



**GENDER DIVERSITY IN TOP MANAGEMENT AND ITS IMPACT ON  
FIRM'S FINANCIAL PERFORMANCE IN THE CASE OF ETHIOPIAN  
FINANCIAL INSTITUTION**

**BY**

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**Declaration**

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the thesis have been duly acknowledged. The examiners' comments have been duly incorporated.

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**ABSTRACT**

The study has two objectives: first, to examine the impact of gender diversity in management on firm financial; second, To explore the perceptions of women and men managers of financial firms regarding the factors in the appointment of managerial position, and about women manager behaved differently compared to men in a similar position. Additional, the most essential finding for the current study - the presence of diversity in managerial position affect firm performance. Both quantitative and qualitative approaches were utilized. The sample was collect from Ethiopian in year 2005-2008. The quantitative data was taken from annual reports of the sample firms and it was analyzed using eviews version 6. Several managers were also interviewed to gain further insights and thematic analysis was utilized to analyze this qualitative data. Surprisingly, the results both quantitative analysis shows that gender diversity has positive influences on firm financial performance, which was measured by using ROA. Both women and men managers, believe that they may bring positive effect in organizational improvement, which may then enhance firm performance as a whole. This means that, gender diversity in context Ethiopian may not by itself achieve much for firm value although women managers may enhance the profitability of firms as a result of their collaborative work with management. Consequently, firms may need to carefully consider what „added value“ is likely to result from the inclusion of women in the managerial position.

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| <b>TABLE OF CONTENTS</b>  | <b>PAGES</b> |
|---|--------------|
| <b>Abstract</b> .....   | ii           |
| <b>Acknowledgement</b> .....  | iii          |
| <b>Table of contents</b> .....                                      | iv           |
| <b>List of tables</b> .....   | vii          |
| <b>List of figures</b> .....  | vii          |
| <br>  |              |
| <b>CHAPTER ONE INTRODUCTION</b> .....                               | 1            |
| <b>1.1. Background of the study</b> .....                           | 1            |
| <b>1.2. Statement of the problem</b> .....                          | 4            |
| <b>1.3. Objective of the study</b> .....                            | 6            |
| <b>1.4. Research questions</b> .....                                | 7            |
| <b>1.5. Hypothesis</b> .....  | 7            |
| <b>1.6. Significance of the study</b> .....                         | 8            |
| <b>1.7. scope of the study</b> .....                                | 9            |
| <b>1.8. Limitation of the study</b> .....                           | 9            |
| <b>1.9 Organization of the study</b> .....                          | 9            |
| <br>  |              |
| <b>CHAPTER TWO LITERATURE REVIEW</b> .....                          | 10           |
| <b>2.1. Introduction</b> .....                                      | 10           |
| <b>2.2. Concept and definition</b> .....                            | 11           |
| <b>2.3. Theories on gender diversity and firm performance</b> ..... | 13           |
| <b>2.4. Theoretical framework</b> .....                             | 19           |
| <b>2.5. Empirical reviews</b> .....                                 | 21           |

|  |           |
|--|-----------|
| 3.6. Conceptual framework.....                                     | 31        |
| <b>CHAPTER THREE RESEARCH METHODOLOGY.....</b>                     | <b>33</b> |
| 3.1. Introduction .....  | 33        |
| 3.2. Research approach.....  | 33        |
| 3.3. Research design .....   | 34        |
| 3.4. Research method .....   | 36        |
| 3.5. Research instruments .....                                    | 36        |
| 3.6. Nature and Source of data .....                               | 36        |
| 3.7. Sample design .....   | 36        |
| 3.8. Data type.....  | 37        |
| 3.9. Unit of analysis .....  | 38        |
| 3.10. Variables of the study.....                                  | 38        |
| 3.11. Models specification .....                                   | 41        |
| 3.12. Validity test.....   | 41        |
| 3.13. Method of Data analysis.....                                 | 41        |
| 3.14. Ethical consideration.....                                   | 42        |
| <b>CHAPTER FOUR DISCUSSION AND RESULT.....</b>                     | <b>42</b> |
| 4.1. Introduction.....   | 42        |
| 4.2 Quantitative analysis.....                                     | 42        |
| 3.2.1. Descriptive Analysis of the variables.....                  | 42        |
| 3.2.2. Diagnostics tests of classical linear regression model..... | 45        |
| 3.2.3. Regression Analysis .....                                   | 48        |
| 3.2.4. Quantitative Discussions.....                               | 50        |

|  |    |
|--|----|
| 4.3. Qualitative analysis.....   | 51 |
| 3.3.1. Does gender matter in the appointment of board members? ....                          | 52 |
| 3.3.2. Do women directors behave differently from men directors? ...                         | 58 |
| 3.3.3. Does the presence of gender diversity in management affect firm<br>Performance? ..... | 60 |
| 3.3.4. Qualitative discussion.....   | 62 |
| 4.4. Results from the mixed methods.....   | 64 |
| <br>   |    |
| CHAPTER FIVE CONCLUSIONS AND SUGGESTIONS.....  | 65 |
| 5.1 Introduction.....  | 65 |
| 5.2 conclusions drawn from findings.....   | 65 |
| 5.3. Suggestions for future research.....  | 67 |
| <br>   |    |
| Reference  |    |
| <br>   |    |
| Appendix   |    |

| <b>LIST OF TABLES</b>   | <b>PAGE</b> |
|---|-------------|
| <b>Table: 2.1. Advantages and drawbacks derived from gender</b> ----- | 29          |
| <b>Table: 3.1. Descriptive statistics</b> -----                       | 43          |
| <b>Table: 3.2. Heteroskedasticity Test</b> -----                      | 45          |
| <b>Table: 3.3. Breusch- Godfrey test</b> -----                        | 46          |
| <b>Table: 3.4 multicollinearity test</b> -----                        | 47          |
| <b>Table: 3.5. Significant test</b> -----                             | 49          |

| <b>LIST OF FIGURES</b>                                   | <b>PAGE</b> |
|--|-------------|
| <b>Figure: 2.1. Theoretical framework</b> -----          | 20          |
| <b>Figure: 2.2: Conceptual framework</b> -----           | 31          |
| <b>Figure: 3. 1 Sequential Design of the study</b> ----- | 33          |
| <b>Figure: 3.1. Normality graph</b> -----                | 47          |

## CHAPTER ONE

### INTRODUCTION

#### **1.1. Background of the study**

The increase in workforce gender diversity has attracted the researcher's attention. One reason behind this attention on the gender in top management is that women representation in top management is still very low despite the fact women may increasingly possess the same relevant skill and qualification as men (Smith, N. & Verner, 2005). Workforce diversity is a function of the similarities and differences among employee in such characteristics as age, gender, ethnic heritage, physical ability or disability, race, and sexual orientation (Lynn M. Shore (2009). Managers of diverse workgroups need to understand how their members' social conditioning affects their beliefs about work, and must have the communication skills to develop confidence and self-esteem in their employees. Managing a diverse work force is not easy but effectively integrating diverse work forces can produce a competitive advantage by using individual and group differences to enhance creativity and synergy (S. Shaiahan and Linu S 2004 p.268)

