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Women Leaders and Firm Performance in Family Businesses: An Examination of Nonfinancial Outcomes

Miguel António Matos da Cruz Fernandes

Dissertation submitted in partial fulfillment of requirements for the degree of,

MSc in Business Administration

Supervisor:

Prof.ª Dra. Alexandra Etelvina Martins Marques Fernandes

Assistant Professor

Department of Marketing, Strategy and Operations

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BUSINESS
SCHOOL

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Abstract

The main goal of this master thesis is to explore how the participation of women leaders in top management positions is related to non-financial performance in family-controlled companies. While the concept of gender diversity has been growing in relevance to business, the existing research remains vague and scholars are encouraged to provide renewed and more nuanced support for when and how women in senior leadership positions will impact organizational performance. The existing literature research on this topic, made it possible to conclude that there seems to be a positive correlation between non-financial performance and women in senior management positions.

Keywords: Family-Business; Women Leadership; Non-Financial Performance

Resumo

O principal objectivo desta tese de mestrado é explorar a forma como a participação de mulheres em cargos de alta direção está relacionada com o desempenho não financeiro em empresas familiares. Embora o conceito de diversidade de género tenha vindo a crescer em relevância para as empresas, a investigação existente permanece vaga e os académicos são encorajados a fornecer um apoio renovado e mais diferenciado para quando e como as mulheres em posições de liderança de topo irão ter impacto no desempenho organizacional. A investigação bibliográfica existente sobre este tópico permitiu concluir que parece haver uma correlação positiva entre o desempenho não financeiro e as mulheres em posições de chefia superior.

Palavras-Chave: Empresas Familiares; Liderança Feminina; Desempenho Não-Financeiro

Table of Contents

1. Introduction 1
2. Literature Review 5
2.1 Family Business 5
2.2 Performance in Family Businesses 7
2.3 Financial Performance vs Non-Financial Performance 8
2.3.1 Financial performance indicators 9
2.3.2 The use of integrated reporting in sustainability evaluation 11
2.4 Women in Firm Performance 14
2.4.1 Upper echelons theory 15
2.4.2 Women and Upper echelons 17
2.4.3 Family businesses and upper echelons 18
2.4.4 Double standards theory 19
2.4.5 Double standards in family business 20
2.4.6 Women in corporate boards and corporate social responsibility 21
3. Limitations and Future Research 22
4. Conclusions 24
5. Bibliography 26

1. Introduction

In earlier and more conventional times, all over the world, women were not considered able to actively participate in the society, in what concerns political, economic, social and cultural matters. Consequently, women could not join the workforce, especially due to the inexistence of the concept of "work-life balance".

Therefore, men had the role of working and providing livelihood for his family, while women were to be taking care of the home. Over the last years, women have been assuming a more relevant role within the society. Several movements have been created, in what respects women rights and gender equality. The referred movements have been changing the relevance of women within the labor market.

Namely, what started as a smooth entrance in the labor force, conducted women to top positions, including senior and management roles. Globally, in 2019, 29% of senior management roles are held by women, the highest number ever on record and 87% of global businesses have at least one woman in a senior management role. However, the proportion of women reaching top positions is still quite low. In Europe, just one out of three managers in the EU is a woman. Moreover, women are about half of all those employed in the EU and yet represent just 17% of senior executives. Following society's necessities and desires, some companies have been imposing gender equality policies, within the company, but also within the board composition.

Although scholars notice to the distinct atmosphere of women's participation in family businesses (e.g., Amore, Garofalo, & Minichilli, 2014; Jimenez, 2009; Nekhili, Chakroun, & Chtioui, 2016; Nelson & Constantinidis, 2017), the study of women in leadership roles in family business literature remains relatively unexplored as evidenced by recent literature analyses. The lack of research underlines the fact that women are poorly represented in senior management positions and often have minor roles in family business compared to men. Just 42% of women in a family business are important decision-makers and 47% are paid for their services (Danes & Olson, 2003).

Furthermore, at the same time, women tend to work in family business more than non-family businesses, and may be more likely to be paid and to have a formal position if they are also one of the family business owners (Danes & Olson, 2003). It has been found that family ownership is significantly associated with women in top management teams (TMTs), either they belong to the family or not (Montemerlo, Minichilli, & Corbetta, 2013), and most women that become senior executives do it in their family company (alternatively they do so in the business they launched) (Adler, 1997).

In addition, a report by the consulting firm Ernst and Young (2015) suggests that women are represented in 22% of family business “top management teams”, 55% of family businesses have at least one woman on board and 70% of family businesses consider a woman to be their next CEO, with 30 % strongly taking into consideration a woman to be the top leader. Throughout these numbers are higher than those for non-family businesses.

Consequently, based on this diverse literature, it seems that women are usually under-represented in family business as senior managers compared to men, but less so than in non-family businesses. Unlike non-family businesses, it appears that family businesses generate a more favorable environment for women as leaders.

While the reduced gender presence of half the population in top leadership is considered ethically problematic, this under-representation of women leaders often raises obstacles to corporate success (Dezso & Ross, 2012). Diversity scholars believe that increasing female presence in male-dominated governance teams produces a strategic advantage which can promote more efficient general practices (De Dreu & West, 2001; Jehn, Northcraft, & Neale, 1999; van Knippenberg, De Dreu, & Homan, 2004). Research also suggests that there is an eventual “female advantage” (PaustianUnderdahl, Walker & Woehr, 2014), whereby female leaders are involved in leadership style more aligned with contemporary companies’ expectations.

