001 (-0.626) |
| ROA(t-1) | -0.011 (-1.080) | 0.030 (1.384) | 0.071 (1.261) | 0.009 (0.533) | 0.044 (1.815) | 0.002 (0.425) | 0.003 (0.175) | 0.001 (0.087) | -0.012 (-1.713) | 0.007 (0.604) |
| Leverage(t-1) | -0.000 (-0.002) | 0.011 (0.738) | -0.005 (-0.264) | 0.017 (1.526) | -0.003 (-0.201) | 0.002 (0.449) | 0.012 (0.889) | 0.002 (0.210) | 0.006 (0.726) | 0.014 (1.576) |
| Age | -0.000 (-0.385) | 0.000 (0.538) | 0.000 (0.687) | -0.000 (-0.553) | -0.001 (-1.472) | 0.000 (0.053) | -0.001 (-1.620) | -0.000 (-0.023) | -0.000 (-0.204) | 0.000 (0.988) |
| Female | 0.001 (0.157) | -0.003 (-0.496) | -0.007 (-0.731) | -0.003 (-0.687) | -0.012 (-1.874) | 0.003 (1.603) | 0.001 (0.188) | -0.001 (-0.218) | 0.002 (0.494) | 0.004 (1.136) |
| Constant | -0.017 (-0.502) | -0.058 (-1.838) | -0.086 (-1.432) | -0.064 (-2.425) | 0.001 (0.029) | -0.044 (-2.693) | 0.013 (0.418) | -0.060 (-2.503) | -0.047 (-2.380) | -0.067 (-3.884) |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 2,428 | 312 | 472 | 2,428 | 274 | 4,402 | 326 | 1,121 | 4,402 | 840 |
| R-squared | 0.020 | 0.145 | 0.142 | 0.099 | 0.190 | 0.012 | 0.110 | 0.055 | 0.040 | 0.059 |
| Adj. R-squared | 0.004 | 0.023 | 0.078 | 0.084 | 0.055 | 0.001 | 0.001 | 0.023 | 0.030 | 0.010 |

2. How do markets respond to the appointment of LGBTQ+ Leadership?

The LGBTQ+ executive premium

- (i) only occurs when the LGBTQ+ status is *observable* based on biographic information
- (ii) is significant across all C-suite positions, but more pronounced for the CEO and CFO position
- (iii) Only occurs when the LGBTQ+ individual identifies as male

| | (1) CAR [-1;+1] Year=2016 | (2) CAR [-1;+1] All | (3) CAR [-1;+1] All | (4) CAR [-1;+1] All | (5) CAR [-1;+1] All | (6) CAR [-1;+1] All | (7) CAR [-1;+1] All |
|---------------------------------|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Observable LGBTQ+ | 0.023 (2.013) | | | | | | |
| Non-observable LGBTQ+ | 0.005 (0.397) | | | | | | |
| Insider LGBTQ+ | | 0.020 (2.023) | | | | | |
| Outsider LGBTQ+ | | 0.012 (2.439) | | | | | |
| CEO/CFO LGBTQ+ | | | 0.031 (2.080) | | | | |
| <u>Other</u> LGBTQ+ | | | 0.011 (2.308) | | | | |
| Female LGBTQ+ | | | | 0.000 (0.034) | | | |
| Male LGBTQ+ | | | | 0.023 (3.811) | | | |
| High TMT Gen. Div. LGBTQ+ | | | | | 0.017 (2.366) | | |
| Low TMT Gen. Div. LGBTQ+ | | | | | 0.011 (2.202) | | |
| Max CEI LGBTQ+ | | | | | | 0.027 (2.896) | |
| Low CEI LGBTQ+ | | | | | | 0.011 (2.046) | |
| State with LGBTQ legislation | | | | | | | 0.016 (2.792) |
| State without LGBTQ legislation | | | | | | | 0.012 (1.535) |
| Constant | -0.003 (-0.071) | -0.013 (-0.369) | -0.014 (-0.406) | -0.021 (-0.664) | -0.016 (-0.445) | -0.010 (-0.284) | -0.102 (-2.965) |
| Control variables | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 1,010 | 2,428 | 2,428 | 2,428 | 2,428 | 2,428 | 2,428 |
| R-squared | 0.030 | 0.020 | 0.021 | 0.022 | 0.020 | 0.021 | 0.020 |
| Adj. R-squared | 0.008 | 0.004 | 0.004 | 0.006 | 0.004 | 0.005 | 0.004 |

2. How do markets respond to the appointment of LGBTQ+ Leadership?

The positive market reaction is in line with status characteristics theory, in that LGBTQ+ leaders possess exceptional skills and are perceived as such.