The effect of board gender-diversity has been previously explored in a number of contexts. In particular, a question arises whether different gender compositions in an organization's workforce will impact individual, group, or organizational level performance. Diversity in gender, race ,ethnicity and viewpoints can provide companies with some benefits including additional knowledge, fresh ideas and insights to aid problem solving , better product positioning enhance strategic planning, new knowledge or opinions and even additional accountability (Arfken , Bellar , &Helms , 2004)

Daniela F (2009) defines „Gender diversity as the degree of heterogeneity in gender that characterizes a work and it always involves a gender-specific minority and majority. A work team has gender diversity when it is characterized by a female or a male minority“

As women have continued to make inroads into domains traditionally dominated by men, attention has focused on the relatively small number of women in management positions in large corporations. Traditionally women assumed as they were not born to lead rather their major duties are considered to be support and nurturing than leading and directing large organization. But now a day there are few women across the world who broken this old assumption and they have registered good leadership competency both in business and in political area. However, the number of women participation in decision making (in top hierarchical rank) lower than men. Different studies result shows that the participation of women decreases when the organizational hierarchies increase from bottom to top. Mostly women involve in lower level of job like expert, secretary, clerk, cleaner and etc...

Women continue lack access to power and leadership compeered with men. Different research result indicates that in every country of the world especially in developing country the number of women holding managerial position in any organization is low. Even now women represent a larger proportion of the world's labor force; their share of top positions remains surprisingly low. Elizabeth H. and Julie A. (2009) Glass Ceilings in Corporate Law Firms concluded the female disadvantage is greater at higher levels of organizational hierarchies has implications for policy interventions aimed at increasing women's presence among organizational leaders.

According to a Grant T (2009) international business report, the global average for female representation in top management in private sector businesses was 24% in 2009, the percentage of female directors in Australia, Canada, Europe, and South Africa in 2006 was approximately

8.7%, 10.6%, 8%, and 11.5% ,respectively (Adams & Ferreira, 2008). These figures reveal that the ratios of female to male board members in these countries are roughly 1:9, 1:10, 1:8, and 1:12 respectively. The 2010 CIA world fact book report an average world male to female population ratio of roughly 1:1. Evidently, the prevalent global corporate management and board structures, together with the aforementioned country examples of male to female board member ratio deviate drastically from the equality ratio of 1:1. This signals the need to correct gender imbalances in organizations' top ranks and remove to barriers to the promotion and appointment of women to top managerial positions in order to achieve greater gender diversity.

The research outcomes of Abraham B (2010) in case of five Ministry office in Addis Ababa the gender approach allows for clarification of the roles commonly associated with being male or female in public and in private life, and provides a basis for identifying differences and inequalities between women and men in responsibilities assigned, activities undertaken, access to and control over resources as well as decision- making opportunities

In Addis Ababa civil service in public organization the number of women participation 16% in top manager, 20% in vice manager, 17% group leader and 21% in parliament (Addis Ababa city administration women and children affair office 2010 report) indicates that the number of women in decision making position less than man. This is not surprising, especially in a developing country such as Ethiopia, and is supported by the cultural factors and legal norms which still prioritize the existence of men in business and political fields.

However, in Ethiopia relatively large number women are assuming leadership roles in finance sector today than before but each company of a sector has different diversity of gender diversity through their managerial position. Consequently, it is interesting to examine whether the composition and the diversity of managerial position has an effect on the team effectiveness as measured by firm performance. The present study is motivated by the divergence in results about

the link between gender diversity and firm performance (for example Bohren & Strom 2006; Campbell & Vera 2008; Lineo Lehobo 2011, Smith, Smith & Verner 2006). Given that past empirical studies have found differences in the impact of board diversity on firm performance, this study focuses on testing hypotheses about the relationship between gender diversity in top management and firm financial performance. Further, the study presents results from a qualitative study through interviewee of both women and men managers regarding the role they play in enhancing firm performance. The purpose of the qualitative study was to throw light on the relationship between diversity and performance so as to enhance the understanding of the link between these two constructs in case of Ethiopian financial institution.

## **1.2. Statement of the problem**

Several researchers have examined the trend and the impact of the change in workforce diversity, especially in the top management level, on business performance (see for example Terjesen & Singh 2008; Dejardin 2009). In particular, participation by women in top management is expected to have positive impact on firm performance (Robinson 2008).

However, there are also claims that diversity at top level management may create greater conflict, lower group cohesiveness, increase employee absenteeism and turnover, and lower quality and performance thus causing a decrease in the value of business (Herring 2009).

There are confusions on the relationship between gender diversity in management and firm performance, Desvaux, Devillard-Hoellinger & Meaney, (2010) research has shown two important findings. First, companies with a high score in nine well-defined organizational dimensions have higher operational margins than companies with lower scores. Second, companies employing three or more women in senior executive positions score more highly in these dimensions than companies without senior-level women. Gender diversity has both a

positive and a negative influence on the team effectiveness of technical research teams (Daniela Frau (2009). Participation by women in top management is expected to have positive impact on firm performance (Robinson 2008). Also Billing & Alvesson (2000) argued that the presence of women on boards impacts positively on firm performance. It is because women board members more often contribute interactively to build connections with others involved in the conversation to encourage participation, to share power and information, to create new idea, to see the issues in different direction, to enhance other people's self-worth, and to get others excited and energized about their work.

However, there are also claims that diversity at top level management may create greater conflict, lower group cohesiveness, increase employee absenteeism and turnover, and lower quality and performance thus causing a decrease in the value of business (Herring 2009). Bohren and Strom (2006) and Adams and Ferreira (2009) find that gender mix in the management is negatively related to firm financial performance due to the lack of cooperativeness between men and women board members, and more time consumed in making decisions. Sabine Kiefer (2005) , P.A. Tibben (2010) concluded that there is an inverted U-shape curvilinear relationship between top management team diversity and firm performance. When top management team diversity is lower than the optimal amount of diversity the appointment of a top manager that increases diversity is seen as positive relation. However, the financial effects of an increase in diversity are negative when the top management team diversity is equal or higher than the optimal amount of diversity.

In our country women have only recently been actively involved in the workplace with very few women at top management position. The progress is very slow, and the contribution of these women to company financial performance is not known.

Therefore, the results gains from the current study may add and strengthen the literature on the link between the two constructs, and it fills the gap by providing a more comprehensive methodology and covering the aspects that have not been widely covered previously gender diversity in management and impact on firm's financial performance in finance sector of Ethiopia.

### **1.3. Objectives of the study**

#### **1.3.1. General objective**

The main purpose of this study will examine the effect of gender diversity in management on firm's financial performance in case of Ethiopian finance intuition.