This economic case for women in leadership has gained prominence as a means of fueling efforts for gender equality and encouraging main decision-makers to focus on improving the inclusion of more women in leadership (Hoobler, Masterson, Nkomo & Michel, 2018; Klettner, Clarke & Boersma, 2016). There is some indication of a negative correlation, with lower family business profits for female managers (Olson et al., 2003) and lower income for woman-owned family businesses than for male-owned businesses (Danes, Stafford, & Loy, 2007).

Nevertheless, a positive association between female CEOs and family business output is also recognized, particularly if there are any other women on TMTs / management boards (Amore et al., 2014; Montemerlo et al., 2013). Due to the implications of family intervention for organizational behaviors, ethical values, and performance, family businesses are particularly important for non-financial performance research (Anderson & Reeb, 2003; Dyer, 2006; Miller, Minichilli & Corbetta, 2013).

In addition, previous research on female leadership performance outcomes has been criticized for continuing to ignore "the complexities of the socialized gender perspective" by studying financial performance only (Danes et al., 2007: 1058). This financial emphasis may discriminate against women because there are reasons to assume that they will not measure success exclusively through a traditional financial point of view (Anna, Chandler, Jansen, & Mero, 2000; Danes et al., 2007).

Thus, in parallel to the depicted aspect, there have been increasing studies on the governance of companies and the metrics to be assessed have been varying over time. More specifically, variables such as work-life balance; climate concern; and diversity have been some of the "hot topics" when evaluating the governance of a firm. Specifically, regarding the lastly referred aspect, much has been talked on the impact of women in top positions in the performance of a firm, either financial or non-financial. While following the growing importance of non-financial measures in the assessment of a firm performance, this project will incorporate non-financial performance in this research as a critical indicator of organizational performance.

As companies seem to be more aware of the importance of gender diversity and non-financial performance factors to be successful, there is not much research on the relationship between the two aspects. Thus, this project aims at enhancing the importance of non-financial factors for the sustainability of a firm, while supporting that women, given their emotional and relational characteristics and their personal perspectives, may further contribute to the maximization of this type of performance.

Following the introduction which contextualizes that women in leadership positions are more represented in family businesses, this project will explore how the participation of women leaders in top management positions is related to non-financial performance in family-controlled companies.

In order to do so, this project will introduce the concept of family businesses and describe the criteria which distinguish them from non-family businesses; then it will focus on the concepts of financial and non-financial performance and assess their relevance for the evaluation of a firm's success; thirdly, the project will describe the relation between the assumption of leadership positions by women within a firm and its performance, in family and non-family businesses, which has as theoretical framework the "upper-echelons theory" and the "double standards theory”; it follows the relationship between women and non-financial performance; and finally, the conclusions achieved and proposed further research.

2. Literature Review

2.1 Family Business

The concept of "family business" is still subject of discussion between several researchers, constituting a major challenge within their field of study.

Nevertheless, it seems that the key for what constitutes a family business lies within nature its essence, the sight of a mainly family-controlled alliance which sustains across generations (Chua et al. 1999).

However, Chua et al. (1999) referred that one has to access two types of family-business definitions: the theoretical view and the operational view. From the theoretical view, researchers may achieve operational conclusions to conduct empirical studies.

Theoretical definitions attempt at distinguishing family from non-family businesses. Family businesses possess a unique bundle of resources and capabilities, which is strongly influenced from family interactions with the business unit and between family members themselves (Habbershon et al. 2003). Moreover, these interactions contain much more socioemotional wealth than non-family businesses (Gomez-Mejia et al. 2007), which may have its advantages and its disadvantages.

Operational definitions are harder to define and may be based on objective aspects, such as the percentage of family ownership (Dyer 2006); or subjective aspects, for instance weather an individual considers the firm to be a family business.

Several criteria may be used for the definitions of family businesses.

Firstly, "ownership" as a criterion means that the firm is possessed by one or more family members, which hold a substantial part of the equity. Furthermore, at least two members of the founding family are major owners and the founding family owns fractional equity (Heck and Scannell 1999; Gomez-Mejia et al. 2007; Bona-Sanchez et al. 2007.

The second criteria is "control", which means that a family business must have a family engagement in the strategy of the firm; the members of the family own at least 5 per cent of the voting stock in a firm; a family (or individual or unlisted firm) on any stock exchange is the ultimate owner (Astrachan and Shanker 2003; McAdam et al. 2010)

Thirdly, the “Board of directors” of a family firm must embrace two or more family members as directors or to or more directors have a family relationship (Gomez-Mejia et al. 2003; Villalonga and Amit 2006).

The fourth criteria used by researchers is the “Management” of the firm. In a family business at least one member of the family shall manage the firm. Furthermore, two or more members of the founding family must participate as major executives. Also, the CEO shall be the founder or cofounder and the company must be operated by the founding family (Mc Conaughy et al. 1998; Heck and Scanell 1999; Villalonga and Amit 2006; Miller et al. 2007; Kellemarnns et al. 2012).

The following criteria relates with a firm’s “self-definition of a family business”. A corporation is a family firm if its management, CEO, owners and chairman perceive the firm and business as a family type (Westehead and Cowling 1998; Westhead et al. 2001; Astrachan et al. 2002).

The sixth criteria is the “Trans-generational succession” which states that a firm is family type if the business governing and management is conducted in a manner that keeps the foundational values of the firm and is sustainable across generations (Handler 1989; Litz 1995; Chua et al. 1999; Chrisman et al. 2002; Astrachan and Shanker 2003).