So, are LGBTQ+ individuals indeed “more skilled”?

→ We dug deeper into the profiles of the executives in our PSM sample by looking at their biographies / LinkedIn pages and collected several data points. Relative to their same-age heterosexual peers, LGBTQ+ differ in terms of:

- **Previous C-suite experience (private / public firm) (+)**
- **PhD (+)**
- **Ivy League (+)**
- **Number of years working experience (-)**

While there is **no difference** in terms of having been a founder of a start-up, having an MBA, or having experience in tech

2. How do markets respond to the appointment of LGBTQ+ Leadership?

Implications for firms / corporate leadership:

- The positive market reaction to the appointment of LGBTQ+ executives may provide encouragement that they do not need to be excluded from search processes in a fear of capital market penalty
 - A similar argument holds for LGBTQ+ board members: no statistical discernible difference relative to non-LGBTQ+ board members
- Assuring implications for LGBTQ+ leaders who may not have come out yet in a professional setting and fear to do so because of adverse consequences to the firm

Limitations:

- We are unlikely to have captured the totality of LGBTQ+ leadership in the US → our study should therefore be considered a first endeavor in unveiling how markets are sensitive to leadership sexuality

Content

1. Behind the numbers: A look at the 2024 Nasdaq Board Diversity Disclosures
2. How do markets respond to the appointment of LGBTQ+ Leadership?
3. **Diversity on the board: Understanding the experience of LGBTQ+ directors**

3. *The experience of LGBTQ+ directors*

(joint with Vincent Compagnie HEC Liège)

Board composition has attracted a lot of attention:

▶ Literature:

- ▶ Need for a critical mass of women to see an impact of board gender diversity on performance (Schwarz-Ziv 2017)
- ▶ Achieving diversity through turnover vs. extending boards (Knippen et al. 2019)

▶ Practice:

- ▶ EU Directive 2022/2381 (By 2026 40% of NED positions need to be held by members of the opposite sex)
- ▶ Senate Bill 826 required all Californian firms to have at least one female director by the end of 2019 and at least two female directors on five (six or more) member boards by the end of 2021
 - *This was later deemed unconstitutional*
- ▶ NASDAQ requires all constituents to at least have one female director and one other diverse board member by 2026 + recent disclosure of diversity matrix

3. The experience of LGBTQ+ directors

There is indeed increased momentum in achieving board diversity:

- In 2022, about 20% of board positions in US listed firms were held by minority board members (ISS 2023)
- 67% of new directors appointed in the S&P500 were considered diverse (see Spencer Stuart 2023).

Yet, among these minorities, “LGBTQ+ people are the most underrepresented” (Association of LGBTQ+ Corporate Directors 2023).

- 1.2% of board seats are held by LGBTQ+ individuals among NASDAQ constituents in 2022
- 0.7% in Fortune 500 firms
- Only 4 (openly) LGBTQ+ CEOs in the Fortune 500

3. The experience of LGBTQ+ directors

This study's goal is twofold:

- What hurdles did LGBTQ+ directors encounter?
- How do LGBTQ+ directors experience board processes?

3. The experience of LGBTQ+ directors

Social groups can be associated with specific stigmas, where a stigma refers to a “mark” or “badge” of a characteristic that is devalued by society, leading to ostracization, harassment, rejection, and discrimination (Goffman 1963; Sabat, Lindsey & King 2014).

Important to note that unlike many other social groups, LGBTQ+ individuals can hide their social group affiliation!