#### **1.3.2. specific objective**

To explore the perceptions of women and men managers of financial firms in order

1. To identify the internal and external factors those affect the appointment of managerial position
2. To analyze whether men and women behave differently in leadership roles,
3. To understand the perception of women and men managers regarding the relationship between gender diversity and firm performance

Specifically, the specific objective is aimed to throw further light on the conclusions arrived from examination of the main objective.

### **1.4. Research questions**

Based on the above research objectives the following research questions are formulate

1. Does gender diversity in management influence the financial performance of Ethiopian financial institution?

2. What are the internal and external factors those affect the appointment of managerial position?
3. Do women managers behave different leadership style from men managers?
4. What are the perception of women and men managers regarding the relationship between gender diversity in top management and firm performance?

The first research question is clear and requires a quantitative approach since they seek to discover if a relationship exists between gender diversity in top management and firm financial performance. The second , third, and the forth research questions require a qualitative inquiry because it asks about the perceptions of managers and involves interpretation of their perceptions.

### **1.5. Hypothesis**

It is often described as an attempt by the researcher to explain the phenomenon of interest. Hypotheses can take various forms, depending on the question being asked and the type of study being conducted (Geoffrey Marczyk, David DeMatteo and David Festinger 2005) Research questions one is a quantitative approach since they seek to discover if a relationship exists between gender diversity in management and firm performance. For the quantitative approach the following two hypotheses are developed.

Ha: Gender diversity in management (as measured by Blau index) has a positive impact  
On firm financial Performance (as measured by Return on Assets).

H0: Gender diversity in management (as measured by Blau index) has no impact on  
firm financial Performance (as measured by Return on Assets).

### **1.6. Significance of the study**

The Ethiopia government has started to move toward the realization that the involvement of women in all aspects of life, including in the business area, should be increased and elevated. So, the results of this research will disseminate in the public domain, there must be contesting comments in many areas in making sense of whether it is good or not to give access to women in managerial position as there is a possibility that women decrease the financial performance of organizations.

Furthermore, efforts and encouragements have been made by the Ethiopian government to enhance the status and the role of women to achieve gender equality at the local and national levels. Therefore, research related to gender equality and women empowerment in Ethiopia is required to support the government's efforts to exercise gender mainstreaming programs to maximizing the achievement of national development program and encourage economic growth.

Currently every organization are not that mach worried about the number of female and male managers in their organization how much women and men appointed in managerial position they give equal opportunity in management (decision making) position for both women and men based on the firm advantage. Now a day there is little number of women in managerial position.

In 72 firms of financial intuition the board of directors and executives management was dominated by men. Mean that there is less or no gender diversity in top management.

After understand the result of this study result there is a positive relationship between gender diversity and firm performance. So the firm gives equal opportunity for both sexes because diversity management teams have greater impact on financial performance.

### **1.7. Scope of the study**

The study was conducted by taking all Ethiopian banks and insurance form financial institution which have at least five years from establishing. For interview selected managers who have at least five years experience on managerial position. This research was indicating gender diversity in Board of Directors and the executive managers and any conclusion is with regard to impacts of gender diversity in decision making.

### **1.8. Limitations of the study**

The research was not include impact of gender diversity in workforce rather this research was consider gender diversity in management. There are six dimensions of diversity these are race, gender, age, disability, sexual orientation, and national origin (Lynn M. Shore et al. (2009) among those dimensions of diversity this study analysis only the effect of gender diversity on firm performance. The study was conducted only the financial institutions, it was not included other sectors. The study was also limit on financial performance not considers other types firm performance like that of social and environmental performance of firms. The limited number of firms interview participants (because of difficulties in getting access to meet the managers) also contributed to the decreased richness of information analyzed in the qualitative part of the study.

### **1.9. Organization of the study**

The rest of the thesis is presented as follows. Chapter two reviews of related literature, chapter three about methodology of data collection and analysis of collected data by using different statistical models and the fourth and the fifth chapter will bring this study to an end with summary, conclusion and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter presents the concepts and theoretical perspectives adopted for the study. It includes the definitions of gender and diversity analysis, gender diversity in management and the main advantages and drawbacks associated with gender diversity. And also definitions firm financial performance and the descriptions of the theories used to explain the relationships between the two constructs. Social Role Theory apply to the women managers leadership style regarding the roles they play in enhancing the financial performance of firms while process theory (Similar-Attraction-Theory and Social Categorization Theory) and Resources Theory are used to define the relationships between gender diversity in management and firm financial performance. The theoretical framework is presented as a summarized form.

This chapter also reviews the previous research that has examined the link between gender diversity in management and firm performance. Reviews of prior studies on the arguments for and against gender diversity in management and its impact on firm performance and, review research analyzing the relationship between gender diversity in management and firm financial performance which consist of positive, negative, curvilinear, and even no relationships;

The primary purpose of a literature review is to help researchers become familiar with the work that has already been conducted in their selected topic areas (Geoffrey Marczyk, David DeMatteo and David Festinger 2005).

## **2.2. Concept and definition**

### **2.2.1. Gender and diversity analysis**

Gender and diversity analysis takes into account cultural, social and economic differences between men and women and between diversity groups to ensure that:

- ✓ Potential impacts of policies, programs, and legislation on men and women and on diversity groups are identified;
- ✓ Existing and proposed policies, programs, and legislation have intended and fair results for men and women and on diverse groups.

Diversity refers to those who self-identify their membership based on a collective experience. It is possible to belong to several diversity groups, for example to be a member of a visible minority and to have a disability. Diversity groups can include, but are not limited to, persons with disabilities, members of visible minorities, Aboriginal peoples, and groups identified by sexual orientation.

Gender and diversity analysis is an ongoing process that analyzes new information, considers how gender roles and diversity groups are changing or remaining the same.

This approach considers how gender and diversity intersect with other socio-economic factors such as poverty, education levels, cultural traditions, language, rural or urban location, etc

### **Gender diversity in management**

The term „diversity“ is generally used to catch all matters of difference in the workplace including differences in social identities, such as gender, race, ethnicity, sexual orientation, class, nationality, and religion, and differences in organizational groups, such as functional or educational background and tenure, and differences in individual characteristics such as

idiosyncratic attitudes, values, cognitive styles, and preferences (Ely and Foldy cited in Ely, Foldy & Scully 2003). Gender diversity also refers to consideration of the different skills and potentials of women and men as equal resources (Walter n.d.; Ely and Foldy cited in Ely, Foldy & Scully 2003). In the context of the working environment, gender diversity refers to the proportion of men and women in the workplace that may affect the way people communicate and work with each other in that area, and influence the organization's performance (Herring 2009). Specifically, gender diversity in the context of management refers to the presence of women in managerial position (Dutta & Bose 2006). The definition provided by Dutta and Bose (2006) has been used for the current study.

### **2.2.2. Financial performance**

The definition of firm performance could vary, depending on the context of its use (Marimuthu, Arokiasamy & Ismail 2009). firm performance includes financial performance and non financial performance. To measure firm financial performance, accounting-based and market-based calculations are used. While non financial performance in the current study refers to a firm's social and environmental performance which is measured using the proxy of firm social and environmental disclosure in the firm's annual report (Yeney Widya Prihatiningtias (2012). Only firm's financial performance will use in this research.