The next criterion is the “Multiple generations” which a family firm responds by having generational ownership dispersion. The greater the dispersion, the stronger the influence in the business (Astrachan and Shanker 2003; Kellemarnns et al. 2012).

Finally, the last criterion concerns the “Family and business values”. A family business must have specific values, which are shared by the members of the family and the business. Moreover, besides sharing the vision of the firm, the family members must be involved in the business (Gallo 2000; Kellemarnns et al. 2012).

Despite these are the main criteria considered, there is not a consensus on the definition of a family firm and its difference from a non-family firm (Daily and Dollinger 1991). However, it seems right to conclude that non-family types of business do not fill the criteria enhanced above.

Furthermore, the attributes characterizing both types of businesses will have impacts in its performance. Thus, researchers may attempt to relate the criteria that they believe that characterizes a family business with the assessment of their performance which would then be a tool for the firm to take advantage of the attributes which enhance its performance and improve the efficiency of those that devalue it.

2.2 Performance in Family Businesses

As stated above, firms have unique attributes that characterize them. These attributes may be competitive advantages which impact the firm's success.

Therefore, there is several literature on the analysis of performance in family business (Mazzi 2011), which shall be compared with the performance of non-family businesses.

However, the first step for the assessment of the difference in the performance of family and non-family firms is the identification of groups of family and non-family business firms. This identification would ideally be of alike firms, for instance belonging to the same industries and having the same size. The identification of non-family firms may follow the criteria mentioned in the previous section.

The assessment of the differences in the performance of both types of firms are usually supported by several theories, namely the "Agency theory", the "stewardship perspective" and the "resource-based theory" (Maury 2006; Miller and LeBreton Miller 2005).

The agency theory states that the ownership and governance of the firm impacts its performance through the firm decisions (Fama 1980; Fama and Jensen 1983; Jensen and Meckling 1976).

Within this theory, controlling shareholders have control over minority shareholders (Miller et al. 2007). In the case of family businesses, incompetent family managers or workers might be protected, and the shareholders might take advantage of the firm's assets (Gomez-Mejia et al. 2001).

Given this, and according to the agency theory, family businesses' performance may be further affected, if there is a lack of control mechanisms (Naldi et al. 2007).

On the contrary, some researchers consider that the fact that the ownership and management decisions of the firm are lined up promotes more efficient decision-making. On the other hand, the stewardship theory perspective predicts that family owners enhance the business' sustainability by aiming at benefiting all the organisation's stakeholders (Le Breton Miller and Miller 2009). Accordingly, they have the objective of maintaining family control over the firm and the family's values and sight within the business (Chrisman et al. 2004). Thus, short term earnings may be compromised (Anderson and Reeb 2003) at the expense of the family name and reputation (Bartholomeusz and Tanewski 2006; Naldi et al. 2007).

In this sense, according to this theory, family businesses are beneficial for the creation of strong relationships with stakeholders and build of social capital (Miller et al. 2009).

However, the existing research is not conclusive on these matters. Some believe that family businesses have better performance than non-family businesses and others believe the contrary. There are some researchers which consider it depends on the type of company (i.e. public or private).

2.3 Financial Performance vs Non-Financial Performance

The traditional accounting model, especially its financial reporting section, is unable to provide adequate answers to complex questions from different stakeholders. The conventional accounting system does not adequately fulfill the requirements of managers, creditors and investors to define and track the performance of the business.

Professional and academic institutions agree to the need to build the analysis of business suce ss not only on financial details, but also on non-financial data.

In order to enhance the execution of the plan and to increase organizational efficiency, Davis and Albright suggest that the application of the performance assessment method is frequently recommended. The use of both financial and non-financial metrics in line with business strategy is proposed by modern performance assessment models (Krstić & Sekulić, 2013). As examples of contemporary models, balanced scorecards (BSC) and multi-criteria key performance indicators (KPI) are commonly classified (Krstić, 2012). In the last two decades, the implementation of these systems has been rising significantly. Companies are constantly under pressure not only to provide profits to shareholders, but also to other stakeholders, and are progressively persuaded that contemporary models of performance assessment can help reach this goal.

2.3.1 Financial performance indicators

Accounting plays a critical part mainly in the preparation and presentation of a range of financial statements that enable the company’s results analysis. Accounting intends to use these final products in order to provide to the right users correct information, in the proper amount, in a reasonable time, in an appropriate form, and at a reasonable price. Since both quantitative and qualitative data is given by financial statements, scholars frequently emphasize their accuracy (Kothari & Barone, 2006). Financial statements can, however, serve their readers" not only as a map, but a labyrinth "(Fraser & Ormiston, 2013). As a map, financial reports are an acceptable source for assessing the financial status of a company and to evaluate its past and predicted future success. Thus, that is no surprise that the primacy of the Sustainability Assessment and Reporting Framework (SERS) first module belongs to the data in the statement of financial position (balance sheet), the statement of cash flow and the income statement. The importance of these accounting tools is expressed in the fact that the analytical analysis of the data found in them allows key financial performance metrics of the organization to be defined and tracked. No single description of the syntagma "financial results" is provided by the related literature in the field of business economics, management and accounting. There is no universally accepted definition, different definitions existed in theory and practice on this essential feature of the company's general financial situation, which can be formulated into 2 classifications, namely: A) Financial performance in the narrow sense and B) Financial performance in a broader sense.

In accordance with a narrow definition, the assessment of the company's financial success is based solely on metrics that specifically represent the results of the company. The assessment of efficiency in the narrow sense, therefore, relies entirely on profitability metrics.

