Women on Family Business Boards Shun Layoffs

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Modern organizations face increasing pressure to make sure women are well represented in their workforce, especially at the top. Business leaders, stakeholders, and policymakers around the world are turning their attention to having more diverse leadership at the top and eliminating the "glass ceiling" that holds women down (e.g., Eddleston & Sabil, 2019; Kirsch, 2018; Knippen et al., 2019; Woehler et al., 2021).

Traditionally, women are portrayed as highly socially sensitive and more benevolent, caring, friendly, sympathetic, and trustworthy; thus, concerned with the well-being of others (e.g., Eagly, 1987; Eagly & Karau, 2002). One would expect that having more women on boards would mean fewer practices that negatively affect employee well-being and, thus work-related stress (for instance, job insecurity). However, this isn't always the case. In particular, women in top posts striving to avoid becoming marginalized may be induced to behave more "agentically" (i.e., assertive, ambitious, striving for personal gain; Eagly, 1987; Tang et al., 2021) than women in other positions. We suspected that this might be more likely to occur in nonfamily firms, as women directors may feel pressure to support difficult decisions that could help the firm´s financial bottom line at the expense of employees.

After studying 1,014 publicly listed US firms from 2007 through 2017, we have concluded that family-run firms with women on their boards provided better employment security (fewer workforce reductions). As pointed out by Gomez-Mejia et al. (2023), employment insecurity would result in the loss of emotional attachment for family owners, and thus women on the board should help prevent that loss. Additionally, we found that this is especially true when the women board members are part of the owning family.

Prioritizing Relationships and Reputations

At family-controlled firms, female directors have the support of family owners for engaging in efforts that make the firm shine in their interactions with stakeholders and preserve their reputations in the community. As a result, female directors in family firms will be more likely to recommend employee-focused initiatives and avoid layoffs that can result in negative messages by those disaffected (such as social media posts).

Since women relatives serving on the family business board typically want to pass the business along to the next generation, they have a long-term focus. We saw that this can lead female directors to work hand in hand with family owners in nurturing long-term relationships with employees, and being more willing to voice a moral commitment to safeguarding jobs.

When we compared two types of women serving on family business boards – those who had family ties and those who did not – we saw that family board members enjoyed a more profound understanding of the emotional bonds of their companies. Indeed, we've seen that female directors with family ties are playing a pivotal role in advising and shaping strategies that prioritize the family business's nonfinancial goals. At family firms, female family directors were also more concerned with projecting a caring image to the workforce. They may have more freedom to reinforce job security so they can foster a secure workplace for the employees, whose replacement can become costly in the long term.

Similarly, the intrinsic desire of female family directors to hand over a healthy business to future generations may

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cause them to resist short-term decisions such as layoffs to avoid any potential adverse repercussions on the family's legacy and reputation within their community.

Takeaways for Family Leaders and Advisors

- Recognize the unique strengths women bring to the table, which can be especially valuable in creating a caring and secure work environment in family firms, given that workforce reductions may have negative consequences for employees, such as stress and a lack of motivation and morale.
- Female directors often play a key role in promoting job security in family firms and nurturing a positive company image, thanks to their close ties and commitments to family values and relationships with stakeholders. Moreover, female directors with family ties to the owning family seem to promote employment security in family firms.
- Encouraging a mix of voices and perspectives in leadership not only promotes fairness but can also help safeguard jobs by fostering a more inclusive and thoughtful approach to decision-making in family firms.

Having women on the board enhanced job security at family firms. In these cases, family leaders/stakeholders should actively participate in initiatives to change the board's composition more often, having a pool of directors who show greater appreciation for inclusive leadership, which seems to be positively related to avoiding layoffs. Also, family leaders/stakeholders may proactively create an inclusive workplace with the purpose of sharing ideas, which may fit better with the family's desire to boost job security and preserve family values in the company.

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Note: This commentary is based on a work in progress developed by Jessenia Davila, Luis Gomez-Mejia, Fernando Munoz-Bullon and Maria J. Sanchez-Bueno. (All authors contributed equally).