Gender Diversity and Family Firm Governance: Towards a Research Agenda

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Abstract
Diversity has recently become an important topic in the context of corporate governance, particularly in view of the low percentage of women represented on company boards. While evidence is emerging suggesting that gender diversity on boards is associated with increased organizational financial performance, it is not clear that this is a causal link. We outline various theoretical lenses relevant to the area of corporate governance to distil recurring themes pertinent to potential predictors of women's board membership in privately-held firms. We summarize as research propositions the special characteristics and circumstances of family controlled businesses (FCBs) and how their governance models are likely to affect female board membership, especially in terms of whether they make the board more conducive to female participation than in more widely held corporations.

Family Business Australia
Research and Education Symposium
Perth, Australia
August, 2011

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Gender Diversity and Family Firm Governance: Towards a Research Agenda

Gender diversity has recently become an important topic in the context of corporate governance, particularly in view of the low percentage of women represented on company boards. The Australian Institute of Company Directors (AICD) advised in May 2011 that 11.7% of ASX 200 directorships are now held by women, up from 8.3% at the beginning of 2010. They further advised that 59 women were appointed to ASX 200 boards in 2010, an improvement on 2009, when only 10 women were appointed. In 2011 21 women have already been appointed to ASX200 boards. While a total of 79 boards in the ASX200 still do not have any women, the AICD argues that significant ground is being gained, since more than 115 boards in the ASX200 did not have any women directors at the beginning of 2010 (AICD 2011a). However the same data could be used to argue that, with female representation in the single or low double digit level, progress is slow. Moreover, women's participation on boards has actually dropped in some recent years, eg from 8.7% in 2006 to 8.3% in 2008 (Australian Government Corporations and Market Advisory Committee (CAMAC) 2009: 25), only returning to the 2006 level in 2010, and increasing further in 2011 (AICD 2011a).

Comparing Australian data about female board participation with data from other countries should be done cautiously, because boards elsewhere are sometimes structured differently. For instance, boards in Norway are subject to gender quota requirements. Gender participation can also be influenced by local factors such as the requirement for employee representation on boards in European countries with two-tiered board structures. Of the board seats occupied by employee representatives in Europe, 31% comprise women (Egon Zehnder International, 2008: 5). Bearing these issues in mind, CAMAC (2009: 25) indicates that Australia's 8.3% of women on corporate boards can be compared with:

- 8.7% of board members of NZSX100 companies
- 9.7% of board members of major public companies in Europe overall (9.1% excluding Norway)
- 11.5% of board members of larger UK listed public companies
- 13% of board members of FP500 companies in Canada
- 14.3% of board members of South African public companies
- 15.2% of Fortune 500 companies in the USA
- 44% of board members of listed companies in Norway, which has gender quotas.

Evidence is emerging suggesting that gender diversity on boards is associated with increased organizational financial performance (e.g. Campbell and Minguez-Vera, 2008; Carter, Simkins, and Simpson, 2003; Erhardt, Werbel, and Shrader, 2003; Francoeur, Labelle, and Sinclair-Desgagné, 2008). There are also some contrary findings (e.g. Casper, 2007) and some studies where the results are difficult to interpret (e.g. Adams and Ferreira, 2009). The Egon Zehnder International publication *Agender in the Boardroom* argues that a simple measure of gender diversity is unlikely to account for increased financial performance, but also says managers who seek out talent with gender as a secondary consideration will create the conditions for good performance (Egon Zehnder International, 2008). So gender diversity is a concern that needs to be addressed at both practical and theoretical levels.

While the term 'diversity' now encompasses more than gender, much of the early work on diversity focused on gender. Hillman et al. (2007), using a resource dependency framework, sought to identify external organizational predictors of gender diversity on corporate boards. They found in large, publicly-listed firms that size, industry type, firm diversification strategy, and network effects significantly impact the likelihood of female representation on boards. Furthermore they recommended that further research using other theoretical foundations in other contexts be undertaken. Fiss (2008) in similar vein highlights the need to focus on ownership and control factors, in particular family firms where social logics are likely to be prevalent rather than the economic logics which have dominated the extant literature. Implicitly, these recommendations direct a future research agenda into the gender composition of corporate boards away from external factors which have been the focus of previous studies such as Hillman et al. (2007) and towards internal factors. The present study focuses more so although not exclusively towards these internal factors. Our aim is to use alternative theoretical lenses to explore women's representation on boards in the context of privately-held firms. Specifically we use agency theory, stewardship theory, institutional theory, network theory, and the resource-based view of the firm (RBV) to consider various organizational factors as predictors of women on family company boards. Insights from each theoretical perspective highlight in different ways the four types of benefits (or resources) boards provide to firm management, and how these benefits may shape family firm governance – especially the composition of their boards – differently from non-family firms.