Peterson-Drake and Fabozzi (12), who use return on investment (ROI) as their most representative financial success metric, hold that opinion. These authors alternately observe this measure of efficiency, depending on the type of investment. They figure out, in this respect, that the ROI overview involves the rate of return on assets (ROA) and return on equity (ROE). Doupnik and Perera (2007) recommend the following criteria: growth in operating income, cost savings, revenue, and return on investment, pointing out that financial performance metrics are indicators defined based on accounting data. These authors point out that income numerically combines operations of all business functions as the primary gain of profit, as the most important performance indicator.

In a narrow sense, financial success is based on profit.

Earnings before interest and tax (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) have begun to be used as criteria in this respect. The classification of this specific category should, from a broader view of financial results, be based on parameters calculated based on the data contained in the financial statements, as well as other applicable accounting information. In this sense, the majority of scholars use not only different profitability metrics, but also liquidity, solvency, and operation indicators when assessing financial results. In addition, some scholars see market shares as financial success indicator (Chen et al., 2009).

Overall, independently of whether financial performance is viewed in the narrow or broad sense, information in the financial position statement, income statement, and cash flow statement can provide key sources used for its assessment. As a matter of fact, for the evaluation of global profitability metrics, even the authors who support a narrower definition of financial performance take details from both the income statement and the financial position statement. They assume, in other words, the knowledge about revenue and profit flow gains in significance only when put in line with the assets involved. In particular, the advocates of a wider definition of financial results point to the fact that simple financial statements cannot be viewed as substitute, but as complementary sources of information in the appraisal process. Trying to point to the strong relations between the statement of financial position and the income statement, they rightly note that the financial performance measures (partial profitability measures) have been measured.

Per se, if not supplemented by metrics listed on the context of the balance sheet and the cash flow statement (metrics of liquidity, solvency and partial activity), they are meaningless solely on the basis of the income statement.

Even a liquidity analysis focused on the balance sheet data may provide only some imperfect indications of real liquidity, and that is why this analytical method is only used as a preliminary interim process of careful analysis. Fixed liquidity ratios are also complemented by the study of cash flows which reflect the core of the company, and cash flows from activities are regarded as the main measure of success (Grant, 2002). In this sense, the liquidity ratio of operating cash flow is an especially significant measure of financial performance. A vital indicator of corporate performance may be cash flows from operating activities. Cash flows produced during the accounting period are factual statements that do not rely on alternate accounting principles and valuation methods being analyzed or used. All cash flow statement elements, in other words, are dependent on money and are easy to calculate. Davies and Pain (2002) figure out that the "unacceptable degree of subjectivity that comes to the fore in the preparation of the income statement" stresses the comparative benefits of this financial statement. Therefore, discrediting this assertion in some way leads to the cash flow statement's reputation. Despite the indisputable alternatives provided by the financial criteria, for the purposes of determining the company's results, it is important to point out their weaknesses and incompleteness. The financial statements are, firstly, a retrospective snapshot of the firm's management and financial history on a specific day or over a specific span, and because of that, facilitate the identification of the company's historically focused financial performance indicators. As has been mentioned, financial statements can be a labyrinth beside the map, which challenges how their content can be interpreted. Consequently, a lot of details found in the "can seem confusing and disorienting" financial statements (Davis & Albright, 2004), thereby bringing into question the accuracy of its use. The complexity of accounting rules, which are frequently subject to revision, as well as the discretion of managers to design financial statements numerically, reflect the kind of problem when determining the performance of the company. In addition, according to Fraser and Ormiston (2013), "some of the key details needed to determine the performance of the company is not accessible in financial statements, some are difficult to find, and many are difficult to quantify. Then, it is no surprise that the emphasis in recent years has been on the need to use non-financial metrics for the purposes of determining the success of the company.

2.3.2 The use of integrated reporting in sustainability evaluation

Recently, there have been more signs of a disparity between the content contained in companies' financial statements and the details demanded by their main stakeholders for performance assessment reasons. The emphasis has been the assessment of company performance must be based on a comprehensive and integrated approach, requiring the combined use of financial and non-financial metrics. The context in which the organization works is completely represented by this integrated reporting paradigm (Krstić & Bonić, 2013).

The company's final objective can be easily described as the production of value (Jensen, 2001; Grant, 2002). Companies do not neglect the context within which they realize their practices in order to achieve the specified objective. In literature, the dominant opinion is that this context can be perceived as a system of relations between the firm and a large number of its stakeholders. In other words, the capacity for sustained and consistent operations is determined by ties between the organization and its main stakeholders (Perrini & Tencati, 2006).

Considering that a full collection of stakeholder relationships have strategic significance for the company's long-term performance and sustainability, Perrini and Tencati (2006) argue that assessing a company's success should not be restricted exclusively to generating value for one interested group , i.e. shareholders. Taking into consideration the needs of assessing company performance, other stakeholders (employees, customers, suppliers, financial partners, government, local community, and society in general) result in the implementation of a comprehensive and interconnected system. It is an exceptionally versatile system that expands and strengthens conventional financial and economic performance assessment approaches, which are constructed mainly in line with stakeholder needs and demands.

While the concept of reorganizing the system for performance assessment emerged in the United States at the end of the twentieth century, outstanding foreign and European organizations still endorse it. The implementation of an integrated reporting model and the definition of key performance metrics were driven by these institutions. Among them, a non-profit organization has particular relevance.

