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TMT Gender Diversity in the Hospitality Industry: Insights Regarding Performance Implications

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The involvement of women in the U.S. workforce was very limited in the early 20th century, and those who worked were young and unmarried. The Census Bureau categorized that only 20 percent of women were recognized as “gainful workers” (Yellen, 2020). As the opportunities for access to higher education became more widespread and women got more educated, the involvement of both married and single women in the workforce increased. By 1930, women’s participation in the workforce reached 50 percent for single women and 12 percent for married women (Yellen, 2020). By 1970, the women employment rate reached 50 percent and 40 percent for single and married women respectively. As the status of women changed in the society and family planning facilitated controlling family size, women had more opportunities to enter the workforce and be recognized in the business environment. By the 1990s, over 74 percent of prime-working age women (25-54) had participated in the labor force (Yellen, 2020). In 2018, about 57 percent of all women participated in the workforce, and in December 2020, women held roughly 50 percent of American jobs according to the Bureau of Labor Statistics (Law, 2020).

A historical analysis of women’s employment shows that two major industries, healthcare and retail, have provided the largest employment opportunities for women. As women have gained employment, they became increasingly independent and were able to afford services that include education, healthcare, and childcare, which paved the way for them for an increasing work-life balance. Likewise, these service sectors have traditionally offered the largest employment opportunities for women typically due to the stereotyping that jobs entailing some type of “care” are more associated with women. Indeed, the historical evidence highlights the fact that jobs that are somewhat associated with the notion of “care work” are perceived feminine, undermined and underpaid (Law, 2020).

Women in senior and executive positions in hospitality industry

Women have come a long way in advancing their career paths and holding top executive positions. In 2020, the proportion of women holding senior management positions globally increased to 29 percent, a record high of female representation in senior positions (Catalyst, 2020). When it comes to top executive positions, female representation was slightly down to 23 percent (Catalyst, 2020). According to the same report, women make up 21 percent of C-Suite executives in the United States, and as of January 21, 2021, women hold 6 percent of CEO positions in the S&P 500 companies (Catalyst, 2021). While women have advanced their career through the corporate ladder and attained well-deserved executive seats, such positions are still largely dominated by male executives. For instance, in Canada, 90 percent of C-Level executive roles are held by men. Beyond the male-dominated executive teams, women also have to bear with the long-standing pay-disparity problem. Numerous industry and academic studies have shown that women are often underpaid compared to their male counterparts, and the size of pay disparity becomes more pronounced as women climb the corporate ladder. The pay disparity between male and female executives in top executive positions reaches 30 percent (Kulich et al., 2011). While the gender-pay disparity has been pervasive, the prior work has also unveiled that this phenomenon is context-specific and varies across industries (Allen and Sanders, 2002).

The hospitality industry has typically been stereotyped as one of those service-oriented “care” industries that women have found comparatively easier employment opportunities. Indeed, recent statistics support this notion. According to Julia Campbell, the founder of Women in Hospitality, women made up 55.5 percent of the workforce in hospitality in 2017 (Darioly, 2019). Yet, in managerial positions (e.g. president, partner, CEO), men significantly outnumbered women. Despite the progress made, male executives and directors in hospitality companies’ TMTs and boardrooms still dominate. A recent report by Castell Project (2021) presents that women hold 23 percent of hospitality company board seats, 22 percent of C-suite positions, and only one out of 31 CEO positions are held by women.

The Link between gender diversity in TMTs/boardrooms and financial performance

Upper-echelons theory (Hambrick and Mason, 1984) argues that TMTs have significant decision power on strategies that affect the performance of their companies and shape the future of these organizations. This theory zeroes in on the role of managerial background in having this influence on strategic choices and performance. As an important attribute of managerial background, gender has been a hotspot for management researchers. As women have made their way through senior and executive positions, and the rate of female representation has accelerated over the years, the role of women executives in improving firm performance has become a relevant interest.

Prior research studying the role of gender diversity in C-Suite and boardrooms derives their motivation from the notion of diverse perspectives, approaches, and experience women can bring upon to group processes for unorthodox issues. In the exploration of how gender diversity in TMTs and corporate boardrooms relates to performance, a number of management theories have been used as the conceptual underpinnings of the alleged relationship. Human capital theory, social identity theory, resource dependency theory, social cohesion theory, and agency theory are mostly cited among such theories (Reddy and Jadhav, 2019). For instance, human capital theory argues on the basis of the skills and talent an individual may possess and how it may relate to the individual's capabilities in contributing to organizational goals.

Resource dependence theory, on the other hand, relates the diversity in TMTs and boards to the benefits an organization may reap in the sense of potential resources and connections that diverse groups of managers and directors might offer. Particularly, the diversity of board members provides unique opportunities for firms to make connections with a large pool of stakeholders and manage their environment as well as access to talent through the connections of board members. Moreover, the diversity of board members in different aspects impose a greater deal of control and monitoring on management actions while offering TMTs with strong advisory for managerial decisions.