Structure of paper

In the following section we outline alternative theoretical lenses relevant to the area of corporate governance, particularly with respect to recurring themes pertinent to potential predictors of women's board membership in privately-held firms. We follow this with a short explication of the benefits boards bring to firms (both family and non-family), then briefly discuss salient features of the family firm context that are likely to impact their governance needs. We then explore whether the special characteristics and circumstances of FCBs and their governance models are likely to affect female board membership, especially in terms of whether they make the board more conducive to female participation than in more widely held corporations. We summarize our analyses in terms of research propositions.

Theoretical frames

Over the last 30 years a considerable amount of research has been directed at trying to find out the reasons for the classic 'glass ceiling' phenomenon reflected in the low proportion of women on corporate boards (see for example Burke, 1995, 1997; Burke & Vinnicombe, 2005; Marshall, 1995; Wacjman, 1998; Schein, 2007). Explanations include women's 'double burden' of work and family responsibilities, women's lack of confidence that they have the necessary skills for high-level governance, and the suggestion that the rough and tumble of corporate life at the higher echelons does not sit well with women's preferred management styles. A good deal of this research has concentrated on examining demographic data

(Burgess and Tharenou, 2002). Bilimoria (2000: 27), in a review of empirical research, concluded that there was a lack of theoretical rigour in existing research and demographic data, with the result that existing studies do not advance knowledge about the 'antecedents, dynamics and consequences' of gender diversity on corporate boards. Partly as a result, there is disagreement about the value of possible remedies, such as requiring firms to achieve a quota of women on boards.

In response to the need to inject greater theoretical rigour into researching these issues, we begin by outlining the five theoretical frames through which we will review some recurring governance matters and their manifestations in family firms: agency theory, stewardship theory, institutional theory, network theory, and the resource-based view of the firm (RBV).

Agency theory: Agency theory, the dominant, economics-based paradigm in corporate governance research, originated in Berle and Means' (1932) concept of the separation between ownership (shareholders) and control (management). The separation of ownership and management creates the possibility that managers (agents) will act in their own self-interest by maximizing their own wealth and power at the expense of the owners (principals) (Fama, 1980; Jensen and Meckling, 1976). "Agency costs" result when managers pursue their own interests to the detriment of shareholders' interests (Fama and Jensen, 1983). The agency theory perspective places shareholders' interests at the centre because as 'residual risk bearers' of the corporation, they are the only stakeholder group not compensated by contract (Fiss, 2008). Accordingly, the purpose of the board of directors is to serve as fiduciaries of shareholders by monitoring managers on behalf of shareholders (Eisenhardt, 1989; Jensen and Meckling, 1976; Johnson et al., 1996; Zahra and Pearce, 1989). Management incentives have been seen as an important precursor to effective monitoring (Fama and Jensen, 1983; Jensen and Meckling, 1976) and, accordingly, much of agency theory has been concerned with defining and refining the nature of such incentives. Board independence – the degree to which board members are dependent on the current CEO or organization – is considered a primary incentive that is key to board monitoring (Baysinger and Butler, 1985; Daily and Dalton, 1994a, b; Weisbach, 1988).

Stewardship theory: In contrast to agency theory, stewardship theory, which taps insights from sociology and psychology, asserts that managers left to themselves will indeed act as responsible stewards of the assets they control. Accordingly, stewardship models of governance predict a **collaborative approach** rather than a separation between owners and managers that necessitates a **control approach**. Proponents of the stewardship approach strive to enhance board-management ties and decision-making by empowering managers (stewards) of the firm (Davis, Schoorman, and Donaldson, 1997).

Institutional perspectives: Institutional perspectives highlight the ways normative frameworks and rules guide, constrain and empower behavior. Rather than being dominated by agency theory's 'economic man', firms are seen as consisting of cognitive, normative, and regulative structures and activities that give meaning to social behavior (Scott, 1995). Cultures, structures, and routines operating at multiple levels of jurisdiction become the means by which institutions impact firms (Scott, 1995). Organizational practices can be adopted for the sake of legitimacy rather than improved performance (DiMaggio and

Powell, 1983). Thus, over time, organizations reflect the rules that have been institutionalized and legitimized by their social environments (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 1995), and practices become "infused with value beyond the technical requirements at hand" (Selznick, 1957: 17). However because meaning systems are likely to shift as they are re-enacted and reinterpreted in the course in everyday experience, institutional models of governance are more dynamic, culturally constructed, and fragile than those employed in the agency tradition. As a result, they need constant tending to be maintained (Fiss, 2008). Fiss (2008) also points out that organizations with ownership structures that differ from publicly listed firms such as family firms have not been considered from an institutional perspective, and recommends future research address this gap.