The Global Reporting Initiative (GRI), which has developed a reporting structure and a collection of indicators relevant to environmental, social and economic security issues. The Sustainability Reporting Guidelines developed by GRI are believed to be the most common structure for non-financial reporting used in operation. Additionally, the Sustainability Reporting Standards have been revised four times by GRI. According to the latest update, the system offers guidelines in relation to reporting types, areas to be disclosed and main performance metrics for all world organizations, regardless of their scale. Therefore, it is no surprise that this integrated system for reporting is commonly used across the globe. While the purpose of GRI was to promote the uniformity of the company reporting process, these directives are often interpreted and implemented differently. In adopting the 2008 Corporate Responsibility Guidelines, which set out metrics on the conservation of the environment, community and corporate governance, the United Nations Conference on Trade and Development (UNCTAD) led to the confirmation of non-financial performance indicators. The Chartered Financial Analyst Institute (CFA Institute) and the European Federation of Financial Analyst Societies (EFFAS) have proposed a similar set of non-financial requirements during the same time. In addition to these organisations, the International Federation of Accountants (IFAC) made a solid contribution to the affirmation of non-financial performance measures in 2011, maintaining that the main measures of performance are those related to the protection of the environment , culture, and government.

The academic community has been given an important role in the creation of appropriate and efficient methodology for systematic assessment of company sustainability. The Sustainability Assessment and Reporting Framework (SERS), resulting from theoretical studies and observational study carried out by Italian scholars Perrini and Tencati (2006), can be an accurate characterization of this contribution. The following three modules are included in this framework: (1) an integrated reporting system, (2) an integrated information system, and (3) primary performance metrics for the sustainability of businesses.

Unlike the second and third models, which are viewed on a one-dimensional basis, the first module, known as the Integrated Reporting Framework, contains the following: the annual report, the social report, the environmental report and a range of consolidated performance indicators. As the annual report has already been considered in the light of financial results, the social report and the environmental report will be discussed in the following section.

The social report provides information on the companies' effect on different interest groups and its operations. In the choice of indicators of social success, it is important to establish standards or guidance coping with social issues. For the innovative concepts of Corporate Social Responsibility (CSR), Social Accountability and Socially Responsible Investment, social issues are the central point of the concepts. It covers ethics policy, a value-added survey, and the study of stakeholders' relationships. Social performance focuses on working conditions, human rights and wider social concerns that address a broad spectrum of stakeholders (Hřebíček et al., 2012). The second section of the social report is a value-added report, a conventional social reporting tool, and also a connection among traditional financial accounting and social reporting. It calculates the added financially transmitted value that the business produces and distributes to a range of stakeholders. Study of the relationship between interest groups is intended to determine the viability of the company's engagement with its constituents on the basis of qualitative and quantitative knowledge (Krstić et al., 2012). Environmental indices are related to the environmental impact that a company exerts through its products, facilities, and operations (Krstić et al., 2013). To monitor activities and to interact with stakeholders who are especially aware of environmental concerns, the organization uses environmental indicators. While there is no single model for this article, two significant types of information should be included in this reporting section of SERS: physical data information - materials and energy accounting and flow relating to financial metrics -monetary environmental accounting. Although, energy and materials accounting gathers information on the environmental effects of business operations, while monetary accounting measures the costs and benefits of the environmental management of goods and processes. A particular section of the first SERS module is a series of interconnected performance metrics that correlate physical and technical quantities with financial values, offering full insight into organizational activities and behaviors for a variety of user groups. Thus, an integrated information system is the center of the process of evaluation and reporting on business results. This module facilitates the collection, processing, and dissemination of physical / technical and financial data based on actual information and communications technology accomplishments. It is this aspect that is the starting point for the implementation of environmental and social accounting systems to integrate and develop current financial and cost accounting methods. After this, a critical aspect of SERS methodology is the last module, called Key Performance Indicators (Perrini & Tencati, 2006). Small and medium-sized businesses are unable to recognise the dynamic structure of sustainability reporting due to the lack of resources and time. As they also need a roadmap to constantly measure the quality and performance of stakeholders' interactions, key performance indicators are used by this category of companies as a kind of guide for these reasons. It is understandable that the SERS approach previously mentioned helps the organization to sustain relationships with stakeholders, answer to their information requests, and deal with economic, social, and environmental concerns.

2.4 Women in Firm Performance

Historically women tend to be under-represented in leadership roles, such as within the board of directors and executives (Adams, 2016).

However, as the world is changing and being proved by several research that gender diversity is beneficial for the success of the business (Elmagrhi et al., 2019; Elmagrhi et al., 2020; Jeong & Harrison, 2017; Ntim et al., 2013; Post & Byron, 2015), several regulation arose, with the aim of improving the representation of women in leadership positions. Furthermore, besides regulation, some firms have voluntarily created shares for women within leadership positions. (Hoobler et al., 2018; Sarhan and Ntim, 2018, Sarhan and Ntim, 2019).

Some research points out that the assignment of women to direction roles has increased, especially for countries which have shares for their participation (Deloitte, 2017; Lee et al., 2015). However, in what concerns management positions, which typically imply strategic decisions, male are still significantly over-represented, with women only accounting for a share of only 4% of important positions, such as CEO or board chair, for instance, are held by females (Deloitte, 2017).