In respect to female representation in TMTs and corporate boards, and the effect of gender diversity on firm outcomes, there has been a considerable amount of academic research and industry analysis. The common notion in these studies is that gender diversity along with other diversity attributes (e.g. age, tenure, education, etc.) at senior positions should improve firm outcomes because of the diverse body of perspectives, ideas, and knowledge of TMT members. However, findings of related studies do not fully support these propositions and indeed exhibit a perplexing relationship. While a large stream of business research exemplifies evidence on the positive impact of female representation on firm performance, typically the size of this impact is fairly weak. Besides, a relatively large stream of research presented a negative correlation between female presentation in TMTs and boards and firm financials, a finding that is explained by the postulation that diversity impedes group decision-making due to relationship conflict (Tanikawa, Kim and Jung, 2017).

A pioneering study in this line of research was conducted by Carter, Simkins, and Simpson (2003) who studied the role of gender diversity on US boards. This groundbreaking study documented a positive association between the presence of a woman in US boards and firm value measured in Tobin's Q, which is a measure of firm performance commonly used in academic research. It is simply the ratio of the market value of assets to the replacement value of the assets. Tobin's Q ratio greater than 1 suggests that the company made value-increasing investment decisions. Subsequent studies in this line of research have been carried in different country settings and produced mixed findings regarding the direction of the impact. For instance, Rose (2007) studied Danish boards and found no association between female representation in Danish boards and firm value, Tobin's Q. Whereas in a similar study context, Campbell and Minguez-Vera (2008) reported a positive link between the female percentage of women in boards and firm value. The performance effect of gender diversity among TMTs is similar to those on boards. A recent study by Perryman, Fernando, and Tripathy (2016) provided fresh evidence of the positive effect of increasing TMT gender diversity on firm performance, measured with Tobin's Q. Controlling for known factors that might affect firms performance, the authors have documented that the greater the female executives in TMTs, the better the performance of the firm.

When the hospitality and tourism research is reviewed, it is quickly realized that the role of gender diversity in TMTs and boards on improving firm performance has been largely neglected. The lack of research on this particular domain is partly due to the inadequate evidence and observations to run meaningful statistical analysis. However, as women have progressed through the corporate ladder and attained senior/executive positions in hospitality and tourism firms, some preliminary interest has emerged in understanding the effect of increasing gender diversity in these firms' TMTs and boards, particularly related to firm outcome. For instance, a recent study by Repetti (2020) has documented gender diversity in the hospitality industry (hotels, restaurants, and firms in amusement and recreation services as used in the study) is positively related to EBIT and EBITDA, but not to Tobin's Q, ROA or ROE. A prior effort in this line of research provided similar findings. Gröschl and Arcot (2014) showed the significance of the degree of gender diversity among TMT members in hotel companies. More precisely, they outlined that female representation in TMT below 10 percent is detrimental for firm performance. The relationship becomes positive in the 10-20 percent band, and a hotel reaps the most financial benefit from gender diversity when female representation is at 20 percent level.

Beyond that level, the relationship becomes negative, which they explain by the notion that male executives start to perceive increasing women presence in TMT as a threat to their dominance, and they may be tempted to be defensive and ignorant of the contributions of female executives, which would distort the effective functioning of TMTs.

In order to increase our understanding of how different diversity attributes relate to firm performance in the hospitality and tourism industry, I ran a series of studies that aim to connect TMT and board diversity to firm outcomes. In one of these studies that was recently published in International Journal of Hospitality Management (Ozdemir, 2020), I examined the effect of board diversity on firm performance measured in Tobin's Q using the publicly traded firms in the US hotel, restaurant, and airline industries. I found evidence that hospitality and tourism companies' performance is positively associated with the board's overall heterogeneity. In terms of the economic magnitude of the suggested impact, my analysis recommends that a unit increase in board diversity index (composite diversity index that ranges from 0 to 7) leads to an 8.43 percent increase in Tobin's Q. While this particular study underlines the importance of overall board diversity, it does not specifically report any significant effect of gender diversity on firm performance. In none of the model specifications, I found a particularly significant association between increasing female representation in hospitality and tourism firms' boards and financial performance.

To study the impact of various diversity attributes of TMT members on financial performance and risk-taking, I am designing a set of related studies. In one of these studies, I particularly study the gender diversity in TMTs of hospitality companies, and how it affects firm performance measured with different performance indicators (i.e. Tobin's Q, ROA, and ROE). My analysis and sample firms for this particular study is based on available data for hotels and restaurants from the Compustat Execucomp database that contains detailed compensation information for company executives in a time-series format. The current study covers the period of 1992-2020. Data extracted from Execucomp for this period contains 55 restaurants and 12 hotels that are all publicly traded and included in S&P 1000 firms. Table 1 below presents the female representation in TMTs in the sample firms over the study period along with a short summary of executives' compensation.