Social network theory: Social network theory is a sociological perspective that builds on resource dependence theory. This perspective is founded on the idea that a firm's economic actions are embedded in social networks, where embeddedness refers to the extent that economic actions are informed, influenced, and enabled by the network of accumulated stable and preferential social relations (Granovetter, 1985). As Gulati and Gargiulo observe, managers have a "widespread preference for transacting with individuals of known reputation", or, preferably, for relying on "information from one's own past dealings with that person" (1999: 1445). As Hillman et al. (2007) note, boards enable firms to create networks without the full costs of true vertical integration, enabling resource-poor entrepreneurial organizations to achieve required strategic benefits by building network exchange structures with outsiders who are identified as critical resource suppliers. These relationships can stabilize the new firm in its targeted markets. While this view is consistent with the 'instrumental' resource dependence perspective, social network theory also emphasizes the importance of network formation on reputation, trust, reciprocity, and mutual interdependence (Larson, 1992). This is similar to the 'community-level' perspective on networks taken by Bourdieu (1983) and Putnam (1993).

The resource-based view of the firm (RBV): The fundamental principle of the resource-based view of the firm (RBV) is that the basis for a firm's competitive advantage of a firm lies primarily in applying the bundle of valuable resources at its disposal (Wernerfelt, 1984: 172; Rumelt, 1984: 557-558). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources be heterogeneous in nature and not perfectly mobile (Barney, 1991: 105-106; Peteraf, 1993: 180). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991: 117). If these conditions hold, the firm's bundle of resources can assist the firm sustaining above average returns.

We will use these five theoretical lenses to consider each of the resources boards bring to firm management. The insights gained from this are relevant to the governance needs of family firms, which are (typically) closely held, and have other special features that potentially contribute to their competitive advantage. Considering the benefits of boards in the light of these aspects of the family business context highlights likely influences on the composition of family firm boards, including gender. In the next section we list the

resources boards bring to corporate management, and in the following section we delve a little into the special features of family firms.

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Roles and resources provided by boards

In all firms, family or non-family, appropriate governance structures are needed to ensure an effective ownership-leadership interface, and a board of directors is among the primary governance structures used to achieve this. The Australian Institute of Company Directors (AICD), in its training for company board membership, says the board should have a role in all of the following:

1. Monitoring the company's programs to ensure compliance of legal, financial and non financial aspects of the company;
2. Developing an appropriate risk culture and overseeing risk management;
3. Formulating and executing strategy;
4. Policy making;
5. Appointing the CEO;
6. Reviewing the company and its progress to ensure it is meeting its goals and objectives;
7. Reviewing its own composition, skill mix, and decision-making processes to ensure its effectiveness in carrying out these tasks. (AICD, 2011b).

While this formulation stresses boards' activities or tasks, boards can equally well be considered as bringing resources (or benefits) to the firm, some of which – particularly the more intangible ones such as legitimacy – may transcend a task or activity view of the board. Researchers have defined four types of resources that boards provide to management:

1. **Advice and counsel** (Baysinger and Butler, 1985; Gales and Kesner, 1994; Westphal, 1999);
2. **Legitimacy** (Daily and Schwenk, 1996; Hambrick and D'Aveni, 1992);
3. **Channels for communicating information** between the firm and external organizations (Burt, 1980; Useem, 1984); and
4. **Assistance in obtaining resources or commitments** from important elements outside the firm (Boeker and Goodstein, 1991; Mizruchi and Stearns, 1994; Selznick, 1949; Hillman, Cannella, and Paetzold, 2000; Pfeffer and Salancik, 1978; Hillman, Shropshire, and Cannella, 2007).