Therefore, it needs to be understood the underlying factors for the increasing appointment of women to corporate boards' positions, namely its impact on the performance of the company. Research indicates that women take advantage of the board members' individual interactions and tend to enhance business inclusivity and equity, which complies with the stakeholders' objectives (Terjesen et al., 2009). Also, according to Post and Byron (2015), women directors have a strong impact on companies with an active shareholders' participation and protection. Furthermore, the same author indicated that women directors in companies with strong customer protection have a positive impact on non-financial outcomes, such as environmental accountability, ethics conduct; workers diversity, and philanthropy (Byron and Post 2016).

2.4.1 Upper echelons theory

Several theories have been evaluated when assessing the impact that women with corporate positions have on the firm's performance.

The Upper echelon theory (Hambrick & Mason, 1984; Hambrick, 2007) highlights how the firm's outcomes are influenced by the cognitive frames of members in top management teams. Cognitive frames are stable constructs that provide a lens that allows individuals to see and understand the situation (Smith and Tushman, 2005). These include behavioral routines that managers use to respond to information (Weick et al. 1999) and derive from the experiences, beliefs, and personalities of individuals and are, thus, subjective depending on the individual assessing the situation. The mental frameworks of team members define their strategic actions as a collective in the multifaceted and uncertain sense of TMTs by leading them in what they pay attention to (Hambrick, 2007), making their analysis crucial for a more sophisticated understanding of company performance.

Given the significant complexities involved in identifying the mental frameworks of senior leaders, scholars have consistently used the measurable attributes of leaders as representations of such perceptions and subsequent actions (Boeker, 1997; Dezso & Ross, 2012; Post & Byron, 2015).

Therefore, this theory suggests that firms' top managers' demographic characteristics may explain its strategic options and subsequent performance. Thus, top managers' values, personalities, and experiences contribute to their choices given the impact it has on their cognitive frames, namely their information evaluation processes.

Early empirical research concentrated its investigation on the effects of top managers' characteristics, such as age, functional track, career experiences and gender diversity on various organizational outcomes (Nielsen 2010). Each decision maker brings its own set of "givens" to a strategic choice (Hambrick and Mason 1984), which surely affects a firm's performance.

The main characteristics studied are the "age of the top executive", which appears to be negatively associated with the ability to integrate new information and to have confidence when making decisions, but positively related with tendencies to correctly measure details (Taylor, 1975); the "managerial youth" which seems to be correlated with the decline in certain cognitive capacities, including reasoning, memory, age, among others (Botwinick, 1977; Burke and Light, 1981); "Other Career Experiences", associated with the fact that having career inside and outside is extremely valued and that executives with other experiences tend to conduct more structural, procedural and people centered changes within the company (Carlson, 1972); "Formal education" which consists in the acquisition of a certain skills and knowledge (Hambrick and Mason 1984) that tend to increase the spectrum of creative ideas and new ways of rationalizing, impacting the strategy of the firm (Irungu, 20079; "Socio-economic background and financial position" which translates into having top managers with significantly lower socioeconomic background having a tendency to adopt strategies of cost retention, on the contrary of top managers with an higher socioeconomic background; “Group Heterogeneity”, where new problems are better solved by a group with different experiences and values, given that they have diverse input to address the problem, and routine problems tend to be better addressed by an homogeneous group (House et. Al, 1976), which is also more efficient taking strategic decisions. This cohesion is associated with an higher profitability, given that the environment within the firm is more peaceful (Hambrick and Mason, 1984); and finally “Ethnicity and gender diversity” which is directly related with the previous point, depicting the advantages of similarities between top management team’s members, given the enhanced confidence among them (Bolo et al 2011), which is essential for a company to strive, but also its downsides including the different experiences and values which could lead the company to prosper within its organizational management.

2.4.2 Women and Upper echelons

In this project, and within this theory, we will focus on the “Gender diversity”, in order to assess the impact of women’s cognitive frames in the performance of a firm, given the recent and growing concerns with women quotation within the company’s management team and the ease in distinguish gender, when compared with other demographic characteristics.

Researchers believe that female leaders offer unique mental frameworks because they are expected to have observed different experiences in their work and personal life compared to their male counterparts (Post & Byron, 2015). Additionally, gender variety is expected to expand the pool of information used for strategic decision making within a firm, improving the quality of decisions (Dutton & Duncan, 1987; Larkey, 1996; Sutcliffe, 1994; Watson, Kumar, & Michaelsen, 1993).

A common representation of the difference between men and women resulting from these different experiences concerns their self-construction: women are considered to have a more emotional, relational, connected and interrelated self-construction than men who have a more independent self-construction instead (Gabriel & Gardner, 1999).

In fact, scholars have found evidence that women can use a more collaborative and motivating leadership style that includes communicating with and supporting their employees, taking into account the point of view of other people when preparing, and relying less on exercising dominance and control, as is more commonly associated with male leaders (Eagly & Johannesen-Schmidt, 2001; Eagly, Johannesen-Schmidt, 2001).

The existing literature demonstrates how women are more likely to interpret their role as leaders differently from men in aspects of how they can best influence their employees and institutions.

Based on this evidence, upper echelon theory considers women's presence in mainly male represented top management teams tend to create increased cognitive diversity which may have beneficial effects on firm performance (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984).

Diversity researchers support that position by demonstrating how gender diversity teams can help their organizations by producing higher levels of innovation, judgment-making quality, and effectiveness when ideas derived from staff gender differences (De Dreu & West, 2001; Jehn et al., 1999; van Knippenberg et al., 2004).

2.4.3 Family businesses and upper echelons

Family influence is what distinguishes a family business from a nonfamily business (Chrisman et al., 2005), which means that the unique behaviors generated by family participation within the business (Chrisman, Chua, & Sharma, 2005) impact the firm’s strategy (Astrachan, 2010; Brunninge, Nordqvist, & Wiklund, 2007).