Firm financial performance is generally defined as a measure of the extent to which a firm uses its assets to run the business activities to earn revenues. It examines the overall financial health of a business over a given period of time and can be used to contrast the performance of identical firms in similar industries or between industries in general (Atrill et al. 2009). The main source of data for determining firm financial performance is the financial statements, the product of accounting, which consists of the balance sheet which shows the assets, liabilities and equities of

a business, the income statement that records the revenues, expenses and profits in a particular period, the cash flow statement which exhibits the sources and uses of cash in a period, and the statement of changes in the owners' equity that represents the changes in owner's wealth. Firm financial performance is commonly reflected in the calculation of financial ratios that show the link between numbers in the financial statements. The financial ratios may include the computation of the profitability, efficiency, liquidity, gearing, and investment of a particular firm. Moreover, firm financial performance generally may also be reflected in market-based (investor returns) and accounting-based (accounting returns) measures (Griffin & Mahon 1997). However the current study use accounting-based measures, including profitability, efficiency, liquidity, gearing, and investment ratios, are calculated using the figures from the financial reports and may represent a firm's financial performance. According to Atrill et al. (2009), the ratios that may be utilized to calculate the firm's profitability are the return on assets (ROA), return on equity (ROE) and return on investments (ROI). These ratios express the success of a firm in generating profits or returns from the resources owned.

### **2.3. Theories on gender diversity and firm performance**

Several theories that one can draw upon to explain the association between gender diversity in management and firm performance are discussed in this section. The roles of female managers, as well as the effect of gender diversity in management and its effect on firm performance, are described in the theories. Social Role Theory is specified for the roles of women managers on enhancing firm performance while, process theory (Similar-Attraction-Theory and Social Categorization Theory) and Resources Theory are particularly used to define the relationship between gender diversity in management and a firm's financial performance. The theoretical framework is established based on these theories and is presented in the last part of this section.

### **2.3.1. Social Role Theory: Gender Stereotypes.**

Considerable research has been conducted on gender stereotypes in the leadership domain. Smith, Matkin and Fritz (2004, p. 57-58) had tried to show how the perceptions of subordinates affect the performance of their leaders. According to these authors, these stereotypes have a significant influence on how potential performance of male and female leaders is perceived by followers regardless of the number of men or women that match the masculine or feminine stereotype. There is a significant amount of research specifically examining whether there are different stereotypes for male and female leaders exhibiting more traditional styles of leadership such as initiating structure and consideration. According to Rasdi, Ismail and Uli, (2003) the distinction between socially constructed male and female, masculine and feminine, is not something people are, whether they are men or women, but it is the gender relations between men and women and something they do at work, and in this case in management. Therefore, gendered structure reflects and reinforces prevailing conceptions of masculinity and femininity. However, Acker (1992) cited in Rasdi, Ismail and Uli, (2003) suggested that gender may be deeply hidden in organizational processes and decisions that appear to have nothing to do with gender. In general, studies “have continued to show that the „agentic” stereotypic male qualities (e.g., competitiveness, daring, assertiveness) are more aligned with stereotypic views of managerial roles, versus „communal” stereotypic female qualities (of kindness, supportiveness, and affection)” (Vecchio, 2002, p. 652 cited in Smith, Matkin and Fritz, 2004 ). According to Eagly and Johannesen-schmidit (2001, P. 785):

Agentic characteristics, which are ascribed more strongly to men than women, describe primarily an assertive, controlling and confident tendency for example, aggressive, ambitious, dominant, forceful, independent, daring, self-confident and competitive. In employment settings, agentic behaviors may include speaking assertively, competing for attention, influencing other, initiating

activity directed to assigned tasks, and making problem focused suggestions. Communal characteristics, which are ascribed more strongly to women than men, ascribe primarily concern with the welfare to other people for example affectionate, helpful, kind, sympathetic, interpersonally sensitive, nurture and gentle. In employment settings, communal behaviors include speaking tentatively, not drawing attention to oneself, accepting others' direction, supporting and soothing others and contributing to the solution of relational and interpersonal problems.

A meta-analysis by Eagly and Carli, (2003) found out that female leaders were evaluated slightly more negatively than male leaders in studies in which differences could only be due to the subjects' stereotypes or biases of leaders. Eagly and Karau (2002) cited in Eagly and Carli (2003) suggest that there is a perceived incongruity between the female gender role and typical leader role. They posit that this incongruity creates prejudice towards female leaders. Eagly (1987) discusses "Social Role Theory" as a means to better understand how gender roles (consensual beliefs about the attributes of women and men) and social roles (socially shared expectations that apply to persons who occupy a certain social position or are members of a particular social category) interact to produce sex differences in social behavior. Applied to leadership, this theory says that leaders occupy roles defined by their specific positions in a hierarchy and simultaneously function under the constraints of their gender roles (Eagly and Johannes-Schmidt, 2003).

**Femininity and Masculinity.**

Femininity and masculinity or one's gender identity (Burke, Stets and Pirog-Good 1988; Spence 1985, cited in Stets and Burke) refers to the degree to which persons see themselves as masculine or feminine given what it means to be a man or woman in society. Femininity and masculinity are rooted in the social (one's gender) rather than the biological (one's sex). Societal members decide what being male or female means (e.g., dominant or passive, brave or emotional), and males will generally respond by defining themselves as masculine while females will generally define themselves as feminine. Because these are social definitions, however, it is possible for one to be female and see herself as masculine or male and see himself as feminine. From a sociological perspective, gender identity involves all the meanings that are applied to oneself based on one's gender identification. In turn, these self-meanings are a source of motivation for gender-related behavior (Burke 1980). A person with a more masculine identity should act more masculine, that is, engage in behaviors whose meanings are more masculine such as behaving in a more dominant, competitive, and autonomous manner (Ashmore, Del Boca, and Wohlers 1986, cited in Stets and Burke). It is not the behaviors themselves that are important, but the meanings implied by those behaviors. Beginning at birth, the self-meanings regarding one's gender are formed in social situations, stemming from ongoing interaction with significant others such as parents, peers, and educators (Marinova, 2003). While individuals draw upon the shared cultural conceptions of what it means to be male or female in society, which are transmitted through institutions such as religion or the educational system, they may come to see themselves as departing from the masculine or feminine cultural model. A person may label herself female, but instead of seeing herself in a stereotypical female manner such as being expressive, warm, and submissive. She may view herself in a somewhat stereotypically masculine fashion such as

being somewhat instrumental, rational, and dominant. The point is that people have views of themselves along a feminine-masculine dimension of meaning, some being more feminine, some more masculine, and some perhaps a mixture of the two. It is this meaning along the feminine-masculine dimension that is their gender identity, and it is this that guides their behavior.