Pfeffer and Salancik (1978) defined the first three benefits of boards. Concerning the first benefit, advice and counsel, Pfeffer and Salancik (1978) point out that directors' tasks involve non-routine, 'big picture', strategic tasks rather than operational details. Nevertheless, because boards do not meet frequently, directors are limited in their overseer role (Daily et al., 2003). Still, they have been shown to provide advice and counsel as active questioners of management and the status quo (Johnson et al., 1996). The second benefit, legitimacy, derives from both resource dependency theory and institutional theory. The former focuses on the pragmatic, instrumental ways an organisation gains legitimacy by

responding to the demands of its key constituents. The latter stresses the fact that directors of large corporations are highly visible to societal actors who grant legitimacy and who are influenced by prestige, such as institutional investors (Certo, 2003; Davis and Mizruchi, 1999). The third benefit Pfeffer and Salancik identified, channels of communication, refers to how valuable information is disseminated between firms through boards (Burt, 1980; Haunschild and Beckman, 1998) and how boards help firms to acquire resources from important external sources of dependency (Boeker and Goodstein, 1991; Stearns and Mizruchi, 1993; Zald, 1969). Hillman and Dalziel (2003) categorized the sources of these three benefits as directors' human capital (e.g. expertise, skills, knowledge, and reputation) and relational capital (e.g. resources available through a network of relationships). The fourth benefit, resource and commitment acquisition, overlaps the others to the extent that advice and counsel, legitimacy, and the capacity to channel information can all be seen as resources. However the capacity to secure still other kinds of resources and commitments from organizations and individuals is also important, as shown by the work of Hillman, Cannella, and Paetzold (2000), who examined the U.S. airline industry's changing dependency relationships on government bodies as the industry was deregulated.

The family firm context

To present the features of family firms in an exhaustive fashion would be beyond the scope of this paper. Fortunately there is an influential stream of research over the last decade spearheaded by Miller and Le Breton-Miller (2005) that affords a convenient focus for a coherent and empirically well supported account of the defining characteristics of family firms. It includes the well known and popular *Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses* (Miller and Le Breton-Miller, 2005). In this and many more empirically based publications, e.g. Le Breton-Miller and Miller (2005); le Breton-Miller and Miller (2006 a,b); Le Breton-Miller, Miller, and Lester (2010); Le Breton-Miller, Miller, and Steier (2004); Miller and Le Breton-Miller (2003); Miller and Le Breton-Miller (2005); Miller and Le Breton-Miller (2006 a,b,c); Miller and Le Breton-Miller (2007); Miller, Le Breton-Miller, Lester, and Cannella (2007); Miller, Lee, Chang, and Le Breton-Miller (2009); Miller, Le Breton-Miller, and Lester (2010); Miller, D., Le Breton-Miller, and Scholnick (2008); Miller, Steier, and Le Breton-Miller (2003), the authors highlight four key priorities that figure in the longest-lasting, best performing family firms: Continuity, Community, Connection and Command (the four Cs). The four Cs also resonate strongly with other ideas and concepts which are becoming paradigmatic within the evolving discipline of family business (see Moores, 2009). One such core concept is the emerging concept of familiness as a unique bundle of resources (Habbershon and Williams, 1999; 2003).

Features of long-lived family firms arising from familiness include their substantive mission, that is, their commitment to do something important exceptionally well. This in turn leads to a long-term orientation, which includes long executive apprenticeships and tenures, investment in the competencies needed to achieve the mission, and avoidance of short-term tactics. Family capital is typically patient, and family firms' investment strategies tend towards low financial risk because their long-term orientation allows investments whose returns will take longer to realize than those of nonfamily firms. The commitment to a

substantive mission dictates strong relationships with customers and suppliers, strong brand identity, and preservation of reputation.

Applying five theoretical lenses to the resources (benefits) of boards

As mentioned earlier, the five theoretical perspectives outlined above have primarily been applied to the problem of corporate governance in widely held firms. Family firms with their (typically) closely held ownership structure have rarely been considered, despite the impact of their ownership structure and other special features on their governance needs and, potentially, their sources of competitive advantage. In the following section we consider what each of these theories suggests about board composition in family firms, especially gender composition. Not every theory sheds light on all four resources that boards bring to management; what follows is our selection of those combinations of theory and firm benefit that suggest something interesting about board composition, especially gender matters.

AGENCY THEORY

Agency theory, legitimacy, and the composition of family firm boards

Achieving independence of thought and action is relevant to the *legitimacy* the board of directors brings to management. From an agency perspective, boards consisting primarily of insiders (current or former managers/employees of the firm) or dependent outside directors (directors who have business relationships with the firm and/or family or social ties with the CEO) are less effective at monitoring because of their dependence on the organization. Independent boards – those primarily consisting of independent outside directors – are most effective at monitoring because their incentives are not compromised by dependence on or closeness to the CEO or the organization. However we find no evidential or theoretical basis for a gender effect in achieving independence of thought and action. Accordingly the agency requirement for independence does not predict the gender composition of the family firm board.