The principle of upper echelons offers the suggestion that senior leaders are less impactful for organizational outcomes when they lack full discretion or latitude of action (Finkelstein & Hambrick, 1990; Hambrick & Finkelstein, 1987). Therefore, these leaders will become less likely to influence firm performance if the organizational context does not permit or empower their executives to achieve change. Based on such theories, in a family business in which the family exercises control that decreases the managerial discretion of senior executives, is expected that upper echelon theory to be subdued (Zahra, 2005).

Comparable to financial performance, the strong strategic focus of the controlling family on non-economic goals is likely to reduce the potential benefits resulting from senior decision-making in the top management teams because the controlling group can have more unrestricted influence and discretion due to its relatively strong shareholder position (Anderson & Reeb, 2003). Therefore, the management discretion of the top management team will be decreased as the strategic direction of the controlling family restricts the ability of it to "imagine" and "create multiple plans of action" (Hambrick & Finkelstein, 1987).

Thus, it is expected that the upper echelon theory has less impact on family business than nonfamily businesses.

2.4.4 Double standards theory

The double standards (Foschi, 1996, 2000) shows how more stringent requirements continue to be attributed to' lower standing ' people, such as women or members of certain ethnic and racial groups here, as being perceived as less competent, having fewer opportunities to participate, and being less influential.

In this case, the category “gender” is a diffuse characteristic that has a status value associated with it (e.g. black vs white and women vs men). Thus, different characteristics are perceived with different values.

Therefore, the society, builds certain performance expectations based on these characteristics and the value associated with it, assuming that people with higher-valued characteristics will perform better in solving tasks than people belonging to lower valued categories (Correll & Ridgeway, 2006; Ridgeway, 1991).

This particular theory emphasizes that lower status individuals should be assessed with a stricter criteria, having to provide better performance results than higher status criteria individuals, in order to receive the same perceived ability.

Therefore, a double standard for leadership evaluation occurs in organizations when it is expected that women will show more solid evidence of leadership skills than men to gain more support as capable leaders (Lyness & Thompson, 2000).

Thus, this usually makes lower status individuals less competent. As a matter of fact, evidence shows that women are less likely to be considered competent than men, even when performance results contradict the expectations (Foschi, 2000).

As shown in numerous articles on the many challenges facing female leaders, the capacity for women to seek leadership roles is severely hampered by these double expectations (Heilman, 2001; Hoobler, Lemmon, & Wayne, 2014; Lyness & Thompson, 2000).

Despite the evolution in this topic, women are still perceived as individuals with a lower status in this context. Therefore, the expectations are that they will not succeed as well as men when performing management functions.

However, once women make it to the top of organisations amid these obstacles, the double standards then give them an advantage by making them look to have additional expertise. In other words, women leaders who are able to perform successfully in the top leadership positions are considered to be particularly talented and resilient in view of the challenges they have had to meet in order to reach the top of the company (Foschi, 2000; Paustian-Underdahl et al., 2014).

Additionally, the perceivers' own level of the relevant status characteristic (e.g., whether the perceiver is male or female) might also affect the performance expectations towards others.

Thus, evidence shows that men exhibited a double standard based on gender, considering men to be more able for top management and senior roles [Foschi et al. (1994)].

2.4.5 Double standards in family business

It is expected that the paradigm of double standards to be lower in a family business. Family businesses tend to admit more women in senior roles. Since family businesses already have more women in senior positions than non-family businesses, this in turn generates a virtuous cycle because these women become role models for new generations (Ernst & Young, I.C. Chadwick, A. Dawson Journal of Family Business Strategy 9 (2018) 238– 249 240 2015).

Thus, it is expected that the double standards model will have less impact on family business than nonfamily businesses.

2.4.6 Women in corporate boards and corporate social responsibility

Physiologist research suggested that female directors tend to have sights that are more aligned with corporate social responsibility values. As a matter of fact, women tend to feel more responsible for the others wellbeing (Gilligan, 1982) and be more concerned with social responsibility aspects (Backhaus, Stone, & Heiner, 2002).

Furthermore, women tend to hold more advanced degrees, which is also related with their multiple perspectives in the performance of a company and subsequent corporate social responsibility sights (Elm, Kennedy, & Lawton, 2001; Rest & Narvaez, 1994). Women directors also tend to be more engaged in philanthropic activities and to be more concerned with the community issues than men (Hillman, Cannella, & Harris, 2002; Singh, Terjesen, & Vinnicombe, 2008). Therefore, they bring different perspectives to the company's performance outcomes, with a larger focus on the influence of relevant groups in the community (Hillman et al., 2002: 749).

Corporate social responsibility can be measured trough indicators such as the reduction in fraud (Rodgers et al., 2015) and company transparency (Hughey & Sulkowski, 2012); the grant of donations to social causes (Pyo & Lee, 2013); among others.

Research indicate a positive relation between the assumption of corporate positions by women and the corporate social responsibility factors.

On the one hand, evidence shows that female directors tend to be more aware of the environmental concerns, including the efficient management of water resources (Alonso-Almeida, 2012); the reduction in carbon emissions (Haque, 2017) and the decline in environmental delicts (Tauringana et al., 2017).

On the other hand, female directors tend to promote more transparency, through fewer financial restatements (Abbott et al., 2012; Pucheta-Martínez et al., 2016a); less fraud (Capezio & Mavisakalyan, 2016; Lenard et al., 2017; Wahid, 2018); and more donations (Jia & Zhang, 2013; Wang & Coffey, 1992).

