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How do different LGBTQ-friendly policies affect firm performance?

An Empirical Study of U.S. Companies from 2005 to 2019

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ABSTRACT:
The LGBTQ community refers to lesbian, gay, bisexual, transgender, and queer people. The controversy surrounding sexual minorities never ends. Academic research on the LGBTQ community has gone through three stages, with early research on sexual minorities being studied as a disease and subsequent research examining negative attitudes toward the LGBTQ community. Currently, scholars focus on the relationship between institutions and LGBTQ.

As society becomes more liberal, acceptance of the LGBTQ community increases, and more and more people support the LGBTQ community's fight for equal rights with heterosexuals. In this liberal culture, companies adopting LGBTQ-friendly policies take social responsibility. These companies that adopt LGBTQ-friendly policies try to create an equal work environment internally. Externally, companies demonstrate their pursuit of diversity and equality to their stakeholders.

Based on corporate social responsibility theory and stakeholder theory, this paper examines the relationship between firms' adoption of LGBTQ-friendly policies and firm performance through empirical regressions. This study aims to examine which LGBTQ policies have the most significant impact on firm performance. And how these policies work, i.e., whether they improve firm performance by increasing productivity or by attracting outside investment.

This paper uses the Corporate Equality Index for U.S. public companies from 2005 to 2019 and financial data for the empirical study. The CEI comes from the Human Rights Fund Committee, and the financial data are all from Reuters. Corporate LGBTQ friendliness is measured by CEI data in four areas: equal employment opportunity, inclusion benefits, LGBTQ diversity committee, and public commitment. Financial performance is measured by Tobin's Q, ROA, factor productivity, and employee productivity.

The empirical results of the study indicate that more LGBTQ-friendly firms have higher stock market valuations and profitability but have lower factor productivity and employee productivity. This positive impact is magnified in open states, influenced by less religious and more liberal social norms, while the negative impact is magnified in more conservative states. Of the four policies that make up the CEI index, public commitment is the most influential LGBTQ-friendly policy.

KEYWORDS: LGBTQ policy, firm performance, stakeholder, sexual minority

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Abbreviations

LGBTQ = lesbian, gay, bisexual, transgender, queer
CSR = Corporate social responsibility
CEI = Corporate Equality Index
SHRM = Strategic human resource management
HRM = human resource management
HR = human resource
CSP = corporate social performance
EEOP = Equal employment opportunity policy
IB = Inclusive Benefits
ODC = Organizational LGBTQ+ competency
PC = Public Commitment

1 Introduction

Consistent with the Human Rights Campaign Foundation, this article uses LGBTQ+ to refer to the non-heterosexual community. LGBTQ+ refers to lesbian, gay, bisexual, transgender, and queer. Scholars may also use abbreviations such as LGBTQQ, LGBTQQI, and GLBT in their academic studies.

As a minority group, LGBTQ+ people have gone from invisible to visible. In 2011, the Don't ask, don't tell policy was repealed from the U.S army. Gallup (2021) reported through a questionnaire that approximately 5.6% of American adults identify themselves as LGBTQ+, compared to 3.5% in 2012. Even though there is no absolute figure for the LGBTQ+ population, the financial report of BlueCity released in 2020 shed light on it — the gay male social networking software, Blued, has 73million registered users worldwide. This minority group with large numbers remains hugely controversial within different topic areas of contemporary society.

Sexual minorities in the U.S. have spent nearly 60 years fighting discrimination and demanding equal rights. Even so, there is still a long way to go. The Stonewall event in June 1969 is widely considered to have kicked off the sexual orientation diversity affirmative action movement. Since then, the Equality Act has been the most critical demand of affirmative action activists. In February 2021, the U.S. federal House of Representatives voted to pass this long-delayed Equality Act draft. If passed by both houses of Congress, the enactment of federal-level regulations and amendments to the Civil Rights Act of 1964 to legislate against discrimination against the LGBTQ+ community would be a significant milestone for the sexual minority affirmative action movement. This milestone means more equal employment opportunities will be achieved, and those hired will not have to worry about being discriminated against because of their sexual orientation or gender identity. (Hugo Greenhalgh, 2021).

For a developed economy like the United States, the affirmative action movement for sexual minorities is still in the advancement stage. Worldwide, most affirmative action progress for sexual minorities is still nascent. Nowadays, same-sex relationship is still a crime in 70 countries worldwide.

Some scholars in CSR and stakeholder areas argue that companies need to pay attention to LGBTQ+ friendly policies. As society becomes more accepting of the LGBTQ+ community, the sexual-orientation diversity inclusion is becoming an important indicator of corporate social responsibility and even a part of a friendly workplace and sustainable development. In October 2019, LGBTQ Loyalty Holdings in the United States launched the "LGBTQ100" sustainability index. The index is the world's first indicator data designed to address diversity issues, tracking the ESG status of 100 U.S. companies and the extent to which diversity and friendliness are realized within organizations. The index is the first to address the diversity of sexual orientation and is an indicator of how large companies are moving toward an inclusive workplace.

Implementing LGBTQ+ friendly policies can bring significant economic benefits to companies (Badgett et al., 2013; Cook & Glass, 2016; Hossain et al., 2020). Companies practice social responsibility and adjust and optimize their physique by implementing sexual orientation friendliness in business development and internal governance. Empirical research shows that companies adopting LGBTQ+ friendly governance policies benefit from improving their constitution and promoting company growth. In terms of financial performance, LGBTQ+ friendly companies have better performance in terms of share price (Pichler et al., 2018), with higher credit ratings (Chintrakarn et al., 2020), higher market valuation, and adequate cash flow (Fatmy et al., 2022). Over time, LGBTQ+ workplace inclusion policies have attracted the attention of scholars, with numerous scholars researching different perspectives, such as why LGBTQ+ friendly policies help company performance, what impact they have on employees, and whether investors should be encouraged to include LGBTQ+ workplace inclusion policies in their CSR investment guidelines.

1.1 Motivation and Purpose of the Study

LGBTQ+ people's rights protections at work are already in the spotlight among some successful companies. Discrimination needs to be seen and studied to break down the stigma against LGBTQ+ people. In 2020, 93% of those who participated in the (Gallup) survey believed that gay and lesbian people should have equal rights with non-gay people regarding job opportunities. The reality, however, is that heterosexuals are correspondingly 1.5 times more likely to be invited to interviews than homosexuals. 20% of LGBTQ+ Americans have experienced discrimination based on sexual orientation or gender identity when seeking employment. Also, they are 7% less likely to be hired and earn 4% less in labor income than non-LGBTQ+ people (OECD., 2019). Because LGBTQ people who disclose their sexual orientation and gender identity in surveys often have an economic advantage, these predictions may represent the lower bound of the actual disadvantages experienced by sexual orientation minorities.

Scholars have conducted extensive research in this area, exploring in-depth that how LGBTQ-friendly corporate policies would affect firm performance, innovation (Fatmy et al., 2021), the credit rating (Chintrakarn et al., 2020), stock price reactions (Trau et al., 2018), how LGBTQ+ workplace diversity policies create values (Hossain et al., 2020). A large body of literature supports the conclusion that adopting LGBTQ+ friendly policies positively impacts business outcomes.

This study will specifically answer the following two questions:

RQ 1: Which LGBTQ+ workplace inclusion policies are most influential for firm performance?

RQ 2: Whether different LGBTQ+ inclusion policies are inherently incentivized to increase productivity or more likely to attract outside investment?

These two questions are temporarily unexamined by scholars and are the main contributions of this paper. Answering these two questions can lead to a greater understanding of how the adoption of a diversification policy works. The practical implication is that companies can choose the appropriate corporate policy based on the study's findings, and external investors can use the adoption of a diversification policy by a company as a factor in their decision to invest.

The Human Rights Campaign Fund's disclosure of corporate CEI scores and details on the scores of different segments of the company allow the questions examined in this article to be carried out. According to CEI criteria, LGBTQ-friendly policies are scored with four main components: equal employee opportunities, inclusive benefits for LGBTQ employees, LGBTQ diversity community, and public commitment. This article will disaggregate the CEI scores according to the CEI scale and process the data based on original data in CEI reports. A specific policy breakdown can be found in Appendix 1.

For the first question, the paper follows the regression approach used in previous literature, modifying the existing model, by comparing the estimated coefficients to explore the impact of different types of LGBTQ+ workplace inclusion policies on firm value. For the second question, the models in Pichler et al. (2018) study are used to characterize different LGBTQ workplace inclusion policies. And the effect of social norms will be included.

1.2 Research Hypothesis

Studying the impact of LGBTQ-friendly policies on firm performance could expand the application of workplace inclusion policies. Clarifying the relationship between the two may lead more companies to adopt these practices to safeguard the rights of minorities. For these reasons, this study posits two main hypotheses as follows:

H_1: Different types of LGBTQ workplace inclusion policies have the different levels of impact on firm performance.

H_2: LGBTQ- friendly policies positively affect firm productivity, ROA, and Tobin's Q.

If these ideal conclusions hold, companies can choose to implement different types of LGBTQ workplace inclusion policies for various purposes, depending on their industry, economic cycle, financial situation, corporate culture, and direction, due to the different costs and results these policies can achieve.

1.3 Structure of the Study

This study consists of six parts. First, in the introduction section, this paper will present the background of the LGBTQ+ situation, explain the motivation and purpose of this study, and based on that, raise the two hypotheses of this paper. The second section will present the theoretical foundations that support this paper. These four interrelated theories are strategic human resource theory, diversity management theory, CSR theory, and stakeholder theory. Third, the article will review the literature on LGBTQ-friendly policies and corporate performance. The research on LGBTQ+, the need for LGBTQ-friendly policies, and the economic benefits of adopting these policies will be presented. The fourth section will describe the data used in the article and the regression methods used. The fifth section analyzes the regression results and performs the corresponding tests. Finally, conclusions are drawn based on the above.

2 Theoretical Background

Four underlying theories support companies' adoption of LGBTQ-friendly policies, and they are described in this section separately. From an internal corporate perspective, the management of a company's workforce involves, first and foremost, human resource management, extending through minority groups to discoveries about diversity. From the external investor perspective, corporate inclusion of minorities is considered a sign of social responsibility under certain conditions. Therefore, it fits into the social environment that calls for inclusion, linked to stakeholder theory.

2.1 Strategic Human Resource Management Theory

LGBTQ+ employees, as a component of a company's employees, are first affected by HRM, such as the company's attitude towards the LGBTQ+ community during the recruitment process and whether the settings in terms of compensation or benefits treat people of different sexual orientations equally. Therefore, SHRM is the first part of the theoretical foundation of this study.

Drucker introduced the shift from traditional personnel management to HRM in 1954. Then, the change from HRM to strategic human resource management (SHRM). Devanna (1982) introduced the SHRM concept, which more scholars further developed. There are four main characteristics of SHRM: strategic, systematic, matching, and goal-oriented, and its development has gone through three stages: the initial stage from 1980-1990, the second stage from 1991-2000, and the third stage from 2001 to now.