Table 1. Summary Statistics

Years	TMT Size	Female Percentage	# of Female CEOs	TMT Average Comp.*	TMT Average Comp – Female*	TMT Average Comp. Male*
1992-1996	5.9	3.34%	0	1086.1	398.5	1,152.4
1997-2001	6.3	8.03%	0	1671.4	612.4	1,739.3

2002-2006	6.0	10.11%	3	2321.5	1,069.4	2,270.8
2007-2011	5.6	13.60%	17	2218.7	1,482.7	2,503.7
2012-2016	5.3	13.84%	17	2284.3	1,852.3	2,808.4
2017-2020	5.2	16.68%	10	2814.4	2,309.1	3,080.7
1992-2020	5.7	10.63%	47	2048.1	1,246.9	2,213.9

* USD thousands

It is apparent that female representation in the hotel and restaurant firms' TMTs has steadily increased over the years. The largest jump was recorded in the second half of the 1990s going from 3.34% to 8.03%. Also, in the last four years (2017-2020), there has been a noticeable increase in the women presence in TMTs of the sample companies. When it comes to occupying the CEO position, male executives largely outnumber their female colleagues. Only in 47 of the 1,045 firm-year observations was the CEO position held by women. In regard to the level and trend of compensation, there has been a steady increase in the level of the average compensation of TMT members. Also, it is quite evident male executives have earned a higher compensation compared to female executives. Part of the reason for the large pay gap can be attributed to the fact that top executives positions that pay the highest compensation are still mostly dominated by male executives. These quick descriptive statistics illustrate the progress women have made in advancing their careers in hospitality companies and stepping up to executive positions. Yet, the statistics are quite evident of a persistent male dominance in hospitality companies' TMTs.

I set out an empirical model to examine the increasing presence of women executives in TMTs on hospitality companies' performance. I use Tobin's Q, return on assets (ROA), and profit margin (PM) as performance indicators (i.e. dependent variables in the models), and percentage of female executives in TMTs (Women % in TMT) and Blau's index of heterogeneity for gender diversity (Blau's Index of GD) as primary explanatory variables. I also include a set of control variables that are priorly found to be related to firm performance in the analysis.

Out of the several regression estimations, I find a statistically significant effect of gender diversity on firm performance only for the Tobin's Q estimations. Both explanatory variables (Women % in TMT and Blau's Index of GD) have positive and statistically significant relationships with Tobin's Q suggesting that Tobin's Q increases as women's presence in TMTs increases. Quantitatively, one percent increase in the percentage of women executives in TMTs leads to a .134 percent increase in Tobin's Q. Likewise, one percent increase in gender diversity measured with Blau's Index leads to a .13 percent increase in Tobin's Q. None of the ROA and PM estimations reveal a significant association between gender diversity and these accounting-based performance indicators.

Concluding remarks

The interest on gender diversity in corporations has grown over the past few decades as women have steadily entered the labor force and advanced to key positions. Considering the benefits of diversity in the workplace, both academic and industry research has focused on understanding how increasing gender diversity relates to firms' outcomes. The knowledge regarding the role of gender diversity in top positions is still limited in the hospitality and tourism industries. Both prior research and the current study discussed in this paper show that gender diversity in hospitality companies might affect these companies' performance to some extent but this proposed effect varies based on performance indicators chosen as well as the constructs used in the analyses. In my analyses, I find Tobin's Q is the only performance measure that is responsive to increasing gender diversity in TMTs. On the other hand, prior research found that increasing women's representation (10 to 30 percent) in TMTs leads to an increase in EBIT and EBITDA (Repetti, 2020). Moreover, the economic magnitude of the positive effect revealed in my study is considerably small and hinders a robust conclusion that women's presence improves firm outcomes. This exclusive finding from the hospitality industry is in accord with a large stream of prior research that used larger samples.

While the performance improving the role of increasing women presence in TMTs/boards of hospitality and tourism firms is not crystal clear and is context-specific, there has been a clear trend that the percentage of women in these roles has steadily increased over years. This piece of information should be the focus of discussion going forward. As highlighted in scholarly and industrial research, women should hold the senior/top executive positions because gender diversity is the right thing to do not because women help derive better performance. In line with this view, future diversity research should also focus on the influence of LGBTQ members, which makes up roughly five percent of the US workforce (Skolnick, 2021), in the business environment and synergies they may bring in the firms. Sadly, the LGTBQ community has been largely neglected in the workplace for a long time and has experienced adverse workplace issues (Dupreelle et al., 2020). Yet, in recent years, the LGTBQ workforce has undergone a fundamental change in terms of workplace recognition and LGTBQ members have held senior and executive positions. Hopefully, this trend will continue in an increasing fashion in the future, and diversity and inclusion will be a top priority for companies as this is the right thing to do.

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