

Chapter 3

Gender Diversity in the Senior Management of Large Technology Companies

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ABSTRACT

As a key part of the fourth industrial revolution, technology companies have become the most valuable companies in the world in terms of market capitalization. Surprisingly, however, these companies have been overlooked by studies of gender diversity in corporate governance even though their highly distinctive features may cause major differences in gender diversity with respect to companies in other sectors. The goal of this chapter is therefore to provide the first characterization of gender diversity in the corporate governance of large technology companies—specifically those with the highest market value—and explore the relationship between gender diversity and business performance. To achieve this goal, descriptive statistical analysis is used. Data correspond to the period 2005 to 2017. The findings confirm the under-representation of women on the boards of directors of 162 publicly listed companies. The findings also show that the most profitable companies are those that have the greatest female representation on their boards of directors.

INTRODUCTION

The issue of gender¹ in business is highly topical. This issue is subject to interpretation and, on occasion, biased approaches that often prove controversial. The interest that this issue has elicited from policymakers reflects the firm belief that boards of directors that have greater diversity are more effective and that

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women are under-represented on these boards of directors. These factors explain the recent tendency to implement actions that promote gender diversity in corporate management. Between 2008 and 2015, 32 countries implemented 42 policies to foster board diversity (Adams, 2016).

Such issues have also been addressed by scholars. Particularly during the last decade, many studies have investigated various facets of the relationship between the representation of women on companies' boards of directors and these companies' financial performance (Terjesen, Couto, & Francisco, 2016) and market image (Al-Shaer & Zaman, 2016), as well as the impact of this representation on decision making (Nielsen & Huse, 2010). However, this literature contains certain gaps. For example, there is a lack of consensus on the role of gender diversity in corporate governance (Isidro & Sobral, 2015). Furthermore, studies have generally focused on large companies, particularly publicly listed companies. This choice of focus results from two factors: the applicability of certain standards and guidelines, especially regarding the proportion of minorities that must be represented on the boards of these companies; and the greater data availability, which enables the analysis of performance, profitability, and financial structure.

It is much less common for studies to examine the issue of gender in senior management from a sector perspective. Sector analyses of the digital economy or the collaborative economy are practically nonexistent. The lack of such research is particularly relevant in today's context, which is characterized by the hyperconnectivity and technological revolution that define the so-called Fourth Industrial Revolution and that exert unprecedented effects on society (Cheong & Lee, 2017).

Consequently, this study focuses on the business sector that contributes the most to shaping the digital economy and that, in a sense, acts as a catalyst for the development of a new digital society, which is replacing the industrial society that dates back to the 19th century. Specifically, this study focuses on large companies, in terms of market capitalization, in the global technology sector. One example of the importance of this sector is the fact that the five largest companies in the world by market capitalization—Apple Inc., Alphabet Inc., Microsoft Corporation, Amazon Inc, and Facebook Inc. (Bloomberg L.P., 2018)—are all technology companies. This list reflects a radical change with respect to the previous decade, when the world's largest companies were banks, oil companies, and retailers.

Technology companies have a number of features that make analyzing female representation in this thriving business sector particularly interesting. These companies are characterized by a high proportion of employees with a background in technology, linked to qualifications or studies in STEM (Science, Technology, Engineering, and Mathematics) subjects. Traditionally, these subjects have been numerically dominated by men (Glass, Sassler, Levitte, & Micheltore, 2013). A priori, this dominance would suggest some selection bias in the senior management of these companies. In addition, the new business models that are adopted in the digital economy differ considerably from traditional models in terms of management and governance. Such differences relate to the profile of entrepreneurs, founders, and partners as well as the profile of customers. These new business models, coupled with the crucial role of technological and business development skills, call for professionals with a broad range of training and experience and, at the same time, a forward-looking and visionary mindset. Technology companies' governance structures are also notoriously flat, and personal leadership takes precedence over hierarchical leadership, with a predominance of young entrepreneurs as opposed to the generally older managers in traditional companies. Finally, technology companies are a magnet for professional talent because of their status and the high salaries they offer. This perspective of analysis of talent has also been considered in the technology sector (Foust-Cummings, Sabattini, & Carter, 2008) under the premise that, in these companies, maximizing talent regardless of gender can reduce gender barriers.

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