In the initial phase of SHRM (1980-1990), Lengnick-Hall et al. (1988) argued that HR influences strategy and that an organization's business strategy must be matched with HR strategy, then the concept of matching was further expanded (Baird & Meshoulam, 1988) who believe that matching consists of both external matching and internal matching. Many SHRM studies during this period have demonstrated the role of human resource management departments in driving organizational performance. Tichy et al. (1982)

argue that HR activities significantly impact individual performance and, therefore on, productivity and organizational performance. At this stage, the effect of human resources on personal performance is taking shape.

The rapid development of SHRM theory (1991-2000) saw the emergence of many empirical studies on SHRM. Cappelli and Singh (1992) pointed out that different HRM policies and instruments lead to different employee attitudes and behaviors because any strategy needs to be supported by corresponding employee attitudes and behaviors. Lado and Wilson (1994) combined open systems theory and RBV to argue that HRM systems within a firm depend on a unique context within the firm, which makes it difficult for one firm's HRM to be imitated by other firms and thus can be a resource that provides a competitive advantage to the firm. An even more significant breakthrough came in the mid to late 1990s with the use of financial metrics to assess SHRM, which provided a more effective way to measure organizational performance, and subsequently, performance measures beyond stock prices and across different markets were added (Rogers & Wright, 1998). In addition, scholars have found that the existence of multiple human resource systems in firms has attracted increasing attention because it effectively explains the different behaviors adopted by firms in the face of different environments (Lepak & Snell, 1999; Tsui et al., 1997). Competitive advantage was gradually introduced into the SHRM field through human resource advantage (Huselid et al., 1997; Matusik & Hill, 1998).

From 2001 to the present, the period is the diversified and rapid development of SHRM theory. It is crucial to elucidate the relationship between SHRM and organizational performance from multiple dimensions using a variety of approaches, providing a solid guarantee for companies to improve their managerial performance. The second is that the social attributes of firms have received more scholarly attention in recent years, so more scholars have begun to focus on the role of SHRM in the creation of social capital (Collins & Clark, 2003; Evans & Davis, 2005; Youndt & Snell, 2004).

Huselid, Jackson, and Schuler (1997) compared HRM competencies at the technical level (such as recruitment, selection, etc.) with those at the strategic level and their impact on firm performance for 293 U.S. firms. The results show that HRM effectiveness at the technical level is not related to firm performance, while effectiveness at the strategic level is related to employee productivity, cash flow, and market value.

The research methodology of the relationship between SHRM and organizational performance has further matured, overcoming the previous problems of using only a single evaluation factor and failing to explain omitted variables and causal relationships. For example, Wright and Snell (2001) used collective attitude as an intermediate variable to study the relationship between HRM and corporate performance of 204 independent workgroups in a company. The results confirmed the mediating role of collective attitude between HRM and corporate performance. Harris and Ogbonna (2001) found that SHRM affects firm performance through the intermediate variable market orientation in a sample of British firms. Also, the correlation between SHRM and organizational performance has been confirmed by the results of numerous studies.

From a human resources perspective, embracing diversity and friendliness also means finding more potential and valuable talent to develop their competitive advantage. Universum (2019) conducts an annual survey of thousands of college students to examine the essential employer traits for newcomers to the workplace. They found that multi-gender individuals care more about employers' importance on gender equality than non-LGBTQ+ people than the general student population.

2.2 The Findings on Diversity

Workforce diversity refers to the distribution of organizational membership across heterogeneous attributes and will not be highly homogeneous (Saxena, 2014). This new pattern of workforce diversity poses new challenges to the human resource management of organizations as the globalization of the economy, and frequent waves of internationalization have made organizational employees increasingly diverse in terms of gender, race, nationality, religion, beliefs, and values. Workforce diversity can increase the cost of administrative management on the one hand and bring benefits to the organization on the other hand (Shaban, 2016).

The connotation and system development of diversity and equity management is closely related to specific historical contexts and management needs; moreover, diversity and equity management systems evolve dynamically with social, economic, and technological developments. Diversity and equity are core issues in organizational management, and there are three broad perspectives in the current academic understanding of diversity and equity management: the social-ethical perspective (Gotsis & Kortezi, 2013; Nelson et al., 2012), the social-relational perspective (Gilbert et al., 1999; Yang & Konrad, 2011) and strategic management perspectives (Hiranandani, 2012).

Empirical studies have shown that the fairness of HRM practices significantly affects employees' physical and psychological performance during the work (Bowen & Ostroff, 2004) and the willingness of employees to interact with each other is increased in a fair environment, which contributs to a positive diversity air (Nishii & Rich, 2014), and in turn will reduce the resistance in their work and improve the work output. (D'Netto et al., 2014). The construction and implementation of diversity and equity management systems can positively influence employees' attitudes, behaviors, and performance through their perceptions of equity. Diversity management is the key for companies to stand out in the industry, and creating a diverse team group is gradually becoming a competitive advantage. (Becker & Huselid, 2006).

By integrating and utilizing diverse management practices to develop the competencies of diverse employees, diversity and equity management systems help transform diverse human capital into an organizational competitive advantage, thus contributing to the achievement of the organization's strategic HR goals and overall strategic objectives. However, few empirical studies on diversity and equity management from a resource-based theory perspective (Colakoglu et al., 2009).

In addition, diversity and equity management systems can enhance employees' capabilities through non-discriminatory recruitment and training, motivate them intrinsically by providing valuable work and a fair work environment. The diverse atmosphere provides employees with opportunities for them to be proactively involved in company decisions and continuously refine their job skills for further development. (Armstrong et al., 2010), which are the core drivers of human capital-based organizations (Becker, 1992).

Numerous studies have shown that the presence of diversity in an organization does not generate any benefits by itself and that diversity and equality management can achieve a win-win situation for both employees and the organization (D'Netto et al., 2014). For employees, For employees, being in an environment of diversity and equity enhances their inclusion and pursuit of fairness. In such a situation, employees demonstrate higher efficiency, innovative behavior, job performance, and satisfaction (Guillaume et al., 2013). For organizations, diversity and equity management can help to continuously optimize the organization's HRM allocation to achieve organizational goals (Sezerel & Tonus, 2014), as well as to enhance organizational efficiency and innovation to gain a lasting competitive advantage for the organization's long-term development (D'Netto et al., 2014).

2.3 Corporate Social Responsibility Theory

On the other hand, some scholars have combined CSR and HRM theories and found that corporate social responsibility is attractive to job seekers (Albinger & Freeman, 2000; Turban & Greening, 1997) and enhances employees' organizational identity and commitment (Brammer & Millington, 2004; Farooq et al., 2014). In terms of employee attitudes, many studies have confirmed the significant effect of CSR in shaping positive employee attitudes such as satisfaction, engagement reading, trust, and willingness to stay (De Roeck et al., 2013; Rupp et al., 2018).

Sheldon (2004) used the concept of Corporate social responsibility in his book "The Philosophy of Management." In the 1930s, Dodd-Bailey debate arose in American corporate law, in which two scholars discussed "whose trustees are the managers of a company? "The essence of the debate was whether corporations should assume social responsibility. However, it was not until 1953 that Howard R. Bowen, known as the "father of corporate social responsibility," published his book *Social Responsibilities of the Businessman*, in which he defined corporate social responsibility as a businessman's commitment to the goals and values of society, and to the policies of the community. In this article, he defined CSR as the obligation of businesspeople to align themselves with relevant policies, make appropriate decisions and take desirable concrete actions in accordance with the goals and values of society. Thus, the modern debate on CSR began.

A commonly accepted framework is corporate social performance (Carroll, 1999; Raza et al., 2012), and although CSR is seen as both an ethical position and discussed as a business strategy (Lantos, 2001), Freeman defines a stakeholder as "any individual or group of individuals who can influence or are influenced by the achievement of the firm's goals." Thus, the CSP model assumes that companies respond to social responsibility-related issues ethically or responsibly towards their stakeholders due to their long-term profitability needs. More directly, companies respond to social problems to improve performance and attract specific stakeholders.

The rise of quantitative research has provided scholars with advanced methods and conclusive evidence to study the relationship between social responsibility and corporate performance. The relationship between the two has been corroborated. Initially, there was a mixture of correlation and irrelevance (Aupperle et al., 1985; Cochran & Wood, 1984; Pava & Krausz, 1996). After changing the model and further processing the data, scholars found a positive correlation, moderating effect, and cross-sectional impact between the two.

The finding of a positive relationship between the assumption of specific social responsibilities and corporate performance has been well established (Blazovich & Smith, 2011; Waddock & Graves, 1997). By breaking down CSR into its many components and examining its relationship with corporate performance. The CSR components that have been shown to have a positive connection with corporate performance are corporate charitable giving (Brammer & Millington, 2008), having high customer awareness (Servaes & Tamayo, 2013), and environmental reputation (Clarkson et al., 2004).

CSR is contextual and complex, showing dynamic changes with the development of practice (Carroll, 1999). New social issues are constantly being raised, previously it was believed that corporate reflection was determined by the current goals and values of society (Trau et al., 2018), but currently, more and more companies are breaking their silence and taking a positive approach to corporate political advocacy (Wettstein, 2015) by discussing LGBTQ+ issues. This is also a reflection of companies demonstrating their values as well as their corporate culture through CSR issues. As attitudes toward the LGBTQ+ community change from hostile to supportive and inclusive in the legal environment, public policy, the public, and NGOs, it is necessary to understand and examine the implications of corporate adoption of LGBTQ-friendly policies. Although this topic remains controversial, it does not prevent it from becoming a social issue or prevent scholars from researching the relationship between LGBTQ-supportive policies and corporate performance.

Despite the growing number of supporters for LGBTQ+ in society, substantial progress towards affirmative action is a long process. The reality is that discrimination of all kinds based on sexual orientation is still prevalent (Everly & Schwarz, 2015; King & Cortina, 2010). Once adopted by companies, the practice of LGBTQ+ inclusion policies can lead to debates from different groups as the most critical stakeholders of the company, investors, and customers, have reactions that directly contribute to the company's ultimate performance. When LGBTQ+ inclusion policies are contrary to the interests of key populations, the adoption of such policies cannot be considered socially responsible like other diversity-related policies. This makes the CSP framework challenging. Nevertheless, Pichler (2018) demonstrates that businesses benefit from LGBTQ-supportive policies despite their relative controversy by combining a CSP model of corporate social responsibility with a business case for diversity. Fatmy et al. (2022) divided the samples into more conservative states by determining the overall value orientation of the states in which businesses and more liberal states and found through empirical research that the positive impact of LGBTQ-friendly policies on business performance was more pronounced in states with a more open social climate.