STEWARDSHIP THEORY

Stewardship, legitimacy and the composition of family firm boards

Stewardship approaches to governance argue that independence of thought and action – hence board *legitimacy* – are possible in the presence of close ties, even family ties, between management and owners. Indeed the commitment of family firms to the interests of a wider range of stakeholders than shareholders – including family members – may actually enhance the board's quality of decision-making by creating a strong unity of purpose between management and owners.

Whereas an agency perspective recommends boards consist of independent directors, by definition family firm structures are characterised by an overlap of the roles held by family members, owners and managers. Sundramurthy and Lewis (2003) argue that good firm governance requires a balance between control (agency) and collaboration (stewardship)

approaches. They describe four reinforcing cycles of control-collaboration tensions that fuel dysfunctional dynamics if either control or collaboration is over-emphasized. These authors do not address the special characteristics of family controlled firms however. Lane, Astrachan, Keyt, and McMillan (2006) examine family-controlled firms, and argue that the most popularized corporate governance practices which are based on a market (agency theory based) model may be detrimental to family businesses, because they harm unity, are too complex for private firms, or are only applicable to very large, public companies with dispersed ownership. A stewardship model (equivalent to Sundramurthy and Lewis's collaboration approach[2]) is better suited to family business structures. Moreover, the centrality of stakeholder – rather than solely shareholder – interests in family firms also affects family firm board composition. This leads to the following research proposition:

> RP1: The breadth of stakeholder interests which are taken into account in the selection of family business board members affects the gender composition of the family business board.

Stewardship, advice and counsel, and the composition of family business boards

Stewardship theory is also relevant to the *advice and counsel* benefits of the board. The long-term time horizons typical of family firm decision-making positively affect the quality and consistency of advice and counsel of family business board members. Again, we find no evidential or theoretical basis for a gender effect here. Accordingly the stewardship requirement for a long-term orientation does not imply the superiority of any particular gender composition of the board.

Finally, stewardship theory also predicts that family firm boards are more likely to trust management than boards of non-family firms. This trust goes beyond agency theory's acknowledgement of the impossibility of perfect control, which results in the pursuit of legitimacy through decoupling processes whereby "structure is disconnected from technical (work) activity, and activity is disconnected from its effects" (Meyer and Rowan, 1978: 79). This means that instead of the board avoiding close supervision for fear of revealing a lack of trust in the organization, close supervision is unnecessary because of genuine trust. Lane et al. (2006) in recommending a stewardship approach for family firm boards, counsel against having too many board meetings, which could suggest a lack of trust and would indicate the board was too involved in the detail of managing rather than advising family firm managers. Nevertheless in all this there appears to be no reason why a capacity for trust in the family firm context should relate to gender, so we see no likely Implications for the gender composition of the family firm board.

The issue of trust in relation to collaborative approaches to decision-making inevitably raises the question of women's management and decision-making styles and how they may relate

[2] Sundramurthy and Lewis (2003) refer to the agency approach to decision-making as a 'control' model, a term which unfortunately coincides with its opposite, the stewardship decision-making model in Lane et al. (2006). For clarity, we retain Sundramurthy and Lewis's terminology: agency theory is consistent with control approaches, stewardship is consistent with collaboration approaches.

to the presence of women on corporate boards. As noted earlier, attempts to explain why so few women are corporate directors include a range of macro and micro-societal factors, as well as aspects of women themselves, for example, women's lack of confidence in their governance skills, their dislike of the rough and tumble of corporate life at senior levels, and their preference for sharing, nurturing and empathizing management styles over the competitive, distrustful and directive styles of men (Cadieux et al., 2002; Pounder and Coleman, 2002). Similar arguments have been advanced about women's low representation at senior management levels in family firms. For example Wang (2010: 475), reviewing the literature on women's exclusion from family business succession, argues that this phenomenon results from "an interaction of macro (societal/cultural attitudes toward women) and micro (individual and family) factors that both stereotype and discriminate against the daughter, and ensures that her capabilities and contributions in the business remain largely invisible." He further argues that "ascension to leadership and control for daughters can occur under 'special circumstances' such as in the absence of male heirs or when the family business encounters a crucial transition or crisis event" (2010: 475). While these factors combine to reduce the likelihood of women attaining leadership roles, including board membership, Wang, citing Dumas (1989), sees an advantage in the 'complementarity' nature of daughter succession, that is, the way daughters complement the skills and needs of the father. This means daughter succession tends to be smoother and less conflicted than male succession (2010: 481). In addition, women's nurturing, empathizing management styles have often been argued to be well suited to looking after the well-being of family firms, where both family and business goals must be met simultaneously.