→ “Invisible stigma” (Goffman 1963)

3. The experience of LGBTQ+ directors

Two general biases are related to social group memberships:

Social role bias

- Individuals typically attribute stereotypes to social groups, and they expect social group members to behave accordingly (Cohen et al. 2020; Eagly 1987).
- Preference of other members of the same group rather than preferring out-group members (Dalton et al. 2014).
- Such biases result in situations where recruitments and promotions are more likely to be conferred to individuals that are more alike to the decision-making individuals (Anderson-Gough et al. 2005; Dalton et al. 2014).
 - LGBTQ+ individuals face a lower likelihood of receiving job interviews in addition to a wage gap (Adam 1981; Badgett 1995; Gorsuch 2019; Tilcsik 2011).
 - LGBTQ+ individuals are also less likely to ascend the corporate ladder (Aksoy et al. 2018)

3. The experience of LGBTQ+ directors

Institutional bias

- Existence of structural, systematic organizational practices which disadvantage the LGBTQ+ social group (Cohen et al. 2020; Hull & Umansky 1997).
- Legislative support and threats to LGBTQ+ rights.
 - Affects relocation decisions as LGBTQ+ individuals relocate towards locations that are more LGBTQ+ friendly (Gedro et al. 2013; Goldberg 2023).
 - Implementing LGBTQ+ friendly policies improves job satisfaction and well-being of LGBTQ+ employees (Griffith & Hebl 2002; Ragins & Cornwell 2001; Ragins et al. 2007).
- Lack of LGBTQ+ mentoring opportunities.
 - Prior literature underlines the importance of mentoring to attain access to restricted information within networks (Ragins & Cotton 1991).
 - Access to networking is of particular importance to board nominations as Cai et al. (2022) document that board appointments are largely determined by the connections of the appointee.

3. *The experience of LGBTQ+ directors*

Board faultlines are defined as hypothetical divides between subgroups based on board members' multiple individual attributes (Lau & Murnighan 1998)

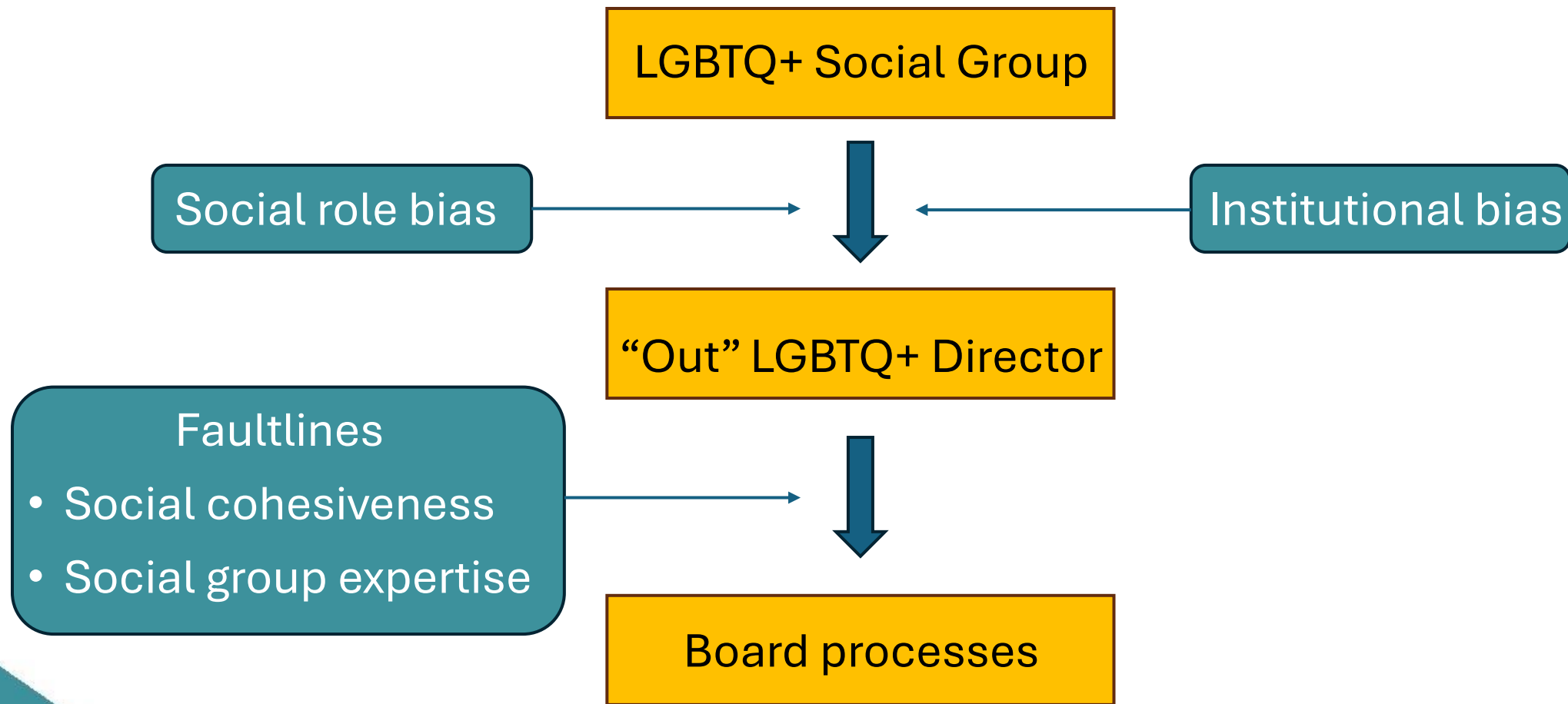
Decision-making may be **negatively affected**