2.4 Stakeholder Theory

Stakeholder theory was developed in the second half of the 20th century. Freeman outlined the basic concepts and characteristics of stakeholders in his work and recognized the role of stakeholders in the sustainable operation of a company from the perspective of strategic management. There are various classifications of stakeholders. For example, Sirgy (2002) classifies stakeholders into internal, external, and distal stakeholders from a business ethics perspective, while Turker and Altuntas (2013) classify internal, direct, and indirect stakeholders.

The deepening development of stakeholder theory has made business operators no longer focus only on profit growth and increasing shareholder wealth but put more energy into paying attention to and responding to the interests of stakeholders other than shareholders. This change has increased the enthusiasm and initiative of enterprises to fulfill the responsibilities of stakeholders other than shareholders, enhanced their long-term operation and sustainable development, and significantly contributed to social responsibility. Amor et al. (2019) argue that companies in different industries have different concerns about sustainability, and stakeholders have different levels of influence on corporate sustainability. Polluting companies have high environmental risks and thus focus more on their environmental protection and human rights interests; fewer polluting companies focus more on their duties in terms of work environment, employee training, equal opportunities, and business environment.

It has been widely accepted that stakeholders influence corporate behavior (Albinger & Freeman, 2000; Donaldson & Preston, 1995). According to existing research, stakeholder theory can be categorized into three major schools of thought: (1) normative stakeholder theory, which provides a theoretical rationale for the benefits that companies can obtain from fulfilling their social responsibility (Ogden & Watson, 1999); (2) descriptive stakeholder theory, which analyzes the reasons why companies need to pay attention to their stakeholders (Jones, 1995); (3) instrumental stakeholder theory, which focuses on discovering the actions that firms should take to maintain the welfare of their stakeholders (Agle et al., 1999). It is easy to see that all three types of stakeholder theories above explore the conscious behavior of CSR and its results from the companies themselves, and the driving force of such behavior is often seen as internal to external.

In the study of the relationship between stakeholders and CSR performance, Russo et al. (1997) concluded that an indispensable way for companies to form their resource advantages is to maintain good relationships with their stakeholders and harmonize their relationships with each other. Different companies define and manage stakeholders differently depending on their cultural patterns.

Hillman et al. (2001) argue that stakeholders create the company's resources and establishing good relationships can help improve its performance. Different stakeholders interact with the firm in different ways and play different roles. Suppliers can improve the quality of products through feedback on sales performance and direct participation in improving production technology; employees can improve operational efficiency through a positive work status; and consumers can increase corporate sales by purchasing products, which is a source of motivation for continuous innovation. Stakeholder value creation is of great importance to enhance the company's overall competitiveness.

3 Literature Review

This section details the research on LGBTQ+ people. First, the article begins with the broad research background, then discusses the need for policies in terms of discrimination, and finally, demonstrates that LGBTQ-friendly policies have economic benefits by presenting literature more closely linked to this study.

3.1 Overall LGBTQ+ Research

LGBTQ+ employees are a large minority in the workforce, but research on LGBTQ+ sexual orientation has lagged relatively late compared to other perspectives in diversity and has not received extensive attention from organizational researchers (Anteby & Anderson, 2014; Ng & Rumens, 2017; Ozeren, 2014; Ragins, 2004). The history and development of LGBTQ empirical research and its relationship to institutional policy are fraught with cycles of gyrations and transitions (Pizacani et al., 2009). Over the past hundred years, research on LGBTQ workplaces has been divided into different phases Ozturk (Colgan & Rumens, 2014). Although the time points vary among scholars, a three-stage wave of research is generally accepted.

According to Colgan & Rumens (2014), the first phase (the 1800s-1972) of research focused on classifying and treating homosexuality as a disease, followed by research on refuting the disease model. In the second phase (1972-1999), the adverse treatment of homosexuality was not only the behavior of individuals but also rooted in society's attitudes. With the outbreak of liberal movements such as Stonewall, scholarly research focused on changing the treatment of homophobic radicalism. Researchers applied the disease model more to populations that were not LGBTQ or held homophobic negativism (such as homophobia, violence, and violence and discrimination against sex offenders) while researching from the perspective of LGBTQ people on what it was like to be an LGBTQ person; the third phase (post-1990) of research focuses on institutions (e.g., schools, families, corporations) to change institutional attitudes to promote positive environments.

Consistent with the overall research phase, recent research is still in its third phase. The focus shifted from LGBTQ+ youth, teachers, and LGBTQ+ policies in schools (Pizer et al., 2011; Warwick et al., 2001), eliminating LGBTQ+ discrimination and fear in the family (Gartrell et al., 2006; Kurdek & Schmitt, 1987), management of diversity in the workplace (Dessel et al., 2017; Liddle et al., 2004; Ragins & Cornwell, 2001) ; to the adoption of LGBTQ-friendly policies to create more inclusive workplaces (Chuang et al., 2011) , the link between the adoption of LGBTQ protection policies and financial data, stock performance (Johnston & Malina, 2008; Pichler et al., 2018; Stavrou & Ierodiakonou, 2018).

Different scholars have greatly enriched the literature on LGBTQ+ workplaces, theoretically and empirically, using different perspectives and research methods, but the LGBTQ research thesis is in perpetual internal conflict with its antagonists (Pizacani et al., 2009). Thus, research on LGBTQ+ workplace inclusivity should be matched with broader economic and socio-cultural changes. In contrast, these changes can (re)shape sexual and gender politics (Colgan & Rumens, 2014). This is in line with the development of stakeholder theory and the reasons for the shift in focus of LGBTQ-related research.

There is a considerable history of research on diversity dimensions, including studying people with disabilities, women, religion, race, and sexual orientation. However, in contrast to other dimensions of diversity, sexual orientation is first and foremost hidden, and because discrimination and prejudice remain prevalent (Köllen, 2016), adopting identity management strategies and hiding one's sexual orientation well (Ragins & Cornwell, 2001) is an unspoken and common choice for LGBTQ workers (Fidas et al., 2015; Hewlett & Sumberg, 2011). A direct consequence of this phenomenon is that more people will overlook the importance of protecting sexual diversity in the work environment (Hutchinson, 2011).

Second, many countries or regions still have negative attitudes such as hatred toward LGBTQ+ people, fear of harassment and discrimination, and many respondents choose not to disclose their sexual orientation (Gates, 2011). The result is that the LGBTQ population is severely underestimated, underestimating LGBTQ issues and concerns such as anti-gay attitudes (Coffman et al., 2017). On the other hand, incidents of selective neglect of the LGBTQ+ community and banning of the community's voice continue to occur under state political control, such as the mass banning of LGBTQ+ student associations in China in July 2021. Ultimately, the negative influence of culture and politics brings neglect. Although researchers would like to investigate this area, distorted or missing data makes it impossible to conduct these studies (Tilcsik et al., 2015).

Research on LGBTQ workers is disproportionately tiny compared to dimensions that focus on other aspects of diversity (Ragins & Cornwell, 2001). Projected onto developing or homophobic countries, there is even zero relevant research as civic values are influenced by economic development, religious heritage, and other factors (ILGA, 2016; Gerhards, 2010).

3.2 Discrimination Still Exists

Despite formal anti-discrimination organizing policies, LGBTQ workers continue to experience abuse and harassment, including bullying and microaggressions (Galupo & Resnick, 2016). Human Rights Campaign contacted a survey shows that 53% of LGBTQ workers tend to avoid discussing their sexual orientation with their colleges, with 35% of them feeling the need to lie about their personal lives at work (Fidas et al., 2015). Many LGBTQ workers continue to endure "gay jokes" for fear of losing relationships with co-workers.

Numerous studies have shown that an inclusive and diverse work environment is critical for LGBTQ+ employees. From an individual perspective, support for LGBTQ employees is a multidimensional construct, organizational support for LGBTQ employees is related to extraversion (Huffman et al., 2008) psychosocial support is positively related to job and career satisfaction (Trau et al., 2018), and LGBTQ employees are critical internal stakeholders that may contribute directly or indirectly to organizational performance (Stavrou & Ierodiakonou, 2018), supportive policies for LGBTQ people not only improve employees' health but also lead to an increased willingness to come out (Badgett et al., 2013), and these contextual factors will influence the quality of work-life and work attitudes of gay people (Köllen, 2016; Trau et al., 2018), and once nondiscrimination policies are present in the organization, there are significant differences in men's perceived workplace hostility, intention to leave, perceived promotion opportunities, job and supervisor satisfaction, and quality of supervisor-subordinate relationships (Tejeda, 2006).

The opposite conclusion is equally valid, with discrimination hurting both individuals' mental and physical health (King & Cortina, 2010). As early as 1996, Steve and other scholars found that concealing sexual orientation can harm physical and mental health, including immune function. Bell, Beauregard & Sürgevil (2011) found that LGBTQ employees are often repressed by notions of "normalcy" in their work organizations and that this repression can have a range of negative consequences.

3.3 Economic Benefits from LGBTQ-friendly Policies

Firstly, at the individual level, a diverse environment helps to increase employees' sense of organizational fairness, organizational commitment (Magoshi & Chang, 2009), job engagement (Kirby & Richard, 2000), and willingness to share knowledge (D'Netto et al., 2014), further enhancing their job satisfaction (Gartrell et al., 2006), which in the long run can reduce employees' propensity to leave (Ragins et al., 2007). Due to the reliability and inclusiveness of diversity and equity management, it can improve employee absenteeism (Parker & Fink, 2012) and voluntary turnover, as well as motivate employees to work hard and improve their performance (Ragins et al., 2007) and extra-role behaviors (Jin et al., 2020). Finally, the diverse climate created by LGBTQ-friendly policies can improve the quality of interpersonal relationships among team members by enhancing interactions among employees.

Second, at the team level research has shown that diversity and equity management systems also positively affect team effectiveness, team innovation, and creativity (Kyaw et al., 2021) and improve team productivity and team performance (Payne & Smith, 2012).

At the overall organizational level, diversity contributes to organizational performance due to its positive role in creating a positive organizational climate and mitigating organizational conflict. Armstrong et al. (2010)found that compared to high-performance work systems, diversity and equity management systems affect diversity, and equity management systems were found to be greater in promoting organizational performance improvement than high-performance work systems.

LGBTQ+ is often represented in sexual orientation (Trau et al., 2018). Sexual orientation has been described as the most challenging prejudice to accept (Sullivan-Blum, 2004). Just like the journey to legalize homosexuality, the journey for businesses to stop discriminating against LGBTQ+ people has been very slow. Many empirical studies have confirmed that when organizations hire LGBTQ+ employees, they can stimulate innovation and problem-solving ideas and increase the organization's competitiveness. As with the concept of sexual-orientation diversity, managers need to think about how to meet the needs of LGBTQ employees and create a safe and equal work environment for them.

Research has evolved, and "LGBTQ- friendly policies" have been proposed by several scholars(Everly & Schwarz, 2015) and are beginning to be commonly applied. As of 2013, empirical research on the link between LGBTQ workforce diversity and multiple organizational outcomes was limited (Badgett et al., 2013). It was unclear which sectors and how LGBTQ diversity pays off (Ng & Rumens, 2017). Scholars have begun to focus on the economic benefits LGBTQ workplace inclusion can bring to companies to answer this question.