Finally, research also reveals that the presence of women on boards improves the efforts towards more equitability among the firm, namely in the compensation and participation fields (Adams & Ferreira, 2009).

Thus, women tend to manage business assets differently than men, taking a deeper and more personal view of resources. Such behaviors are likely to have an impact on non-financial performance in organizations such as social, governance and environmental outcomes. Corporate governance research equally demonstrates how increased women's involvement on boards increases organizational initiatives to monitor and overall fair behaviors (e.g., compensation and participation; Adams & Ferreira, 2009). Based on these assumptions, we expect women leaders to bring more attention to non-financial performance than men, leading us to predict a positive relationship between the participation of women leaders in top management teams and the company's focus on non-financial performance outcomes.

However, this impact is not further enhanced in family businesses, given that these types of firms are already more inclusive and supportive of their workforce and other stakeholders, given their attention to non-financial aspects (e.g. environment and sustainability). Moreover, non-financial aspects are aligned with family businesses which aim at maintaining the firm’s family values and long-term sustainability. This is likely explained by the fact that nonfinancial goals (Habbershon, Williams, & MacMillan, 2003).

3. Limitations and Future Research

While this study focuses on the effect of female leaders in the non-financial performance family businesses, which is still the object of few researches, it accounts with limitations that need to be addressed.

The first limitation relates with the fact that in order to have a full picture of a firm’s success, financial performance factors also need to be considered. Thus, although the objective of the project was not directed towards studying the female leaders' effect on family firms’ financial performance, future research would benefit from a more complete picture of the firm's metrics to be representative. The downside of including financial metrics is that this type of metrics could stand out against the non-financial performance metrics, which was not the purpose of this study.

Secondly, this project does not account for real data, collected among family and non-family businesses. Due to the coronavirus pandemic, the collection of data has become difficult. Thus, the rules for the dissertations have changed and included the suspension for the need to present the data-related sections (e.g. data-related methodology, results, and discussion). The conclusions achieved would obviously be emphasized by a proper sample of companies and consequent testing.

The third limitation is the fact that the impact that female leaders have on non-financial performance according to the family firms' characteristics, for instance the firm's industry, size, age, country, among others, was not addressed. On the one hand, non-financial performance factors are more determinant for some firm's success than for others, according to their characteristics. On the other hand, women will be more represented in some firms as leaders than in others, according to the company's characteristics. Thus, the conclusions reached will depend on particulars, which were not accessed in this project.

The fourth limitation is related with the previous one and traduces into the fact that, although this project concludes that women are usually chosen for board positions instead of management positions, it does not differentiate in which different leadership positions women tend to impact non-financial performance. Further research should be able to distinguish between management positions; other executive positions; board positions; other non-executive positions; among others.

Finally, the fifth research consists in the lack of theoretical framework regarding the presence of women within family businesses. The project assumes that women are more represented in family businesses, based on the few existing research. Thus, this type of firm would seem to be more suitable for the objective of the study. However, the conclusions achieved regarding the impact of women in non-financial performance do not seem to be sweeping for family businesses, against non-family businesses. Thus, further research would be beneficial to sustain the statements proposed.

4. Conclusions

After looking more deeply into the effects that women within leadership positions have on the non-financial performance in family businesses, interesting outcomes of the study were achieved.

Despite the limitations of the research, enhanced by the “Coronavirus” pandemic, some conclusions could be drawn in a field where research is still undeveloped. The key findings clearly show a positive correlation between women in leadership positions and the non-financial performance of family firms.

However, the first conclusion is that women are still underrepresented in leadership positions within all types of firms, when compared to male counterparts. Although this statistic has been evolving throughout the years, men are still the preferred choices for this type of position. Although this fact is generalized across all types of businesses, it is especially notorious within non-family businesses. As a matter of fact, family ownership is positively correlated with women within top management teams. Moreover, women belonging to the family easily become senior executives.

The second conclusion is that women are still underrepresented in leadership positions within all types of firms, when compared to male counterparts. Although this statistic has been evolving throughout the years, men are still the preferred choices for this type of position. Although this fact is generalized across all types of businesses, it is especially notorious within non-family businesses. As a matter of fact, family ownership is positively correlated with women within top management teams. Moreover, women belonging to the family easily become senior executives.

The third conclusion relates to the fact that despite more stringent requirements being required to women, they tend to have positive influence in a firm’s performance, given that they offer unique cognitive frameworks, due to their experiences and personal life, which is different when compared to their male counterparts. As a matter of fact, it is believed that women have a more emotional, relational, collaborative, and motivating leadership, which may have positive outcomes.

Also, women are believed to specially contribute for a firm’s non-financial performance, being more aware of corporate social responsibility concerns than male counterparts, such environmental issues, equitability, and transparency, among others.

This conclusion may not be as visible for family firms given that shareholders have more influence within the strategic decisions, which usually aim at maintaining the values of the family. Thus, it depends on the shareholders' group. However, it is presumable that women's participation is especially valued in companies where the shareholder's engagement and protection is higher, which is usually true for family firms. Actually, women usually enhance non-financial outcomes by benefiting from board members' individual interactions and complying with shareholders' objectives.

Thus, the final conclusion drawn is that the fact that there are women assuming leadership positions tends to be positively correlated with the non-financial outcomes of a firm, given that women are more concerned with non-financial aspects.

Although research is not conclusive on these matters, the effect exercised may be more common in family firms, given that shareholders are more protective and participative.

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