We leave aside here the debate over whether women and men genuinely manage differently, and if so, whether they do so as a result of inherent gender differences, or because women are socialized into using a distinctive style of management to overcome male resistance to female managers. However the preceding discussion of women's collaborative styles in relation to a stewardship approach to governance prompts the following research proposition:

> RP2: Whether a family firm board's approach to governance emphasizes stewardship or agency approaches affects their gender composition.

INSTITUTIONAL THEORY

Institutional perspectives, the advice and counsel benefit of boards, and the gender composition of family firm boards

The role of outside constituencies in corporate governance has been a focus of some institutional theory research. Financial analysts have been of particular interest because of the way the reports they produce to *advise and counsel* boards are dependent on information controlled by managers. Other outside constituencies include suppliers, debtors, professional associations, the courts, and government regulators (Fligstein and Choo, 2005). Privately held family firms and the gender composition of their boards are obviously insulated from the influences of some government regulators such as Equal

Opportunity in the Workplace Australia (EOWA), which advise, counsel and sometimes impose policies about issues such as the representation of women on corporate boards[3]. However family businesses also have outside constituencies which aim to influence governance practices. They may include, among many others, the Australian Institute of Corporate Directors (AICD) and Family Business Australia (FBA), both of which provide corporate governance training for aspiring directors. The FBA's corporate directors' course emphasizes a governance style predicated on the special characteristics of family firms including the centrality of stakeholders' interests, and the need to consider the family firm's stage in its life cycle. Considered in conjunction with the research propositions arising from a stewardship orientation to governance, these considerations lead to the following research proposition:

> RP3: The orientation of formal governance training undertaken by potential directors influences the gender composition of family business boards.

Institutional perspectives, the legitimating benefit of boards, and the gender composition of family firm boards

Institutional perspectives are relevant to the *legitimacy* of boards. In their quest for legitimacy, societal norms – especially investor norms – influence board decisions about such matters as CEO selection and executive compensation (Zajac and Westphal, 1996a,b), and how boards explain the adoption of CEO incentive plans to shareholders (Westphal and Zajac, 1994; 1995). It seems likely that in a similar quest for legitimacy and as they professionalize, family firms will first of all form corporate boards and, second, homogenize the firm's visible attributes such as board composition including the proportion of female membership (Lynall, Golden, and Hillman, 2003; Hillman, Shropshire, and Cannella, 2007). This leads to the following research proposition:

> RP4: The level of professionalization affects the proportion of female directors on family firm boards.

On the other hand, more than one view of legitimacy is likely to be at play when gender issues in leadership and board roles are considered. A wealth of feminist literature points out that men are considered more apt candidates than women for leadership roles and that men, in turn, resist giving up positions of leadership. In family firms, the tradition of primogeniture across virtually all societies has limited women's capacity to succeed to formal leadership roles, especially that of CEO (Barrett and Moores, 2009; Moores and Barrett, 2002; Wang, 2010). The prospects for women seeking positions on family-controlled company boards may be similarly affected by the phenomenon of incumbent male inertia. Also, women who manage to attain positions on family firm boards may, like women on non-family firm boards, be subject to the 'pulled up drawbridge' or 'Lottery Queen Bee

[3] However the quest for legitimacy may cause isomorphic influences to prevail. For example, family firms may echo nonfamily firms in adopting affirmative action strategies even though they are not required to do so.

syndrome' (Wilson, 2011), whereby when a woman finally succeeds in winning an appointment on a board that been closed to women for decades, it tends to be on the unspoken condition that she make no effort to encourage further women members, and conform to the board's existing norms. Founders' ideas in particular are known to have a strong influence on the culture of family firms.

On the other hand, some recent research (eg Barrett and Moores 2009) highlights the engagement of women at very senior levels in family firms. This, together with our arguments in this paper concerning the flexibility family firms offer women's careers, means that family firms may be more conducive than non-family firms to female board representation. Some research (e.g. Francoeur, Labelle, and Sinclair-Desgagné 2008) into the financial performance of family firms has noted incidentally that the presence of women on boards is associated with higher representation of women in other senior corporate roles. It may be that the presence of women in the board context legitimates their presence in other senior roles, and vice versa.

These considerations suggest the following research propositions:

> RP5: Resistance by men on the family firm board to female membership affects the long-term gender composition of the family business board.
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> RP6: Recency of a female appointment to the family firm board affects the long-term gender composition of the family business board.
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> RP7: The presence of women in senior roles in FCBs is associated with their presence on corporate boards in FCBs.