Hossain et al. (2020) found a significant positive relationship between the CEI index and firm innovation, a finding further supported by Fatmy et al.(2022), who found that firms with LGBTQ-friendly policies have higher-quality innovation. Not only that, LGBTQ-friendliness is positively related to the concentration of innovative talent at the firm level.

To be competitive in the labor market and maximize the customer base, inclusiveness may be required (Day & Greene, 2008). The practical implications are more evident in Trau's (2018) research, which found that employees in companies with LGBTQ protection policies and practices should feel more supported and treated more fairly.

Finally, three works of literature are closely relevant to this paper. Inclusive benefit, which refers to benefits such as health insurance for employees' partners, is a component of the CEI index. By examining the performance of U.S. public companies over the 1995-2008 period, Li and Nigar (2013) find that the four-factor annualized excess return of a portfolio holding stocks of U.S. public companies that offer same-sex domestic partnership benefits (alpha) of about 10%, which is higher than the 95% for all U.S. professional mutual funds. Also, these companies that adopt inclusive benefits have higher operating performance than companies that lack this policy. Shan et al. (2017) examined the relationship between CEI and stock returns and market valuation, and their empirical results show that companies that embrace gender equality positively impact firm performance. One of the possible reasons for this impact is increased employee productivity. Based on corporate social responsibility, resource-based view, and agency theory, Jiraporn (2019) states that firms with higher board independence are more inclined to implement LGBTQ-friendly policies and that CSR will guide HRM policies due to the greatest wealth maximization. By analyzing 1594 firms, Jiraporn also concludes that LGBT-supportive policies are positively associated with firm performance.

4 Data and Methodology

This section will specify the data and research methodology used in this study. The main objective of the article is to examine the relationship between the adoption of LGBTQ-friendly policies by companies and corporate performance and to explore in-depth whether different friendly policies have different effects. For this purpose, this study involved 480 listed companies' CEI indexes, financial indicators, and other variables over the period 2005 to 2019. After screening and processing, a sample of 4880 firm-year observations was generated, for which the descriptive statistics are presented in table 1 below.

In this paper, the data were processed through the following aspects:

Firstly, in the screening of enterprises, this paper eliminated those enterprises that have the following conditions:

a) Less than five years of continuous financial data and CEI data.
b) Non-listed companies.
c) Company with a lot of missing financial data.

Second, Fatmy (2022) et al. found that the impact of policy implementation on firm performance is geographically specific and that social norms vary across states, which is consistent with stakeholder theory. In this paper, states are classified according to the methodology used in their study.

As can be seen from Table 1, companies have relatively high mean values for an equal employment opportunity, and the mean values for the remaining three policies are around 60% of full scores. Inclusive benefit has a significant standard deviation, indicating a large variation among companies on whether this policy is adopted. Overall, the extent to which companies adopt LGBTQ-friendly policies varies widely, with a minimum value of 0 indicating that companies do not have relevant policies and a maximum value of 100 indicating that companies have well-established LGBTQ-friendly policies.

Table 1: Descriptive Statistics

	(1)	(2)	(3)	(4)	(5)
VARIABLES	N	mean	sd	min	max
EEOP	4,868	28.52	10.28	0	35
IB	4,868	20.04	12.01	0	30
ODC	4,868	13.49	8.494	0	20
PC	4,868	9.928	6.753	0	15
CEI Score	4,868	71.92	33.72	0	100
Market Capital	4,833	3.912e+07	7.416e+07	45,769	1.305e+09
Liability	4,868	6.896e+07	2.385e+08	41,500	2.426e+09
Equity	4,868	1.423e+07	2.851e+07	-1.731e+07	3.483e+08
ROA	4,836	6.873	7.881	-57.03	145.6
Net Sales	4,868	2.482e+07	4.259e+07	101,889	5.003e+08
Ln (Net sales)	4,868	16.34	1.123	11.53	20.03
Growth	4,405	0.0515	0.213	-0.964	5.054
Ln (employee)	4,868	10.21	1.289	4.369	14.65
PP&E	4,781	9.498e+06	2.087e+07	0	2.597e+08
Ln (PP&E)	4,758	14.77	1.687	8.962	19.37
Asset	4,868	8.403e+07	2.603e+08	181,985	2.687e+09
Size	4,868	7.304	0.666	5.260	9.429
Debt	4,864	2.066e+07	7.133e+07	0	8.108e+08
Stock (BV)	4,860	254.7	5,916	-187.1	211,750
Leverage	4,867	1.143	22.53	-779.2	960.5
ESG Score	4,491	56.33	18.86	1.410	95.19
Tobin's Q	4,826	1.940	1.288	0.153	15.64
Emp. productivity	4,868	6.131	0.965	2.745	10.94

EEOP= Equal Employment Opportunity Policy. IB= Inclusive Benefits. ODC= Organizational LGBTQ+ Competency. PC= Public Commitment Policy. Emp. Productivity= Employee productivity.

Table 2: Descriptive Statistics based on state subgroups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Conservative state					Liberal state				
VARIABLES	N	mean	sd	min	max	N	mean	sd	min	max
EEOP	1,688	26.33	11.16	0	35	3,180	29.68	9.583	0	35
IB	1,688	16.25	12.66	0	30	3,180	22.05	11.14	0	30
ODC	1,688	11.32	9.045	0	20	3,180	14.65	7.951	0	20
PC	1,688	8.213	7.079	0	15	3,180	10.84	6.390	0	15
CEI Score	1,688	62.02	35.64	0	100	3,180	77.18	31.42	0	100
Market Capital	1,684	3.270e+07	5.858e+07	45,769	5.042e+08	3,149	4.255e+07	8.107e+07	48,755	1.305e+09
ROA	1,681	6.832	8.195	-51.91	145.6	3,155	6.895	7.710	-57.03	59.12
Net Sales	1,688	2.694e+07	5.492e+07	491,293	5.003e+08	3,180	2.369e+07	3.425e+07	101,889	2.805e+08
Ln (sales)	1,688	16.36	1.106	13.10	20.03	3,180	16.33	1.132	11.53	19.45
Growth	1,517	0.0537	0.251	-0.944	5.054	2,888	0.0503	0.190	-0.964	3.787
Employees	1,688	70,990	199,497	79	2.300e+06	3,180	54,300	70,981	175	798,000
Ln (employees)	1,688	10.16	1.396	4.369	14.65	3,180	10.23	1.227	5.165	13.59
PP&E	1,674	1.361e+07	2.791e+07	0	2.597e+08	3,107	7.281e+06	1.537e+07	0	1.884e+08
Ln (PP&E)	1,669	15.08	1.765	9.954	19.37	3,089	14.60	1.619	8.962	19.05
Asset	1,688	5.519e+07	1.941e+08	181,985	2.428e+09	3,180	9.934e+07	2.882e+08	266,582	2.687e+09
Size	1,688	7.249	0.596	5.260	9.385	3,180	7.334	0.698	5.426	9.429
Debt	1,688	1.375e+07	5.193e+07	0	7.647e+08	3,176	2.434e+07	7.951e+07	0	8.108e+08
Stock (BV)	1,688	691.1	10,025	-147.3	211,750	3,172	22.51	27.93	-187.1	392.1
Leverage	1,688	0.781	13.09	-251.3	264.7	3,179	1.335	26.19	-779.2	960.5
ESG Score	1,574	54.54	17.84	1.410	92.99	2,917	57.29	19.33	2.440	95.19
Tobin's Q	1,677	1.779	1.056	0.643	11.95	3,149	2.026	1.388	0.153	15.64
Emp. productivity	1,688	6.191	1.147	3.189	10.66	3,180	6.100	0.850	2.745	10.94

Table 3: Correlation coefficient of each variable

	CEI	EEOP	IB	ODC	PC	ROA	Size	Leverage	Growth	ESG	Tobin's Q	Emp. Pro	Fac. Pro
(1)	1.000												
(2)	0.846***	1.000											
(3)	0.926***	0.668***	1.000										
(4)	0.919***	0.675***	0.822***	1.000									
(5)	0.897***	0.659***	0.795***	0.843***	1.000								
(6)	0.032**	0.020	0.025*	0.037*	0.039***	1.000							
(7)	0.278***	0.187***	0.253***	0.313***	0.272***	-0.200***	1.000						
(8)	-0.018	-0.016	-0.012	-0.016	-0.023	-0.005	0.016	1.000					
(9)	-0.013	-0.018	-0.012	-0.012	-0.001	0.050***	-0.047***	-0.073***	1.000				
(10)	0.351***	0.282***	0.323***	0.352***	0.325***	0.090***	0.358***	-0.017	-0.088***	1.000			
(11)	0.121***	0.091***	0.118***	0.098***	0.130***	0.551***	-0.303***	-0.023	0.107***	0.050***	1.000		
(12)	-0.145***	-0.113***	-0.126***	-0.147***	-0.142***	-0.136***	0.280***	0.001	-0.007	-0.023	-0.202***	1.000	
(13)	-0.019	-0.020	0.005	-0.025*	-0.034**	-0.036**	0.408***	0.006	-0.024	0.100***	-0.119***	0.728***	1.000

***, ** and * correspond to 1%, 5% and 10% significance levels, respectively.

Emp.Pro= Employee productivity, Fac. Pro= factor productivity.

Table 2 shows the descriptive statistics of the sample data after classification. As can be seen from the table, approximately 65% of the firms are headquartered in open states, the means of LGBTQ-friendly policies for all these firms are larger than the means of firms headquartered in conservative states, and they have smaller standard deviations.

Table 3 demonstrates the correlation coefficients between the variables. As shown in Table 3, the four policies that make up the CEI index have extremely high correlation, all above 0.8. To avoid multicollinearity. The empirical part of the article regresses these four variables separately with firm performance and then concludes by comparing the regression results.

4.1 CEI Index

The Corporate Equality Index (CEI), conducted by the Human Rights Campaign Foundation, is a major benchmarking survey and report that measures corporate policies and practices related to LGBTQ workplace equality on a 100-point scale. The Human Rights Campaign Foundation began this survey in 2002 and continues to release the survey annually to this day. While assessing the adoption of corporate policies on sexual orientation equality, the Human Rights Campaign Foundation also provides a framework for companies looking to implement or expand LGBTQ diversity and inclusion policies. Academics widely use this data, and the CEI Index's goal of promoting a positive correlation between inclusive policies and business success through scoring reports is gradually being realized.

Due to the CEI's questionnaire and survey format and the growing LGBTQ affirmative action movement, its scoring criteria have changed five times, but the four overall criteria have continued consistently: nondiscrimination policies among business entities; fair benefits for LGBTQQ employees and their families; support for an inclusive culture; and corporate social responsibility. Over 20 years, the Human Rights Campaign Foundation has continued to expand the concept and interpretation of these four evaluation criteria. This paper classifies LGBTQ-friendly policies into four categories and conducts research based on this classification by sorting through the scoring criteria. The specific policy categories and explanations are shown in the following table 4.