### **2.3.2. Process Theory**

The basic premise underlying process theory is that diversity influences group processes, like communication or conflict. In turn these group processes do influence strategic decisions and performance (Williams & O'Reilly 1998:83, Jans 2004:5). The theory rests on two major findings which have been shown in empirical studies as influential factors. On the one hand is the "Similar-Attraction-Theory" (Schneider 1987) and on the other hand is "Social Categorization Theory" (Turner 1987). The similar attraction thesis suggests that people are on their personal attributes attracted to an organization on the basis of the organization's "character" (i.e. structure, culture, strategy). Furthermore, organizations tend to choose the people who fit best to their organization's character. This selection increases homogeneity within employees, especially homogeneity at the upper management level (Schneider 1987, Schneider et al. 1998:463). On the basis of attraction of similarity, diversity must be assumed as being a disruptive factor which negatively influences group processes and outcomes (Williams & O'Reilly 1998:83, Gebert 2004:186, Jans 2004:5).

Social categorization refers to "*a process of thinking about someone as a member of a meaningful social group*" (Stangor 2004:112). Social categorization can thereby be based on various characteristics including also demographics. These characteristics help to build on a social identity that refers to others in terms of in-group-members (a group we belong to) and out-group-members (a group we do not belong to). If social categorization occurs between groups,

this should positively influence the within group process. However, social categorization can also occur within a group (e.g. among racial characteristics). As people prefer to interact with people who belong to their in group, social categorization within a group is likely to affect a group's interaction negatively. Out-group-members are seen with suspicion and mistrust. If people prefer to interact with people that they define as in-group members and if demographics are a possible characteristics on which social identity builds upon, then diversity within the team should enhance social categorization and lead to a negative group process

(Gebert 2004:186).

Both similar-attraction and social categorization theses emphasise that increasing heterogeneity within teams will influence group processes negatively. As a result, performance should also decrease.

### **2.3.3. Resources Theory**

In contrast to the above is resource theory, which is sometimes titled as "Information and Decision Making Theory" (e.g. Williams & O'Reilly 1998). The supporters of this theoretical approach suggest that based on resources, a positive impact of diversity on performance can be expected. Resources are thereby seen in terms of the general understanding of "human capital". Moreover, diversity itself is interpreted as a major resource. Demographic diversity is assumed to be directly related to gender diversity.

As a result, demographic diversity within a team should also lead to an increased amount of cognitions, skill abilities, information and knowledge (Williams & O'Reilly 1998:87, Jans 2004:4). With reference to Hambrick & Mason (1984), one can argue that it increases the variation in the cognitive bases. If information is added as diversity increases, this should also lead to better decisions and better performance than in homogeneous groups (Jans

2004:4). In a long research tradition, it has already been stated in the resource-based approach that “*the heterogeneity of resources suggests the uniqueness of a firm and a source of competitive advantage...*” and “*...top management resources may be an important source of rent generation*” (Mahoney 1992:126-127).

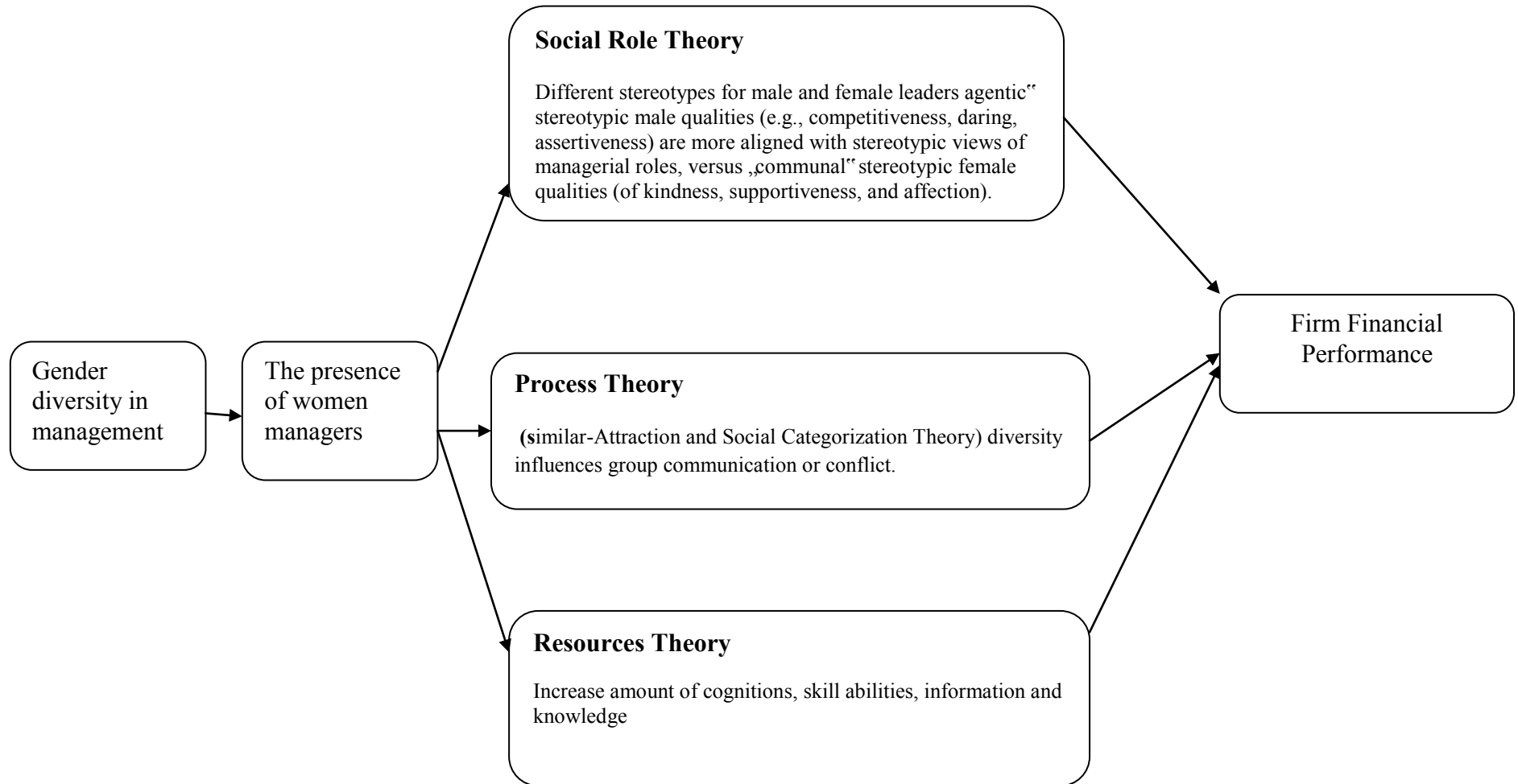
Diversity is in the light of resource theory seen as a positive factor, which increases diversity. Diversity leads, therefore, to an increase of group processes, like communication. This should lead to better decision making and increased firm performance.

Both process and resource based theories referring to diversity types over and above demography. Those theories will apply to the current research because gender diversity is a subset of demographic dimension of diversity (Rebone Edith Matlala 2011)

#### **2.4. Theoretical framework**

To summarize the theories used in this study to understand the relationship between gender diversity in top management and firm performance, a theoretical framework is presented in Figure 3 on the following page.