SOCIAL NETWORK THEORY

Social network theory, the communication function of boards, and the gender composition of family firm boards

Social network theory is relevant to the way boards act as *communication channels* to constituencies outside the firm. In particular social network theory suggests that demographic similarity among board members reflects the organization's emergent interorganizational network (Gulati and Gargiulo, 1999). From this perspective, board composition will reflect the social networks of the principal stakeholders such as the CEO and external financiers). Concerning the communication channel resource that corporate boards bring to management, Hillman et al. (2007) found that women's purchasing power means they link the organization to different constituencies from men. However relevant this may be as a family business consideration, there is no theoretical or empirical evidence to suggest there are systematic differences between family and non-family firms in this respect.

Social network theory, the resource acquisition of boards, and the gender composition of family firm boards

Social network theory is similarly relevant to understanding how boards, including boards of family firms, *acquire resources*. Board members are themselves a resource, and Hillman et al. (2007) have pointed to the ways various communities (e.g. industries or other associations) affect a firm's capacity to acquire women directors. These 'instrumental' views of social networks are equally relevant to family firms. However networks that reflect social logics (as compared to economic logics) can influence the composition of the family company board, perhaps even more so than for non-family firms, given the particular importance of family firms' networks for building social capital (Lester and Cannella, 2006). That is, the 'community-level' perspective on social networks which emphasizes concepts such as shared values, trust, norms of reciprocity, and social support, is consistent with the frequent observation (e.g. Chua, Chrisman, and Steier, 2003) that familyfirms are more likely than non-family firms to view success in terms other than purely economic.

There appears to be no reason to suggest that family firms *per se* have greater or lesser access than nonfamily firms to the *general* communities from which female board membership is drawn. However Lester and Cannella (2006: 755) point out the propensity of family firms to use board interlocks *among family firms* to build and maintain community-level social capital. As these authors point out, the intercorporate network of family controlled firms "generates shared understandings, values, problem solving techniques, and approaches to dealing with family business issues […] and a level of social support for family business owners and managers grappling with challenges endemic to family control of public corporations". Combining this with Hillman et al.'s (2007) observations means the social networks created by interlocking FCB board links may affect female representation on family company boards. This leads to the following research proposition:

> RP8: The proportion of women on interlocking family firm directorates affects the gender composition of family firm boards.

THE RESOURCE-BASED VIEW

The resource based view (RBV), the communication function of boards, and the gender composition of family firm boards

The RBV is relevant to the *communication channel* benefit of the board. To counter the 'pulled up drawbridge' or 'Lottery Queen Bee' syndromes mentioned earlier, and to overcome incumbent male inertia, it is important to have women on the corporate board to provide role models and mentors to develop and nurture more female resources capable of appointment to the board. Many sources (e.g. Konrad et al., 2008; Terjesen et al., 2009) indicate that a critical mass of women corporate directors is necessary for them to be taken seriously: say three women or 40% of board membership. Moreover, it is known that women have difficulty getting to senior levels in male-dominated industries (Mattis, 1995). However Barrett and Moores (2009) posited from their study of thirteen family business women leaders that women in family firms in male-dominated industries have a greater likelihood of attaining family firm leadership in those industries because of their deep and

long acquaintance with them via the family firm. These considerations lead to the following research propositions:

> RP9: Family firm boards with a 'critical mass' of women directors will be more successful than those with fewer women directors in attracting further women directors to the board.
>
> RP10: The 'gender-dominance' of the industry in which a family firm is located will affect the gender composition of its board.

The resource based view (RBV), resource acquisition, and the composition of family firm boards

The RBV is also relevant to the board's capacity to *acquire resources*. In contrast to the difficulties many women experience in managing to combine work and family responsibilities in non-family firms, FCBs have long been recognised as offering women the flexibility they need to manage family responsibilities and build a career (e.g. Curimbaba, 2002). Barrett and Moores (2009) found this special benefit did not necessarily extend to family firm leadership roles for women: it was moderated by the role a woman had previously held, with 'Invisible' women being much less likely than 'Anchors' or 'Professional' women to reach senior leadership. Nevertheless women in FCBs may find their careers dodge the 'knockout punch' – lack of adequate childcare – that floors many full-time female executives' careers (Wilson, 2011). As a result, more women with knowledge of the firm and the capacity to have input to strategy may be more available for board roles in FCBs than in non-family firms.

