

The daughter effect:
Do CEOs with daughters hire more women to their board?

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Abstract

Using a sample of S&P 100 firms, we find that CEOs with a daughter are more likely to hire new women to their board of directors than CEOs without a daughter. Our results provide additional evidence that parents' attitudes and actions are affected by the gender of their children and that the effect is strong enough to influence important decisions at large corporations.

Keywords: daughter effect, board of directors, board diversity

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1 Introduction

We investigate the effect of CEO daughters on the gender of new corporate board members. We find evidence for a daughter effect: CEOs with daughters are more likely to have women join their board than CEOs without daughters.

We consider a subset of 2017 S&P 100 firms for which we were able to collect information about the gender of the CEO's children. A final sample of 56 firms provides suggestive evidence of the daughter effect both on the probability that a new woman is hired to the board and on the gender ratio of new directors. The gender of the CEO themselves does not affect results in most specifications, and we do not find strong evidence of a son effect.

There could be several factors driving our results. First, if CEOs can exert control over the selection of new directors, then having a daughter could make them more likely to select female directors. If the CEO is unable to affect new director selection, female directors could be drawn to firms with CEOs that have daughters, or the incumbent board conducting the search could be affected by the presence of a CEO daughter. Shivdasani and Yermack (1999) and Coles et al. (2014) are a few of the many studies showing that CEOs do exert influence in the director selection process, leaving open the possibility that CEOs are driving the decision to hire more women on the board.

There is a large literature in the sociology of the family studying the affect of a child's gender on parents' attitudes and preferences. Examples include Warner (1991) and Downey et al. (1994). In economics, examples include Gompers and Wang (2017), who find that venture capitalists with daughters tend to hire more female partners and that having daughters improves fund and deal performance and Washington (2008), who find that daughters tend to increase a congressperson's likelihood of voting liberally.

The papers most closely related to ours are Cronqvist and Yu (2016), Dahl et al. (2012), and Nguyen (2015). Cronqvist and Yu (2016) find that S&P 500 CEOs with daughters have corporate social responsibility scores that are higher than firms with CEOs without daughters. They find that this increase is strongest in the diversity dimension of corporate social responsibility. Dahl et al. (2012) examine CEOs of Danish firms and find that employee compensation decreases in response to the CEO fathering a child. However, this effect is smaller if the child is a daughter, and if it is a first daughter, wages increase. Nguyen (2015) examines CEOs of public US corporations and finds that CEOs with daughters have better financing and acquisitions outcomes than those without. This paper contributes to the literature on the daughter effect among CEOs by considering a different outcome – the gender balance of the board of directors.

This paper also contributes to the literature on the determinants of women on boards. Notable examples are Hillman et al. (2007) and Withers et al. (2012). Here we find that the gender of a CEO's child is also an important factor in the gender diversity of boards.

2 Data

We limit our sample to S&P 100 firms in 2017. We use four categories of data: CEO characteristics, CEO daughter and son data, board characteristics, and firm financials.

Data on CEO age, gender, length of tenure as CEO, and whether or not the CEO is chair of the board were collected from Morningstar. Data on CEO children were collected from a variety of sources including CEO biographies on company websites, Wikipedia, news articles accessed through Google searches, and Twitter. We were able to obtain child data for 56 out of 100 CEOs. CEOs without child data are omitted from the study. Eighty nine percent of CEOs in the sample are male. 75% of the CEOs have at least one daughter and 66% have at least one son.

Director gender and start dates were obtained from Morningstar board biographies. Directors are classified as “new” or “old.” A director is considered “new” if they joined the board the year of the CEO’s start date or later. The CEO is typically also a member of the board and often joins the board the year they begin as CEO. In this case, the CEO is not included as a new or old director. Firm financials were collected from Mergent Online.

Ninety one percent of CEOs hired a new woman to the board, while 95% hired a new male to the board. Twenty eight percent of the new directors across all firms are women, and the average share of new women per firm is 0.31.

3 Model

We hypothesize that CEOs with daughters are more likely to have additional women join the board than CEOs without daughters. To answer this, we use linear regressions with two dependent variables: an indicator for whether or not a new woman has been hired to the board during the current CEO’s tenure, and the share of women out of all new directors since the CEO took over. We control for three categories of variables: CEO characteristics, firm characteristics, and incumbent board characteristics.

The first regression is given in Equation 1. For each firm i , $NEWF$ is an indicator for whether or not a new woman was hired to the board during the CEO’s tenure. D and S are indicators for whether or not the CEO has at least one daughter or one son. CEO is a vector of CEO characteristics that include gender, age, and whether or not the CEO is also the chair of the board. FIN is a vector of firm financials that include the log of assets, return on assets, the log of market capitalization, and debt to assets. $BOARD$ is the share of women among “legacy” directors currently on the board that were also on the board before the current CEO’s tenure began.

$$NEWF_i = \beta_0 + \beta_D D_i + \beta_S S_i + \beta_C CEO_i + \beta_F FIN_i + \beta_B BOARD_i + \epsilon_i \quad (1)$$

The second regression is given in Equation 2. For each firm i , $SHARE_NEWF$ is the share of women among directors hired during the CEO’s tenure. The controls are the same as in Equation

1.

$$SHARE_NEWF_i = \beta_0 + \beta_D D_i + \beta_S S_i + \beta_C CEO_i + \beta_F FIN_i + \beta_B BOARD_i + \epsilon_i \quad (2)$$

4 Results

We report results in Tables 1 and 2. For each regression, we report four models: (1) includes only an indicator for daughter, (2) adds CEO characteristics, (3) adds firm financials, and (4) adds the incumbent board member gender ratio.