**Figure: 2.1. Theoretical framework: Gender diversity in management and firm performance**



*Source: Modified from Yenev Widya Prihatiningtias (2012)*

## **2.5. Empirical reviews**

### **2.5.1. Gender and leadership style**

Various studies were carried out to understand the difference between male and female managers on the job. Some studies show that similarities between male and female managers are more common than their differences. P. Hare Koenings and E. Hare (1997) in their research on “the perception of observed and model values of male and female managers” indicate that male and female managers have the same value system. Later on the existence of differences between male and managers have been revealed by many researchers and they have been trying to explain those differences in terms of leadership emergence, leadership style, effectiveness, speed of advancement to higher managerial positions, and the like. For instance the works of Eagly and Schmidt (2001), Eagly and carli (2003), Druskat (1994), Appelbaum, Audent and Miller (2003) show that male and female managers employ different managerial style: male managers employ transactional leadership style whereas female managers employ transformational leadership style.

Kulich, Ryan, and Haslam (2007) Extended prior research on the romance of leadership to men and women and examined its impact on performance-based pay. Conducted an experimental study with 210 men and women and found that for female leaders, performance related bonuses are based on charisma and leadership ability rather than performance, whereas for male leaders performance leads to increased perceived charisma and increased leadership ability, resulting in larger bonuses, implying explanations for gender pay gaps.

Wolfram, Mohr, & Schyns (2007) Investigated 81 leaders and 121 followers from 34 German organizations and found that female leaders receive less professional respect from their followers than their male leaders.

Weikart, Chen, Williams, & Hromic (2006) Explored 192 female and 192 male U.S. mayors. Results showed no real differences on policy issues, the use of power, and budget issues. However, women were more willing to change the budget process, be more inclusive, seek broader participation, and admit fiscal problems and discuss changes in their goals. Men were less likely to believe that women face gender-related barriers in leadership.

### **2.5.2. Arguments in favor of gender diversity in management**

According to Joana Marinova, Janneke Plantenga & Chantal Remery, January 2010 study about effect of Gender Diversity on Firm Perform based on evidence from the Netherlands and Denmark. They were used empirical data on 186 listed firms observed in 2007, of which 102 Dutch and 84 Danish. Of these firms, almost 40% have at least one woman in the boardroom. Within boards the average share of Women is only 5.4%. The role of women as board directors and top corporate executives in driving firm performance has become a very topical issue. Especially in the current times of economic crisis which is largely attributed to unsound risk management practices, the proponents refer in this respect to the fact that women are more risk-averse and claim that more gender diverse corporate teams will help bring the global economy back on track. Drawing on the development in organizational strategy and corporate governance over recent years, which approaches women's representation in top corporate positions as a value-driver, the hypothesis in their study is that board gender diversity will lead to positive firm performance effects.

Francoeur Claude 2008 Gender Diversity in Corporate Governance and Top Management and Financial Performance in case of 500 largest Canadian firms. Used the theoretical framework of agency theory "good" corporate governance structure as „one that selects the most able

managers and makes them accountable to investors" (Tirole 2001) and Stakeholder theory emphasizes that the organization is a part of a broader social system wherein the organization impacts on, and is impacted by, other groups within society (Deegan 2002). The author note that firms operating in complex environments, as measured by high betas, high market-to-book ratios or analysts' forecasts standard deviation, generate positive and significant abnormal returns when they have a high proportion of women officers. However, women participation as directors or as measured by a score combining their representation as both officers and directors do not generate significant excess returns. Although the participation of women as directors does not seem to make a difference as far as financial performance is concerned, firms with a high proportion of women in both their management and governance systems generate enough value to keep up with normal stock-market returns.

(Cristian L. Dezső and David Gaddis Ross December 2007) concluded that Female participation in senior management below the CEO level has a strong positive association with firm performance but that having a female CEO has a neutral or negative effect they explain that the positive effects of female participation are entirely driven by innovation intensive firms. Given the strong link between collaborative management practices and intrinsic motivation on one hand, and firm innovation on the other, their results were consistent with the proposition that female managers add value by fostering teamwork and creativity but that females may be unable or unwilling to achieve similar results as CEOs or that such positive results are unobservable in the data because of countervailing factors.

Gender diversity programs can thus help certain business goals, such as increasing productivity and attracting talented people. The second argument proposed by the authors is the positive relationship between the number of women working in an organization and corporate

performance (Desvaux et al., 2008). McKinsey has done numerous studies on the nature of this relationship. The results of the research have shown two important findings. First, companies with a high score in nine well-defined organizational dimensions have higher operational margins than companies with lower scores. Second, companies employing three or more women in senior executive positions score more highly in these dimensions than companies without senior-level women (Desvaux, Devillard-Hoellinger & Meaney, 2010).

### **2.5.3. Arguments against gender diversity in management**

There are other debates regarding the diversity in management. Diverse in management may take more time to make decisions and may experience more conflicts (Smith, Smith & Verner 2006). Even women managers do not support the inclusion of more women in management (Broome, Conley & Krawiec 2011b). In relation to the investment area, Jianakoplos and Bernasek (1998) conclude that women show relatively more risk aversion than do men which results in a lower level of personal wealth and firm financial performance in the stock market. A heterogeneous team also exhibits many communication problems and a low level of identity; hence a heterogeneous team may be dysfunctional for building a solid team (Earley & Mosakowski 2000). In conjunction with this, Williams and O'Reilly (1998 cited in Campbell & Vera 2010) claim that a heterogeneous group is less cooperative and so tends to generate more psychological disagreement.

Yet, Vinnicombe (2011) and Oakley (2000) believe that there are several stereotypes faced by women that make them kept away from the boardroom. These include deficiency of qualifications, lack of confidence, particular personal characteristics and behaviors such as less aggressive and assertive communicating styles, being women, not being involved in the political field, and women's obligations to family - especially to husbands and children. The stereotypes

then may possibly influence the way how men on decision work with women on managerial position and affect the overall firm performance. Vinnicombe (2011) objects to these ideas by providing evidence on her book “Women with Attitude” (2003) that women are raised to be confident persons by their parents so that they currently feel very assertive about their capability in doing their work. Vinnicombe (2011) also finds that women nowadays have high standards of performance and perfectionism that make motivated to get promoted in the workplace.

#### **2.5.4. Studies with curvilinear or no link between gender diversity in management and firm financial performance**

Sabine Kiefer (2005) was study about Top Management Team Diversity and Firm Performance investigating German Companies data was only available for demographic characteristics, namely age, firm tenure and top management team tenure and their distributional properties amongst the teams and on the firm performance and on environmental conditions his conclusion based on process theory and Resource theory provided condensed insights in the various effects, which can be expected, It was hypothesized that the relationship could be explained with an inverted U-shape. The relationship between demographic diversity and firm performance has curvilinear relationship instead of a linear model. The curvilinear tendency was more apparent under stable conditions.