Table 4: Policy Categories

Abbreviation in Data Set	Policy Content	Point
EEOP	Equal Employment Opportunity Policy	35
IB	Inclusive Benefits	30
ODC	Organizational LGBTQ+ Competency	20
PC	Public Commitment	15

The Human Rights Campaign Foundation gives Best Places to Work awards to employers who receive a hundred percent rating, and the report is generally released at the end of the calendar year. To reflect the report results more accurately, as well as to communicate the year's ratings to employees, job seekers, and other interested parties, the Human Rights Foundation changed the name of the report to the following year's nomenclature beginning in 2007. For example, the 2008 CEI report reflects companies' implementation of LGBTQ-friendly policies in 2007. Therefore, the 2008 report should correspond to the performance in 2007. This paper adjusts for this situation.

4.2 Firm Performance

According to the prior literature (Huselid et al., 1997; Waddock & Graves, 1997), this paper measures firm performance with stock market valuation and profitability. Tobin's Q and ROA are calculated as follows.

$$Tobin's\ Q = \frac{total\ assets - total\ commom\ equity + fiscal\ year\ closing\ price * commom\ shares\ outsanding}{total\ assets} \quad (1)$$

$$ROA = \frac{operating\ income\ after\ depreciation}{total\ assets} \quad (2)$$

And for productivity, consistent with Pichler et al., This thesis uses the residual from the Cobb-Douglas production function. The residuals represent firms' unexpected sales, a measure of factor productivity (Faleye, Mehrotra, & Morck, 2006; Faleye & Trahan, 2011).

$$\ln(net\ sales) = \alpha + \beta_1 \ln(net\ property, plant, and\ equipment) + \beta_2 \ln(employees) + \varepsilon \quad (3)$$

Lastly, the employee productivity is generated by: $Employee\ productivity = \ln\ (Net\ sales/Numers\ of\ employee)$.

4.3 Control Variables

To control for firm-specific effects, this paper takes a series of control variables in the regression process, this paper also uses year dummy variables to address time fixed effects, as shown in the table 5 below. All data are from Thomson Reuters.

Table 5: Control variables

Variables	Measurement	Source
Size	logarithm of total assets	
Leverage	ratio of total debt to book value of equity	Thomson
Growth	percentage change in sales from year t–1 to year t	Reuters
ESG	Thomson Reuters ESG score	

As mentioned in the theoretical foundation and literature review, different states in the U.S. have different levels of openness regarding LGBTQ. According to stakeholder theory, in more conservative states, the impact of a company's adoption of an inclusive policy on corporate performance will be smaller because more people believe it is suitable not to adopt LGBTQ-friendly policies, as also confirmed by Fatmy et al. in their article. Therefore, this paper follows Fatmy et al.'s classification and divides the 50 U.S. states and one crown district into two categories.

4.4 Methodology

This section will detail the regression methodology used in this paper. There are two main components, firstly, identifying which types of policies have the greatest impact on firm performance, secondly, exploring whether each of the four types of LGBTQ-friendly policies is more attractive to external investors or more productive within the firm.

4.4.1 The Most Influential Policy

The main purpose of this paper is to explore which type of LGBTQ-friendly policies has a more significant effect on firm performance. To address this question, the study will first be conducted through the following equation.

$$\begin{aligned} Performance_{i,t} &= \alpha + \beta Policies_{i,t} + \gamma(Firm\ specific\ controls)_{i,t} \\ &+ \varphi(Year\ fixed\ effects)_{i,t} + \varepsilon_{it} \end{aligned} \tag{4}$$

In this equation, the $Performance_{i,t}$ consists of ROA, Tobin's Q factor and employee productivity, i refers to the firm i, and t is in year t. The $Policies_{i,t}$, refers to scores for four different elements of LGBTQ-friendly policies. The firm-specific control variables consist of the indicators presented in Table 3.

4.4.2 Type of Policies

According to the theoretical basis of the second part, the improvement of business performance can be achieved through two pieces of growth. One part is to develop and implement the right human resource management policies for diversity management to improve employee satisfaction and create an internal competitive advantage, thus increasing the company's productivity. On the other hand, companies can attract more external investors by promoting their social responsibility and catering to stakeholders to pursue the LGBTQ affirmative action movement. To clarify how different elements of LGBTQ-friendly policies act on firm performance, the same equation is used in this paper for regression.

The $Performance_{i,t}$ is composed of ROA, Tobin's Q, and productivity. Tobin's Q is an estimate of the firm's share price and represents the degree of attractiveness to external investors, while factor productivity represents the endogenous, productivity gains brought about by management policies.

In addition, this paper will explore the impact of policies under different ethical paradigms. The sample is divided into two subsamples, which are conservative states and liberal states. The classification of states follows the methodology of Fatmy et al. (2022.: combining the results of the 2016 U.S. election with Gallup's (2014) findings. A state is defined as more conservative if the Republican party wins the state's presidential election by at least five percent and 66 percent of the people in the state identify themselves as highly religious. Conversely, a state is defined as more liberal if the Democratic candidate wins the state's presidential election and less than 33% of the state identifies itself as highly religious. This paper also refines the grouping of the sample using the presence of laws related to the prohibition of employment discrimination based on sexual orientation or gender identity. The classification of states can be found in Appendix 4.

5 Empirical Results

This chapter presents empirical results from regression determining the impact of LGBTQ-friendly policies on firm performance.

This chapter is divided into three parts. First, to verify the impact of LGBTQ-friendly policies on firm performance in general, the first model uses the CEI index as the explanatory variable. The explained variables are firm value (Tobin's Q), profitability (ROA), factor productivity, and employee productivity. Second, based on the Human Rights Campaign Fund's criteria for the CEI index, this article regresses each of the four specific policies included in the CEI index as explanatory variables on firm performance to examine how these policies affect. Further, to explore the impact of social norms on LGBTQ, this article divides the data into two groups: firms headquartered in more conservative states and firms headquartered in more democratic states. Regressions are used to test whether the impact of LGBTQ-friendly policies on firm performance differs by social norms.

5.1 Impact of LGBTQ-friendly policies on firm performance

First, this article examines the impact of LGBTQ-friendly policies on firm performance. CEI score, which includes specific protections for LGBTQ workplace rights, is regressed as explanatory variables. The first regression results capture the relationship between a firm's overall level of LGBTQ support and firm performance. Table 6 presents the regression results, where the explained variable $Performance_{i,t}$ refers to firm i's performance at year t, as measured by Tobin's Q, ROA, factor productivity, and employee productivity, respectively.

Table 6: Regression results of relation between LGBTQ friendliness and firm performance

	Response Variables			
Variables	Tobin's Q	ROA	Factor productivity	Employee productivity
Constant	4.728***	27.732***	-3.659***	2.732***
	(25.48)	(22.01)	(-30.58)	(-12.15)
CEI score	0.006***	0.009***	-0.002***	-0.005***
	(11.78)	(2.66)	(-6.23)	(-12.15)
Size	-0.542***	-3.526***	0.530***	0.555***
	(-20.12)	(-19.13)	(30.51)	(22.91)
Leverage	-0.0004	0.0008	-0.0002	-0.0005
	(-0.58)	(0.18)	(-0.38)	(-0.87)
ROA	0.087***		0.008***	-0.006***
	(39.43)		(5.88)	(-3.08)
Growth	0.436***	2.161***	-0.058	-0.011
	(6.06)	(4.19)	(-1.28)	(-0.17)
ESG	0.003***	0.077***	-0.002***	-0.004***
	(2.91)	(11.81)	(-3.87)	(-5.35)
No. of obs	4001	4012	3911	4012
Adjusted R2	0.411	0.095	0.200	0.150
F-stat.	466.53***	84.92***	164.13***	116.3***

The Table reports the relationship between CEI score and firm performance. The overall extent to which companies adopt LGBTQ-friendly policies is measured by CEI score. The response variables are constructed by Tobin's Q, ROA, factor productivity and employee productivity. The control variables contain size, leverage, growth, and ESG. Definitions and source of control variables can be found in table 5.

***, **, and * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

As Table 6 demonstrates, CEI scores have a significant effect on firm performance, but in different directions for different indicators. The F data for the four models are significant at the one percent level, and the adjusted R2 indicates the extent to which the panel model explains the variance. The degree of explanation is 41% for Tobin's Q, 10% for ROA, 20% for factor productivity, and 15% for employee productivity.

First, the CEI score has a positive and significant effect on both Tobin's Q and ROA at 1% significance level. This indicates that an increase in CEI score leads to an increase in Tobin's Q and ROA. This result is consistent with the finding of Fatmy et al. (2021). Tobin's Q measures firm value, which is the ratio of a firm's market value to the replacement cost of its assets, and the ratio reflects the ratio of two different estimates of a firm's value. When stock prices rise, Tobin's Q increases, and companies will issue more shares in the capital markets to raise capital. Specifically, a one-unit increase in CEI score leads to an increase in 60base points Tobin's Q.

ROA is equal to Net Income divided by Total Asset, which measures the profitability of a firm. In the regression results, CEI scores are positively correlated with ROA and are significant at the one percent level. This means that an increase in CEI scores leads to an increase in operating performance. Specifically, a one-unit increase in CEI score leads to an increase of 90bps.

On the other hand, the regression results show that CEI scores are negatively correlated with productivity at the one-percent level of significance, both in terms of factor productivity and employee productivity. This suggests that an increase in CEI score leads to a decrease in firm or individual productivity. Specifically, a one-unit increase in CEI score leads to a 20bps decrease in factor productivity and a 50bps decrease in employee productivity. As mentioned above, factor productivity represents firms' unexpected sales, and employee productivity is obtained by dividing net sales by the number of employees.

This paper suggests that there are two possible reasons for this phenomenon. First, firms' higher spending on LGBTQ support policies generates operating costs that are greater than the incremental sales revenue due to the adoption of friendly policies. Second, the adoption of CSR by firms reduces employee efficiency. This view is supported by List et al. (2021), who found that when CSR was introduced, 24% of employees were detrimental to the company by avoiding their primary job responsibilities. The "do-good" nature of CSR induces workers to misbehave on another dimension that is detrimental to the firm, a phenomenon that can be explained by the moral licensing model.

Overall, the results of this regression show that CEI scores have both a positive impact on firm value, as well as profitability, and a negative impact on productivity. These findings are consistent with prior literature that the adoption of LGBTQ-friendly policies by firms has a favorable impact on firm performance.

5.2 The relationship between specific policies and firm performance

Using the equation (4), this section explores how policies with different contents are related with firm performance. The $Performance_{i,t}$ consists of Tobin's Q, ROA, factor productivity and employee productivity, i refers to the firm i, and t is in year t. The $Policies_{i,t}$, refers to scores for four different specific LGBTQ-friendly policies.