- Prior literature shows an increase in group conflicts and frictions following faultlines
- The presence of LGBTQ+ individuals within the board may affect social cohesiveness and create frictions due to social role biases

Decision-making may also be **positively affected**

- Prior literature documents sharing different perspectives and ideologies between faultline subgroups stimulates innovation and learning
- LGBTQ+ directors possess different lived experiences which augments the diverse knowledge on the board. These directors can provide more insight into LGBTQ+ consumers as well as help navigate the usage of LGBTQ+ friendly policies, which are associated with better firm performance (Pichler et al. 2018).

3. *The experience of LGBTQ+ directors*



3. The experience of LGBTQ+ directors

We contacted the Association of LGBTQ+ Corporate Directors in order to receive the contact information of potential interviewees

We e-mailed a total of 45 LGBTQ+ directors with a brief introduction about the research project on October 17th, 2023. A reminder email was sent on November 7th, 2023. The response rate was 42.22 percent

15 interviewees and 4 LGBTQ+ directors who declined the invitation due to company policy against interviews

Interviews conducted from October 2023 – February 2024 with an average interview length of 59 minutes.

At the time of the interview, an interviewee is a board member on at least one US company.

Except for two participants, all participants are active on boards of publicly listed firms noted on the NYSE or NASDAQ.

All participants have a current or past experience at the highest executive levels of one or more US listed companies.

3. The experience of LGBTQ+ directors

- PRELIMINARY FINDINGS -

Social role bias

- Homophobic rhetoric during career
- Adaptation of heteronormative style to advance easier in career

Institutional bias

- Relocations and self-selection of LGBTQ+ individuals towards LGBTQ+ friendly places
- Failure of the government to address AIDS crisis
- Little to no “champions”
- Barriers to entry regarding talent recruitment, **personal networks** are essential

→ This creates a huge turnover mid-career

3. The experience of LGBTQ+ directors

- PRELIMINARY FINDINGS -

- Due to social role bias and institutional bias, there is a lower supply of potential LGBTQ+ directors.
- Discrimination mainly occurs at the corporate level rather than on the board. Directors are partly chosen in function of social cohesiveness and competence.
 - Hence, homophobic boards will be less likely to appoint a LGBTQ+ director.
- Boards that want to diversify actively search for diverse candidates, but candidates have to have core competencies. The appetite is there, yet the problem is at the executive level and below.

3. The experience of LGBTQ+ directors

- PRELIMINARY FINDINGS -

Faultlines

- No social conflicts due to LGBTQ+ individual
- Socialization is sometimes harder, but overall other common ground is found
- However, LGBTQ+ feel odd one out. Other types of diversity aid in resolving this personal feeling

- Expertise on LGBTQ+ consumer groups and faultlines
- Other directors face social situations they never had to think about, broadens horizons
- More discussions, less group think, higher level of unanimity
- More future diversity

Thank you for your attention!

Questions?