P.A. Tibben Utrecht University 2010 was examined whether top management team diversity has a positive or negative impact on firm performance, based on evidence from 126 Western European firms during a three-year period (2007-2009). Top management team diversity was calculated as the equally weighted average of the adjusted Blau indexes on five diversity variables: gender, nationality, age, educational background, and expertise. The study was found

an inverted U-shape curvilinear relationship between top management team diversity and firm performance, measured by Tobin's Q, which indicates that there is an optimal amount of top management team diversity. This optimal amount is reached by an adjusted Blau index of 0.5240. When top management team diversity is lower than the optimal amount of diversity the appointment of a top manager that increases diversity is seen as positive. The increase in diversity leads to new insights and increases the decision quality. However, the financial effects of an increase in diversity are negative when the top management team diversity is equal or higher than the optimal amount of diversity. In this case, conflicts starts to dominate unique insights which result in a less effective decision-making process.

Ekaterina Solovyeva 2011 was concluded gender diversity in management has both positive and negative impact on firm performance. Gender diversity can improve the performance of the work group and the organization. The author answers the question why because "People are the most valuable organizational resource, and both women and men possess a number of benefits which are of value for the organization". The author also concluded his research gender diversity can also turn into a great challenge. Negative consequences of heterogeneous demographics could occur when people are much involved in gender categorization and stereotyping. It takes place because traditionally a woman had a clearly defined role: every woman was responsible for housework and childcare. Now more and more women have accessed the labor market and work together with men on equal conditions. A lot of men and even women themselves question women's abilities at work; they are victims of deep-rooted stereotypes. And gender categorization can lead to emotional conflict and negatively affect the group performance, (*Gender categorization* → *emotional conflict* → *group performance*). But he concluded that gender proportion plays an important role. In the management context, especially at higher

managerial levels, women represent a minority: the proportion of women is rather low. This means that in management, especially in top management, gender diversity could represent a more pronounced problem than at the lower work group level.

Muhammad Ali and Isabel Metz were suggested the three competing predictions of the gender diversity-performance relationship at the organizational level: a positive linear prediction based on the resource-based view of the firm that can provide a firm with a sustained competitive advantage. These resources include market insight, creativity and innovation, and improved problem-solving,, a negative linear prediction based on self-categorization and social identity theories as a result, gender diversity may produce negative group behavior, such as decreased communication (Kravitz 2003), role expectations based on stereotypes (Elsass & Graves 1997), a lack of cohesion (Triandis, Kurowski & Gelfand 1994) and cooperation (Chatman & Flynn 2001), and increased conflict among group members, and an inverted U-shaped curvilinear prediction based on the integration of the resource-based view of the firm with self-categorization and social identity theories.

The main advantages and drawbacks related to gender diversity in companies from previous evidence. Gender diversity in management is desirable from the perspective of social cohesion and is an increasingly visible trend in modern companies, from an economic perspective this diversity should not be established by itself, but should lead to an increase in corporate value. Therefore, demand for gender diversity remains quite controversial, as it involves important advantages and several drawbacks. Table: 2.1 summarize the main advantages and drawbacks associated with gender diversity. Overall, diversity may lead to an improvement in monitoring management, due to greater gender diversity and more complex and exhaustive decision-making processes. However, at the same time as gender diversity increases creativity, more complexity

in decision-making is generated, which will imply potential conflicts and a lower degree of cohesion.

TABLE: 2.1. ADVANTAGES AND DRAWBACKS DERIVED FROM GENDER

| <b>ADVANTAGES</b>  | <b>DRAWBACKS DIVERSITY</b>   |
|--|--|
| <p>Promotes a better understanding of the marketplace, thereby increasing its ability to penetrate markets (Carter, Simkins and Simpson, 2003; Campbell and Mínguez-Vera, 2008a)</p> <p>Enhances creativity and innovation inside the corporation Leads to more effective problem-solving since a more diverse board provides a wider variety of perspectives and, consequently, a higher number of alternatives to evaluate (Rose, 2007)</p> <p>May improve the quality of the directors and managers if they are selected from both genders without prejudice (Campbell and Mínguez-Vera, 2008a)</p> <p>May issue positive signals to markets –labor, products and capital markets– by providing a greater degree of legitimacy to corporations and improving their reputations (Carter et al., 2007; Rose, 2007).</p> | <p>Implies heterogeneous teams, which tend to communicate less frequently (Cox and Blacke, 1991; Watson, Kumar and Michaelsen, 1993; Earley and Mosakowski, 2000), are usually less cooperative and experience more conflicts (Tajfel and Turner, 1985; Williams and O'Reilly, 1998).</p> <p>May lead to the generation of discrepancies and less speed in the decision-making process, because the leadership styles are different among males and females (Litz and Folker, 2002, pp. 343-344; Fenwick and Neal, 2001)</p> <p>Can generate more opinions and critical questions inside heterogeneous boards that can be more time consuming (Erhardt, Werbel and Shrader, 2003; Smith, Smith and Verner, 2006)</p> |

*This table depicts the main advantages and drawbacks related to gender diversity in companies, according to the previous referenced studies.*

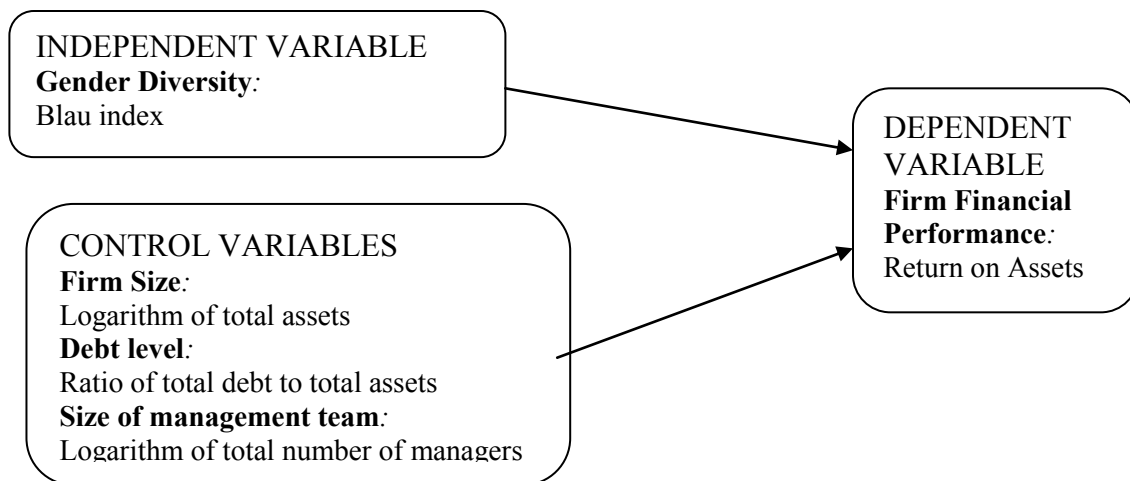
The above examples indicate that the results of gender diversity are mixed and sometimes contradictory. Some scholars concluded gender diversity has positive impact on performance and others agreed that it has negative impact on performance some authors noted there is no correlation between gender diversity and firm performance. That is why it is important to understand what factors contribute to the inconsistency of the results, about the process of gender diversity in management and the way it could affect the performance.