Since the four policies have strong multicollinearity, this article will regress the scores of each policy on firm performance separately. The regression results for each policy versus firm performance can be found in the Appendix. Table 7 summarizes the estimated coefficients from the regressions of these policies on firm performance.

According to the Human Rights Fund Campaign, the protection of LGBTQ employees in the workplace is comprised of four policies with different components. First, the equal employment opportunity policy addresses the principle of nondiscrimination, which requires companies to have written rules prohibiting discrimination based on sexual orientation; Inclusive benefits is the policy that provides material benefits for LGBTQ employees and their spouses, for example, health insurance, other soft benefits, and transgender health insurance. Third, Organizational LGBTQ Competency refers to the need for companies to demonstrate an ongoing and responsible commitment to diversity in job-related activities such as training. In addition, companies have a supportive LGBTQ+ employee diversity committee to address issues that arise in the workplace. The fourth public commitment policy requires companies to take practical action to promote and defend the rights of the LGBTQ community, such as expressing support for the LGBTQ community in marketing communications and supporting affirmative action legislation.

Table 7: Summary of estimated β of different policies

	Response Variables			
Policies	Tobin's Q (Firm value)	ROA (Profitablity)	Factor productivity	Employee productivity
Equal Employment Opportunity Policy	0.013***	0.016	-0.004***	-0.013***
	(8.35)	(1.41)	(-4.24)	(-8.96)
Inclusive Benefits Policy	0.015***	0.017*	-0.003***	-0.124***
	(11.29)	(1.77)	(-3.42)	(-9.98)
Organizational Diversity Competency policy	0.021***	0.054***	-0.010***	-0.023***
	(10.48)	(3.82)	(-8.14)	(-13.26)
Public Commitment Policy	0.030***	0.059***	-0.012***	-0.026***
	(12.22)	(3.37)	(-8.05)	(-12.14)

This table summarizes the coefficients of policy score regressed on firm performance.

***, **, and * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 7 summarizes the regression coefficients of each of the four policies on the relationship with firm performance. From the table, Equal employment opportunity policy has a significant effect on all performance indicators except ROA, where each unit increase in the score of this policy leads to a 130bps increase in Tobin's Q, 40bps decrease in factor productivity, and 130bps decrease in employee Inclusive Benefits Policy has similar findings, the policy has a significant positive impact on firm value, a non-significant impact on ROA, and a significant negative impact on factor productivity and employee efficiency.

Organizational diversity competency policy and public commitment policy have a significant effect on all four indicators of firm performance at the one percent level and have the same direction of action, i.e., they have a positive effect on firm value, profitability, and a negative effect on factor productivity and employee productivity.

Among the four corporate performance indicators, firm value as measured by Tobin's Q, profitability, and factor productivity as measured by ROA are most affected by the public commitment policy, where each unit increase in the policy's score results in a 3% increase in firm value, a 5.9% The increase in ROA, and a 1.2% decrease in factor productivity. Employee productivity is most affected by the Inclusive benefits policy, where a one-unit increase in score is associated with a 12.4% decrease in employee productivity.

These two regressions answer the research question posed in Chapter 1 that the four LGBTQ-friendly policies increase firm value and profitability but decrease factor and employee productivity. Public commitment is the most effective policy of the four policies that make up the CEI index.

5.3 The effect of social norms on regression results

Key stakeholders influence the consequences arising from corporate social responsibility. Highly proximate stakeholders react differently to corporate behavior than distant stakeholders. In addition, differences in social norms can also affect the relationship between CSR policies and corporate performance. Following Fatmy et al. (2021), this section examines the impact of social norms on the relationship between LGBTQ-specific friendly policies and firm performance.

This section divides the sample into two subsamples based on how open and conservative the state is. This article argues that firms headquartered in conservative states face more conservative social norms, i.e., consumers are generally less friendly to LGBTQ+ people, or the government is not supportive of LGBTQ+ people in terms of regulatory policies. On the other hand, businesses based in liberal states have more open social norms and business environments that are generally friendly to LGBTQ+ people and have laws and regulations in place to protect the rights of LGBTQ+ people better. The state classification criteria and descriptive statistics are described in Chapter 4 and can be found in Appendix 4.

This section first subgroups the sample and then regresses firm performance using the scores of each of the four LGBTQ+ friendly policies. The table below summarizes the regression coefficients for the effects of the four policies on firm performance. The detailed regression results can be found in Appendix 3. Consistent with the previous content, the corresponding variables are Tobin's Q, ROA, factor productivity, and employee productivity in conservative and liberal states, separately. The following conclusions are drawn here by combining the regression results with those in the previous section.

Table 8: Summary of estimated β of different policies influenced by social norms

	Response Variables							
	Tobin's Q		ROA		Factor Productivity		Employee Productivity	
	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative
Equal Employment Opportunity	0.017***	0.005***	0.025	0.001	-0.002**	-0.007***	-0.009***	-0.016***
	(7.46)	(2.41)	(1.54)	(0.08)	(-1.77)	(-4.35)	(-5.20)	(-6.05)
Inclusive Benefits	0.020***	0.006***	0.024*	0.004	-0.002*	-0.005***	-0.006***	-0.019***
	(10.18)	(3.08)	(1.74)	(0.29)	(-1.70)	(-3.72)	(-3.90)	(-8.29)
Organizational Diversity Competency	0.025***	0.011***	0.069***	0.032	-0.009***	-0.013***	-0.017***	-0.031***
	(8.72)	(4.08)	(3.50)	(1.64)	(-5.91)	(-6.11)	(-7.94)	(-9.61)
Public Commitment	0.035***	0.016***	0.082***	0.021	-0.010***	-0.019***	-0.018***	-0.038***
	(10.18)	(5.02)	(3.37)	(0.85)	(-5.14)	(-6.92)	(-6.89)	(-9.23)
CEI score	0.007***	0.003***	0.013***	0.003	-0.001***	-0.003***	-0.003***	-0.008***
	(10.31)	(3.89)	(2.67)	(0.63)	(-3.68)	(-5.71)	(-6.40)	(-9.18)

First, the four policies with different content have the same directional impact on firm performance in conservative and open states. This direction of impact is the same as the two previous regressions. Precisely, Equal Employment Opportunity, Inclusive Benefits, Organizational Diversity Competency, and Public Commitment positively affect Tobin's Q and ROA but are negatively related to firm productivity and employee productivity. This is consistent with the results when the sample is not grouped by how open or conservative the state is.

The effects of the four LGBTQ-friendly policies on ROA differ between conservative and liberal states. As with the regression results in the previous section, in open states, only Organizational Diversity Competency and Public Commitment have a significant positive effect on corporate ROA. In conservative states, all friendly policies are no longer significant. Another finding regarding significance is that the equal employment opportunity policy and inclusive benefits policy do not have as significant a negative impact on firm productivity in open states as they do in conservative states.

Third, the four LGBTQ-friendly policies differ in how they affect firm performance in conservative and open states. the difference in the impact of LGBTQ-friendly policies on firm performance between conservative and open states ranges from about two to three times. Specifically, the positive impact of the four LGBTQ-friendly policies on Tobin's Q and ROA is more significant in open states than they are in conservative states; for example, a one-unit increase in the score of an equal employment opportunity policy in liberal state results in a 1.7% increase in Tobin's Q. In conservative states, this impact is only 0.5%. On the other hand, the negative productivity impact of firms adopting LGBTQ-friendly policies is more significant in conservative states. For example, a one-unit increase in a firm's public commitment and action to support LGBTQ, i.e., public commitment score, results in a 1.9% decrease in firm productivity in conservative states and a 1% decrease in open states.

Finally, in terms of policy impact, Equal Employment Opportunity, Inclusion Benefits, Organizational Diversity Competency, and Public Commitment have a progressively higher impact on firm performance. Compared to the other three policies, public commitment is the most influential LGBTQ-friendly policy, with a one-unit increase in its score having a significantly greater positive impact on Tobin's Q and ROA, both in conservative and liberal states. Similarly, the negative impact on productivity is the largest out of the four policies.

6 Conclusion

This article examines the relationship between the implementation of LGBTQ-friendly policies and firm performance. Building on the previous literature, this article further examines the relationship between each of the four policies that comprise the CEI index and firm performance. Human resource management theory, stakeholder theory and corporate social responsibility theory provide support for the article's hypotheses.

Human resource management considers both the achievement of organizational goals and the development of individual employees, emphasizing the achievement of organizational goals along with the overall development of individuals. Developing corresponding protection measures for LGBTQ employees is effective HRM, which strives to achieve creative cooperation and establish harmonious working relationships on the one hand and protects employees' health as well as improves the physical environment of work. Secondly, sexual orientation, as a dimension of diversity, is also closely related to corporate performance. Extensive literature shows that employee diversity can maintain employee stability and improve organizational performance, as well as make various management processes and procedures of the organization more adaptable and inclusive. In terms of strategic management, employee diversity can lead to diverse development perspectives and development opportunities and can improve an organization's ability to respond to changing markets.

LGBTQ people, as employees, are important immediate stakeholders for companies, and in addition, public attitudes toward LGBTQ people are becoming more supportive as social attitudes evolve. The implementation of LGBTQ-friendly policies by companies is seen as an act of social responsibility or political advocacy. A growing number of empirical studies have shown that the adoption of LGBTQ-friendly policies by companies can bring benefits to companies, such as improved firm performance and increased innovation.

To better understand how LGBTQ workplace inclusion strategies positively impact businesses, this paper uses financial data from 480 publicly traded U.S. companies over the period 2005-2019, regressed against scores on the CEI Index and the four policies that make up the CEI Index. The CEI is a critical benchmark statistical indicator reporting LGBTQ workplace equity in the U.S., measuring corporate policies, practices, and benefits implementation. In this paper, four indicators, stock market valuation (Tobin's Q), profitability (ROA), firm productivity, and employee productivity, are selected as measures of firm performance. In the regression process, some control variables are added to the model as well.

This paper first examines the relationship between CEI scores and firm performance. Controlling for firm size, leverage, ESG score and growth, the empirical results show that firms that adopt more LGBTQ-friendly policies have higher stock market valuation and profitability, which is consistent with the findings of Fatmy et al. On the other hand, however, contrary to the findings of Picher et al. the empirical results of this paper find that higher CEI scores are associated with lower firm productivity and employee productivity. This opposite finding may be due to Picher's use of the 0, 1 variable to measure a firm's LGBTQ friendliness, which is derived from the MSCI ESG STATS database and is 1 for firms adopting LGBTQ supportive policies at year t and 0 for no adoption. Both relationships that exist between the CEI scores and firm performance are economically significant. Therefore, this paper argues that the increase in firm value is primarily from investors and customers favoring firms with workplace inclusion policies, rather than employees being more engaged in their work.