Because learning and innovation are crucial to competitive advantage, a capacity for ongoing learning and innovation is perhaps any firm's most crucial resource. Theories of the learning organization have explored how firms do this. (For reviews of the learning organization literature from an RBV perspective, see Dharmadasa (2009); Barrett and Moores (2011, forthcoming)). Birdthistle and Fleming (2005), Moores and Barrett (2002), and Barrett and Moores (2011, forthcoming) explore how a learning orientation enables family firms to realize more of their human resource potential. This learning orientation is assisted by positive forms of 'familiness': the bundle of resources arising from the family nature of family firms that contributes to their competitive advantage (Habbershon and Williams, 1991; 2003; Miller and Le Breton-Miller 2005). In the context of the present issue, increasing the knowledge and capacity of female members of the firm so that they are 'board appointable', that is, converting female resources into capability, is a positive (f+) feature of familiness. At first consideration, the extent to which women can access learning opportunities is not more salient in FCBs. However as with the question of whether family business women will attain leadership roles, this seems likely to depend on whether the women have previously held Anchor, Professional, or Invisible status in the FCB. This results in the following research propositions:

> RP11: The extent of an FCB's learning orientation could affect the gender composition of family firm boards.

RP12: The roles women have held in FCBs with a learning orientation affect the gender composition of their boards.

Discussion and conclusions

Viewing prior research on the resources boards bring to management through alternative theoretical lenses has suggested some research propositions about the conditions under which an FCB is more likely to include female directors than nonfamily firms (i.e. the 'between' differences), and compared to other FCBs (i.e. the 'within' differences). It has shown up several such areas of potential difference and also indicated where differences appear less likely. These results are summarized in Table 1.

Insert Table 1 here.

The factors we isolate for further study as suggested by applying the five theoretical lenses to prior research are mostly internal, in contrast to the focus of previous research. See Table 2.

Insert Table 2 here.

The insights gained from exploring these propositions promise to increase understanding of the factors underlying a problem of growing prominence. Remedies may also emerge. Moreover, the propositions suggest a research agenda which would inject theoretical rigour into the so far under-theorized issue of why so few women are represented on corporate boards. As noted earlier, the need to understand why female representation on boards is limited is an issue for both family and non-family firms. Finally, the research context, family firm boards, addresses Fiss's (2008) challenge that institutional theory research move beyond attempts to predict whether institutional tend to converge or diverge, to focus on how ownership and control influence institutional effects. Family firms are ideally suited as a research venue for this task.

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Table 1: Summary of findings and research propositions

Theory	Board resource	Research prop'ns suggest-ed?	Research propositions
Agency theory	Legitimacy	No	
Stewardship theory	Advice and counsel	Yes	RP1: The extent to which stakeholder interests dominate in the selection of family business board members affects the gender composition of the FCB board.
	Legitimacy	Yes	RP2: Whether an FCB board's approach to governance emphasizes stewardship or agency approaches affects their gender composition.
Institutional theory	Advice and counsel	Yes	RP3: The orientation of formal governance training undertaken by potential directors influences the gender composition of FCB boards.
	Legitimacy	Yes	RP4: The level of professionalization affects the proportion of female directors on family firm boards. RP5: Resistance by men on the family firm board to female membership affects the long-term gender composition of the family business board. RP6: Recency of a female appointment to the FCB board affects its long-term gender composition. RP7: The presence of women in senior roles in FCBs is associated with their presence on corporate boards in FCBs.
Social network theory	Communication function	No	
	Resource acquisition function	Yes	RP8: The proportion of women on interlocking family firm directorates affects the gender composition of family firm boards.
Resource-based view	Communication function	Yes	RP9: FCB boards with a 'critical mass' of women directors will be more successful than those with fewer women directors in attracting further women directors to the board. RP10: The 'gender-dominance' of the industry in which an FCB is located affects the gender composition of its board.
Resource-based view	Resource acquisition	Yes	RP11: The extent of a family firm's learning orientation could affect the gender composition of family firm boards. RP12: The roles women have held in family firms with a learning orientation affect the gender composition of their boards.

Table 2: Internal and external factors potentially influencing women's corporate board membership in family firms

Factor	Type
Stakeholder interests	Internal
Stewardship orientation	Internal
Training orientation	Internal
Degree of professionalization	Internal
Resistance of male directors	Internal
Recency of female appointments to the board	Internal
Presence of women in senior roles	Internal
Proportion of women on interlocking directorates	External
Critical mass of women on the board	Internal
Industry gender dominance	External
Learning orientation	Internal
Women's roles	Internal