In Table 1, the dependent variable is an indicator for a new woman on the board. We find suggestive evidence for the daughter effect. In the first two models, having a daughter increases the probability of hiring a woman to the board by around 17 percentage points, significant at the 10% level. This is a 22 percent increase compared to CEOs without a daughter. Adding firm financials increases the point estimate to 0.219 (28 percent increase over CEOs without daughters), significant at the 5% level. However, controlling for the gender ratio of the old board members decreases the significance of the daughter effect – when there is a greater share of female directors from the incumbent board, the new CEO is less likely to add new women to the board.

The gender of the CEO is only significant at the 10 percent level in the model with all controls, and not significant in the other three models. In the model with all controls, a male CEO is associated with a 21.8 percentage point decrease in the likelihood of hiring a new woman to the board. The presence of a son is not significant in any of the four models.

In Table 2, the dependent variable is the share of new directors that are women. This model has two less observations, as there are two CEOs that did not hire any new directors. Here, we find significant evidence for the daughter effect in models 2, 3, and 4. In the model with all controls, having a daughter is associated with a 16 point increase in the share of new directors that are female, significant at the one percent level. Here, the gender of the CEO is not significant in any of the models and the presence of a son is positively correlated with the share of new directors that are female in models (3) and (4) at the ten percent level.

Taken together, the models present suggestive evidence of the daughter effect in hiring new women to the board. The study is limited by its small sample size, but these preliminary results offer evidence that the gender of a CEO's children can have implications for the number of women on corporate boards.

5 Conclusion

Our findings support the hypothesis posed by Cronqvist and Yu (2016) and others – that not only is it possible for children to socialize their parents, but that such socialization can lead to gendered differences in corporate decisions. Our results suggest that having a female child is associated with a higher probability of a CEO hiring new female board members.

Table 1

	NEWFO			
	(1)	(2)	(3)	(4)
D>0	0.167* (0.087)	0.172* (0.088)	0.219** (0.098)	0.131 (0.092)
S>0		-0.016 (0.086)	0.028 (0.096)	0.089 (0.088)
CEOGENDER		-0.129 (0.131)	-0.168 (0.139)	-0.218* (0.126)
CEOAGE		0.008* (0.005)	0.008 (0.005)	0.005 (0.004)
CEOCHAIR		-0.123 (0.088)	-0.112 (0.093)	-0.191** (0.086)
log(ASSETS)			0.081 (0.120)	-0.032 (0.112)
ROA			0.006 (0.012)	0.001 (0.011)
log(MARKETCAP)			0.018 (0.091)	0.063 (0.083)
DEBT			-0.000 (0.000)	0.000 (0.000)
DEBT/ASSETS			0.000 (0.000)	-0.000 (0.000)
OLDF				0.115 (0.078)
OLDF/OLDM				-0.028** (0.011)
Constant	0.786*** (0.075)	0.540* (0.289)	-1.240 (1.683)	0.643 (1.598)
N	56	56	56	56
R ²	0.064	0.146	0.188	0.375
Adjusted R ²	0.047	0.060	0.007	0.201

Notes:

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

Table 2

	NEWF/(NEWF + NEWM)			
	(1)	(2)	(3)	(4)
D>0	0.084 (0.054)	0.101* (0.053)	0.158*** (0.057)	0.162*** (0.059)
S>0		0.047 (0.051)	0.099* (0.053)	0.101* (0.056)
CEOGENDER		-0.036 (0.078)	-0.074 (0.076)	-0.071 (0.080)
CEOAGE		-0.001 (0.003)	-0.0002 (0.003)	-0.0001 (0.003)
CEOCHAIR		-0.131** (0.055)	-0.114** (0.054)	-0.114* (0.060)
log(ASSETS)			0.095 (0.068)	0.094 (0.071)
ROA			0.013* (0.007)	0.012* (0.007)
log(MARKETCAP)			0.019 (0.050)	0.020 (0.051)
DEBT			-0.000 (0.000)	-0.000 (0.000)
DEBT/ASSETS			0.000 (0.000)	0.000 (0.000)
OLDF				0.020 (0.054)
OLDF/OLDM				-0.002 (0.008)
Constant	0.245*** (0.047)	0.358* (0.184)	-1.755* (0.966)	-1.775* (1.009)
N	54	54	54	54
R ²	0.044	0.173	0.327	0.331
Adjusted R ²	0.026	0.087	0.171	0.135

Notes:

*** Significant at the 1 percent level.

** Significant at the 5 percent level.

* Significant at the 10 percent level.

Further investigation into this topic would benefit from a larger sample of CEOs and deeper analysis of the board member turnover dynamics during a CEO's tenure. Additionally, a cross cultural data set could determine whether daughter socialization is more pronounced in some cultures than others, as Warner (1991) suggests.

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