Next, to investigate which LGBT workplace inclusion policies are more influential, this paper splits the CEI into four specific LGBTQ policy categories according to the Human Rights Fund Committee's scoring criteria and regresses the scores of each of these four policies on firm performance. By comparing the coefficients of different policies in each regression, this paper finds that the four policies do not have the same degree of influence on firm performance, and the four policies are, in descending order of influence:

Public commitment policy, Organizational diversity competency policy, Inclusive benefits policy, and Equal employment opportunity policy. The greater impact is not only reflected in the fact that a one-unit increase in the score of the public commitment policy leads to a greater increase in firm value and profitability, but also a greater decrease in productivity.

Different states have different social norms and varying stakeholder attitudes toward the LGBTQ community. The final section of this paper examines how social norms affect the relationship between corporate LGBTQ friendliness and corporate performance. By dividing the states into conservative and liberal states, the sample was divided into two groups and regressed separately. The empirical results show that differences in stakeholder preferences and political views do affect the relationship between firm LGBTQ friendliness and firm performance. Specifically, the positive impact of each LGBTQ-friendly policy on firm value and profitability is amplified in liberal states, and the negative impact on productivity is reduced. In contrast, the positive effects of the four LGBTQ-friendly policies on firm value and profitability are smaller or even insignificant in conservative states, and the negative effects on productivity are larger. Specifically, the same LGBTQ-friendly policy had twice the positive impact of implementation in liberal states than in conservative states. The ranking of the impact of the four LGBTQ-friendly policies remains unchanged, with the public commitment policy continuing to have a greater impact.

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Appendices

Appendix 1. The LGBTQ-Friendly Policy Categories

Table 9: The LGBTQ-Friendly Policy Categories

Type of Policy	Policy Contents	Score
Equal Employment Opportunity Policy	1. Policy includes sexual orientation for all operations. 2. Policy includes gender identity or expression for all operations. 3. Contractor/vendor standards include sexual orientation and gender identity.	35 p
Inclusive Benefits Policy	1. Equivalency in same- and different-sex spousal medical and soft benefits. 2. Equivalency in same- and different-sex domestic partner medical and soft benefits. 3. Equal health coverage for transgender individuals without exclusion for medically necessary care. 4. Parity in COBRA, dental, vision and domestic partners ‘legal dependent coverage.	30 p
Organizational LGBTQ Competency	1. Competency training, resources or accountability measures Businesses must demonstrate a firm-wide, sustained, and accountable commitment to diversity and cultural competency. 2. Company-supported LGBTQ+ employee resource group or firm-wide diversity council that includes LGBTQ+ issues, or: Company would support a LGBTQ+ employee resource group with company resources if employees expressed an interest.	20 p

Public commitment	1. Three Distinct Efforts of Outreach or Engagement to Broader LGBTQ Community. 2. Businesses must demonstrate ongoing LGBTQ-specific engagement that extends across the firm, including at least three of the following: recruiting, supplier diversity, marketing or advertising, philanthropy or public support for LGBTQ equality under the law.	15 p
Responsible citizenship	Employers will have 25 points deducted from their score for a large-scale official or public anti-LGBTQ blemish on their recent records. No employer received this deduction in the 2016 CEI.	-25 p
		Total: 100p

Appendix 2. Regression results of policies' score and firm performance

Table 10a: Regression result of EEOP and firm performance

VARIABLES	(1) Tobin's Q	(2) ROA	(3) Fac.pro	(4) Em.pro
EEOP	0.013***	0.016	-0.004***	-0.013***
	(8.35)	(1.41)	(-4.24)	(-8.96)
Size	-0.506***	-3.465***	0.518***	0.522***
	(-18.95)	(-18.99)	(30.04)	(21.64)
Leverage	-0.000	0.001	-0.000	-0.000
	(-0.69)	(0.15)	(-0.31)	(-0.75)
ROA	0.088***		0.008***	-0.007***
	(39.42)		(5.71)	(-3.37)
Growth	0.443***	2.179***	-0.060	-0.017
	(6.10)	(4.22)	(-1.33)	(-0.26)
ESG	0.004***	0.080***	-0.003***	-0.005***
	(4.20)	(12.37)	(-4.61)	(-6.60)
Constant	4.436***	27.351***	-3.565***	3.009***
	(23.67)	(21.63)	(-29.62)	(17.78)
Obs	4,001	4,012	3,911	4,012
R-squared	0.402	0.095	0.197	0.134
F test	0	0	0	0
r2_a	0.401	0.0935	0.196	0.133
F	447.6	83.79	159.8	103.6

Table 10b: Regression result of IB and firm performance

VARIABLES	(1) Tobin's Q	(2) ROA	(3) Fac.pro	(4) Em.pro
IB	0.015***	0.017*	-0.003***	-0.012***
	(11.29)	(1.77)	(-3.42)	(-9.98)
Size	-0.533***	-3.493***	0.521***	0.540***
	(-19.93)	(-18.99)	(29.97)	(22.27)
Leverage	-0.000	0.001	-0.000	-0.000
	(-0.63)	(0.15)	(-0.31)	(-0.80)
ROA	0.088***		0.008***	-0.007***
	(39.57)		(5.70)	(-3.30)
Growth	0.439***	2.175***	-0.061	-0.016
	(6.09)	(4.21)	(-1.34)	(-0.24)
ESG	0.003***	0.079***	-0.003***	-0.005***
	(3.27)	(12.16)	(-4.68)	(-6.10)
Constant	4.749***	27.707***	-3.645***	2.735***
	(25.54)	(21.96)	(-30.32)	(16.20)
Obs	4,001	4,012	3,911	4,012
R-squared	0.410	0.095	0.196	0.138
F test	0	0	0	0
r2_a	0.410	0.0938	0.195	0.137
F	463.4	84.04	158.5	107.3

Table 10c: Regression result of ODC and firm performance

	(1)	(2)	(3)	(4)
VARIABLES	Tobin's Q	ROA	Fac.pro	Em.pro
ODC	0.021***	0.054***	-0.010***	-0.023***
	(10.48)	(3.82)	(-8.14)	(-13.26)
Size	-0.549***	-3.594***	0.542***	0.575***
	(-20.24)	(-19.35)	(31.04)	(23.59)
Leverage	-0.000	0.001	-0.000	-0.001
	(-0.61)	(0.20)	(-0.41)	(-0.89)
ROA	0.087***		0.008***	-0.006***
	(39.11)		(6.12)	(-2.80)
Growth	0.437***	2.144***	-0.056	-0.009
	(6.05)	(4.16)	(-1.24)	(-0.14)
ESG	0.003***	0.075***	-0.002***	-0.004***
	(3.37)	(11.56)	(-3.51)	(-5.25)
Constant	4.902***	28.284***	-3.769***	2.503***
	(26.03)	(22.24)	(-31.27)	(14.81)
Observations	4,001	4,012	3,911	4,012
R-squared	0.408	0.098	0.207	0.154
F test	0	0	0	0
r2_a	0.407	0.0964	0.206	0.153
F	458.5	86.57	169.8	121.6

*, ** and *** represent significance at 10%, 5% and 1% level

Table 10d: Regression result of PC and firm performance

	(1)	(2)	(3)	(4)
VARIABLES	Tobin's Q	ROA	Fac.pro	Em.pro
PC	0.030***	0.059***	-0.012***	-0.027***
	(12.22)	(3.37)	(-8.05)	(-12.14)
Size	-0.550***	-3.560***	0.538***	0.560***
	(-20.49)	(-19.26)	(30.96)	(23.07)
Leverage	-0.000	0.001	-0.000	-0.001
	(-0.53)	(0.20)	(-0.44)	(-0.91)
ROA	0.087***		0.008***	-0.006***
	(39.30)		(6.06)	(-2.95)
Growth	0.436***	2.153***	-0.057	-0.012
	(6.07)	(4.18)	(-1.26)	(-0.18)
ESG	0.003***	0.076***	-0.002***	-0.005***
	(3.28)	(11.84)	(-3.75)	(-5.84)
Constant	4.897***	28.092***	-3.743***	2.585***
	(26.23)	(22.16)	(-31.16)	(15.31)
Observations	4,001	4,012	3,911	4,012
R-squared	0.414	0.097	0.207	0.148
F test	0	0	0	0
r2_a	0.413	0.0957	0.205	0.147
F	469.4	85.87	169.5	116.3

*, ** and *** represent significance at 10%, 5% and 1% level

Appendix 3. Regression results influenced by social norms

Table 11a: Regression result of CEI and firm performance influenced by social norms

	Tobin's Q		ROA		Factor productivity		Employee productivity	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal
CEI	0.003***	0.007***	0.003	0.013***	-0.003***	-0.001***	-0.007***	-0.003***
	(3.89)	(10.31)	(0.63)	(2.67)	(-5.71)	(-3.68)	(-9.18)	(-6.40)
Size	-0.437***	-0.594***	-3.671***	-3.497***	0.532***	0.524***	0.712***	0.484***
	(-10.05)	(-17.75)	(-11.61)	(-15.34)	(14.58)	(27.66)	(13.07)	(19.31)
Leverage	0.001	-0.000	0.001	0.002	-0.001	0.000	-0.002	-0.000
	(0.28)	(-0.34)	(0.09)	(0.44)	(-0.84)	(0.03)	(-0.88)	(-0.26)
ROA	0.094***	0.084***			0.003	0.010***	-0.022***	-0.000
	(26.62)	(30.10)			(1.04)	(6.47)	(-5.01)	(-0.22)
Growth	0.224***	0.671***	0.376	3.986***	-0.143**	0.031	-0.165	0.136*
	(2.62)	(6.18)	(0.58)	(5.19)	(-2.01)	(0.52)	(-1.54)	(1.68)
ESG	0.005***	0.002	0.085***	0.074***	-0.004***	-0.001*	-0.005***	-0.004***
	(3.41)	(1.40)	(8.08)	(9.00)	(-3.73)	(-1.95)	(-2.96)	(-4.80)
Constant	3.911***	5.132***	28.748***	27.316***	-3.496***	-3.704***	1.907***	3.018***
	(13.00)	(22.16)	(13.31)	(17.55)	(-13.90)	(-28.41)	(5.05)	(17.43)
Observations	1,394	2,607	1,400	2,612	1,381	2,530	1,400	2,612
R-squared	0.441	0.409	0.101	0.098	0.152	0.249	0.190	0.138
F test	0	0	0	0	0	0	0	0
r2_a	0.439	0.408	0.0975	0.0968	0.148	0.247	0.186	0.136
F	182.5	299.8	31.24	56.94	41.07	139.5	54.42	69.50

Table 11b: Regression result of Equal Employment Opportunity Policy and firm performance influenced by social norms

	Tobin's Q		ROA		Factor productivity		Employee productivity	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal
EEOP	0.005**	0.017***	0.001	0.025	-0.007***	-0.002*	-0.016***	-0.009***
	(2.41)	(7.46)	(0.08)	(1.54)	(-4.35)	(-1.77)	(-6.05)	(-5.20)
Size	-0.423***	-0.551***	-3.652***	-3.411***	0.513***	0.514***	0.670***	0.465***
	(-9.73)	(-16.56)	(-11.60)	(-15.18)	(14.06)	(27.45)	(12.14)	(18.81)
Leverage	0.001	-0.000	0.001	0.002	-0.001	0.000	-0.002	-0.000
	(0.31)	(-0.51)	(0.09)	(0.39)	(-0.87)	(0.11)	(-0.92)	(-0.17)
ROA	0.094***	0.085***			0.003	0.009***	-0.023***	-0.001
	(26.59)	(30.15)			(0.95)	(6.32)	(-5.07)	(-0.40)
Growth	0.230***	0.672***	0.392	3.993***	-0.148**	0.031	-0.182*	0.135*
	(2.68)	(6.13)	(0.60)	(5.20)	(-2.08)	(0.52)	(-1.67)	(1.66)
ESG	0.005***	0.003**	0.086***	0.077***	-0.005***	-0.002**	-0.007***	-0.005***
	(3.89)	(2.55)	(8.31)	(9.53)	(-4.16)	(-2.56)	(-3.92)	(-5.45)
Constant	3.795***	4.787***	28.684***	26.805***	-3.327***	-3.651***	2.264***	3.188***
	(12.52)	(20.40)	(13.22)	(17.10)	(-13.11)	(-27.80)	(5.88)	(18.29)
Observations	1,394	2,607	1,400	2,612	1,381	2,530	1,400	2,612
R-squared	0.437	0.398	0.101	0.097	0.144	0.246	0.163	0.133
F test	0	0	0	0	0	0	0	0
r2_a	0.435	0.396	0.0973	0.0951	0.140	0.244	0.159	0.131
F	179.8	286.1	31.15	55.88	38.44	137.3	45.16	66.85

*, ** and *** represent significance at 10%, 5% and 1% level

Table 11c: Regression result of Inclusive Benefit Policy and firm performance influenced by social norms

	Tobin's Q		ROA		Factor productivity		Employee productivity	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal
IB	0.006***	0.020***	0.004	0.024*	-0.006***	-0.002*	-0.019***	-0.006***
	(3.08)	(10.18)	(0.29)	(1.74)	(-3.72)	(-1.70)	(-8.29)	(-3.90)
Size	-0.428***	-0.589***	-3.657***	-3.450***	0.519***	0.517***	0.690***	0.469***
	(-9.86)	(-17.63)	(-11.60)	(-15.15)	(14.18)	(27.25)	(12.63)	(18.69)
Leverage	0.001	-0.000	0.001	0.002	-0.001	0.000	-0.002	-0.000
	(0.28)	(-0.38)	(0.09)	(0.40)	(-0.85)	(0.10)	(-0.87)	(-0.17)
ROA	0.094***	0.084***			0.003	0.009***	-0.022***	-0.001
	(26.61)	(30.30)			(0.97)	(6.33)	(-5.07)	(-0.42)
Growth	0.228***	0.671***	0.387	3.990***	-0.151**	0.031	-0.174	0.137*
	(2.67)	(6.17)	(0.59)	(5.19)	(-2.11)	(0.52)	(-1.62)	(1.67)
ESG	0.005***	0.002*	0.086***	0.077***	-0.005***	-0.002**	-0.006***	-0.005***
	(3.68)	(1.67)	(8.22)	(9.35)	(-4.28)	(-2.50)	(-3.31)	(-5.51)
Constant	3.891***	5.190***	28.717***	27.330***	-3.465***	-3.696***	1.954***	3.029***
	(12.91)	(22.35)	(13.30)	(17.51)	(-13.69)	(-28.23)	(5.15)	(17.37)
Observations	1,394	2,607	1,400	2,612	1,381	2,530	1,400	2,612
R-squared	0.439	0.408	0.101	0.097	0.141	0.246	0.181	0.130
F test	0	0	0	0	0	0	0	0
r2_a	0.437	0.407	0.0973	0.0953	0.137	0.244	0.178	0.128
F	180.9	299.1	31.17	56.03	37.48	137.2	51.40	64.61

*, ** and *** represent significance at 10%, 5% and 1% level

Table 11d: Regression result of Organizational LGBTQ Competency Policy and firm performance influenced by social norms

	Tobin's Q		ROA		Factor productivity		Employee productivity	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal
ODC	0.011***	0.025***	0.032	0.069***	-0.013***	-0.009***	-0.031***	-0.017***
	(4.08)	(8.72)	(1.64)	(3.50)	(-6.11)	(-5.91)	(-9.61)	(-7.94)
Size	-0.454***	-0.592***	-3.745***	-3.556***	0.555***	0.536***	0.761***	0.498***
	(-10.32)	(-17.47)	(-11.72)	(-15.53)	(15.01)	(28.20)	(13.83)	(19.81)
Leverage	0.001	-0.000	0.001	0.002	-0.001	-0.000	-0.002	-0.000
	(0.31)	(-0.41)	(0.08)	(0.46)	(-0.88)	(-0.03)	(-0.94)	(-0.30)
ROA	0.093***	0.084***			0.004	0.010***	-0.021***	-0.000
	(26.49)	(29.84)			(1.20)	(6.71)	(-4.75)	(-0.01)
Growth	0.219**	0.678***	0.335	4.001***	-0.137*	0.028	-0.152	0.131
	(2.57)	(6.20)	(0.52)	(5.22)	(-1.94)	(0.47)	(-1.42)	(1.62)
ESG	0.005***	0.002*	0.082***	0.072***	-0.005***	-0.001	-0.006***	-0.004***
	(3.55)	(1.78)	(7.92)	(8.77)	(-3.92)	(-1.39)	(-3.25)	(-4.44)
Constant	4.065***	5.295***	29.256***	27.878***	-3.698***	-3.789***	1.451***	2.875***
	(13.35)	(22.50)	(13.40)	(17.77)	(-14.53)	(-28.92)	(3.81)	(16.50)
Observations	1,394	2,607	1,400	2,612	1,381	2,530	1,400	2,612
R-squared	0.442	0.402	0.102	0.100	0.155	0.255	0.194	0.145
F test	0	0	0	0	0	0	0	0
r2_a	0.439	0.401	0.0990	0.0985	0.151	0.254	0.191	0.143
F	183.0	291.6	31.75	58.07	41.97	144.3	55.98	73.71

*, ** and *** represent significance at 10%, 5% and 1% level

Table 11e: Regression result of Public Commitment Policy and firm performance influenced by social norms

	Tobin's Q		ROA		Factor productivity		Employee productivity	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal	Conservative	Liberal
PC	0.016***	0.035***	0.021	0.082***	-0.019***	-0.010***	-0.038***	-0.018***
	(5.02)	(10.18)	(0.85)	(3.37)	(-6.92)	(-5.14)	(-9.23)	(-6.89)
Size	-0.453***	-0.595***	-3.692***	-3.528***	0.550***	0.530***	0.739***	0.487***
	(-10.40)	(-17.73)	(-11.60)	(-15.49)	(15.05)	(28.01)	(13.48)	(19.44)
Leverage	0.000	-0.000	0.001	0.002	-0.001	-0.000	-0.002	-0.000
	(0.27)	(-0.33)	(0.08)	(0.47)	(-0.83)	(-0.03)	(-0.88)	(-0.29)
ROA	0.093***	0.083***			0.003	0.010***	-0.022***	-0.000
	(26.66)	(29.93)			(1.10)	(6.63)	(-4.95)	(-0.10)
Growth	0.229***	0.653***	0.382	3.939***	-0.150**	0.035	-0.185*	0.145*
	(2.69)	(6.01)	(0.59)	(5.13)	(-2.12)	(0.60)	(-1.73)	(1.79)
ESG	0.005***	0.002*	0.084***	0.073***	-0.005***	-0.001*	-0.006***	-0.004***
	(3.49)	(1.67)	(8.20)	(8.94)	(-3.93)	(-1.71)	(-3.58)	(-4.87)
Constant	4.052***	5.299***	28.928***	27.744***	-3.660***	-3.763***	1.608***	2.927***
	(13.42)	(22.71)	(13.31)	(17.73)	(-14.53)	(-28.74)	(4.23)	(16.80)
Observations	1,394	2,607	1,400	2,612	1,381	2,530	1,400	2,612
R-squared	0.445	0.408	0.101	0.100	0.161	0.253	0.190	0.140
F test	0	0	0	0	0	0	0	0
r2_a	0.443	0.407	0.0977	0.0982	0.158	0.251	0.187	0.138
F	185.5	299.0	31.31	57.86	44.01	142.4	54.59	70.74

*, ** and *** represent significance at 10%, 5% and 1% level

Appendix 4. Classification of U.S. States

Table 12: Classification of U.S. States

State	LGB Anti-Employment Discrimination	Transgender Anti-Employment Discrimination	Category
Alaska	Public Service Staff Only	No	Conservative
Alabama	No	No	Conservative
Arkansas	No	No	Conservative
Arizona	Public Service Staff Only	No	Conservative
California	Yes	Yes	Liberal
Colorado	Yes	Yes	Liberal
Connecticut	Yes	Yes	Liberal
Delaware	Yes	Yes	Liberal
Florida	No	No	Conservative
Georgia	No	No	Conservative
Hawaii	Yes	Yes	Liberal
Iowa	Yes	Yes	Liberal
Idaho	No	No	Conservative
Illinois	Yes	Yes	Liberal
Indiana	Public Service Staff Only	Public Service Staff Only	Conservative
Kansas	No	No	Conservative
Kentucky	Public Service Staff Only	Public Service Staff Only	Conservative
Louisiana	No	No	Conservative
Massachusetts	Yes	Yes	Liberal
Maryland	Yes	Yes	Liberal
Maine	Yes	Yes	Liberal
Michigan	Public Service Staff Only	Public Service Staff Only	Liberal
Minnesota	Yes	Yes	Liberal
Missouri	Public Service Staff Only	No	Conservative
Mississippi	No	No	Conservative
Montana	Public Service Staff Only	No	Conservative
North Carolina	No	No	Conservative
North Dakota	No	No	Conservative
Nebraska	No	No	Conservative
New Hampshire	Yes	No	Liberal
New Jersey	Yes	Yes	Liberal
New Mexico	Yes	Yes	Liberal
Nevada	Yes	Yes	Liberal
New York	Yes	Public Service Staff Only	Liberal
Ohio	Public Service Staff Only	No	Conservative
Oklahoma	No	No	Conservative
Oregon	Yes	Yes	Liberal
Pennsylvania	Public Service Staff Only	Public Service Staff Only	Liberal
Rhode Island	Yes	Yes	Liberal

South Carolina	No	No	Conservative
South Dakota	No	No	Conservative
Tennessee	No	No	Conservative
Texas	No	No	Conservative
Utah	Yes	Yes	Conservative
Virginia	Public Service Staff Only	Public Service Staff Only	Conservative
Vermont	Yes	Yes	Liberal
Washington	Yes	No	Liberal
Wisconsin	Yes	No	Liberal
West Virginia	No	No	Conservative
Wyoming	No	No	Conservative