Therefore, this study will fill the gap by providing a more comprehensive methodology and covering the aspects that have not been widely covered previously gender diversity in management specifically in Board of Directors, the President, the Vice Presidents, Directors, Managers, Team Leaders and Branch Managers and impact on firms financial performance in finance sector of Ethiopia.

### 3.6. Conceptual framework

Based on the above theories and empirical evidence the study develop the following conceptual framework.

**Figure: 2.2. Conceptual framework**



*Source: Modified from Yenedy Widya Prihatiningtias (2012)*

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Introduction

This research used both quantitative and qualitative methods. A quantitative approach was adopted because the research aimed to test theory by examining the relationships between the variables (Hair et al. 2003; Bryman 2008; Nachmias & Nachmias 2008). Meanwhile, a qualitative methodology was also employed as the study explored sense-making by participants regarding a particular matter (Creswell 2008), to uncover information and to explore silent voices (Creswell 2007). This chapter describes both quantitative and qualitative approaches applied in the study.

#### 3.2 Research approach

The current study was mixed method research.

Mixed approach is an approach to inquire involving collecting both quantitative and qualitative data. The core assumption of this form of inquire is that the combination of quantitative and qualitative approach provide a more complete understanding of a research problem than either approach alone (Creswell 2008)

Ibid Quantitative approach is an approach for testing objective theories by examining the relationship among the variables. These variables can be measured in numbered and analyzed by using statistical procedures. So, the current study was examined the relationship among gender diversity and firm's financial performance quantitatively.

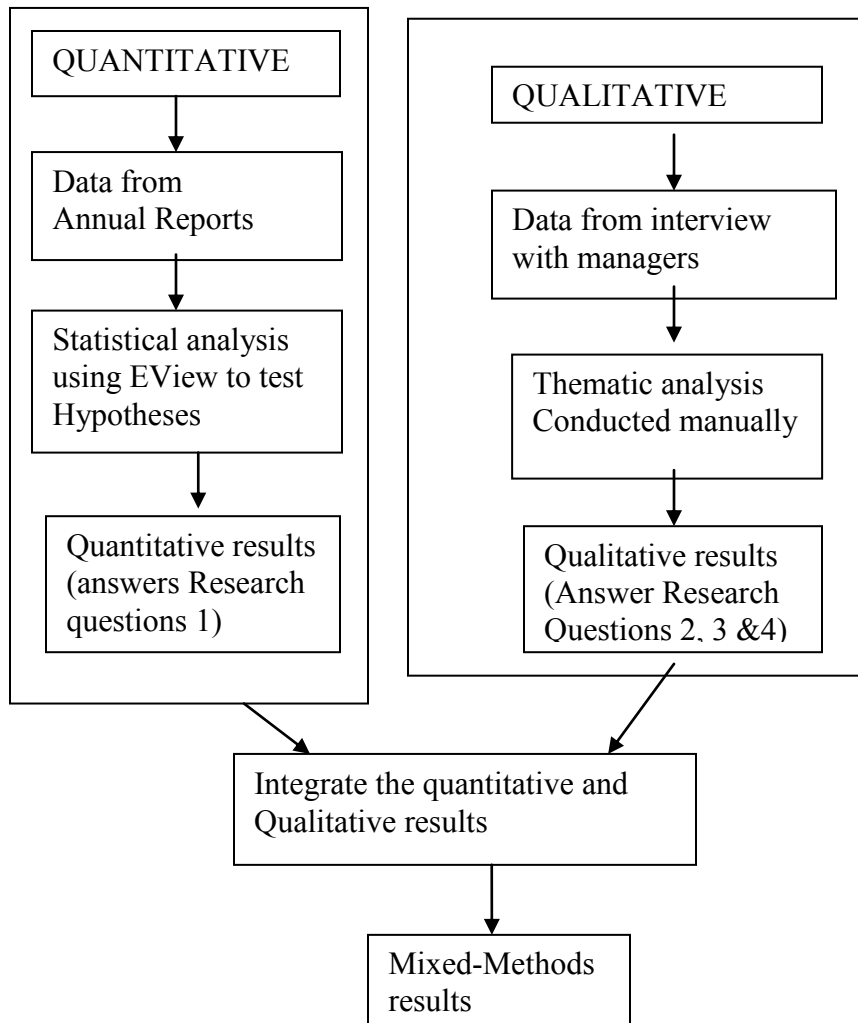
Ibid Qualitative approach is an approach for exploring and understanding the meaning individual and human problem. The current study also to understand the perception of both men

and women managers regarding with the factors that affect the appointment of managerial position, about the leadership styles of men and women managers, and the impact of gender diversity on decision making process exploited qualitatively through interviews.

### 3.3. Research design

Since, the study was used both Quantitative and Qualitative approach of investigation. It used both exploratory and explanatory type of research design. For exploratory design the researcher used in-depth interview in order to understand the perception of both men and women managers. And identifying the underlying relationships between gender diversity in decision making and firm's financial performance this indicates that explanatory research design. Figure 3.1 show that how to conduct the research.

**Figure: 3. 1 Sequential explanatory strategy of the study**



The above graph is indicating that the current study used Sequential explanatory type of strategy. Sequential explanatory strategy is characterized by the collection and analysis of quantitative data followed by the collection and analysis of qualitative data. The priority typically is given to the quantitative data, and the two methods are integrated during the interpretation phase of the study (Creswell 2010 p.24). So, mixed method research need to different procedures in order to answer how the research to be conduct. Therefore, the current study use Sequential explanatory strategy (procedures), (figure 3.1) in which the researcher seeks to elaborate on or expand the findings of one method with another method a population (Creswell 2010). This current study had been conducted sequential procedure by applying a quantitative method prior to the qualitative approach, so that the relationship between gender diversity in the top management and firm financial performance could be sought by utilizing statistical tools before conducting the interview with managers. Gender diversity was quantified by using the Blau index and the firm financial performance was measured by calculating the Return on Assets. Quantitative approach resulted in new understanding (Creswell 2008.) In terms of whether the existence of gender diversity in decision making may increase or decrease a firm's financial performance. However, the findings from the quantitative approach stopped here as this type of study was unable to supply any further explanations and supporting evidence from the objects of the research. In order to gain explanations and evidence as well as to make sense of the quantitative results, a qualitative method was required. In the context of the current research topic, questions regarding why or how any relationship between variables did or did not exist, the logic behind the phenomena, or what the perceptions of the research objects were regarding their roles in enhancing firm performance, were able to be answered by applying a qualitative approach.

### **3.4. Research method**

The study was survey type of research method that provides a quantitative or numerical description of trends attitude or option of a population by studying a sample of that population. So, the study used longitudinal type of data, such that data collect from 72 firms at four year (2008 to 2011) from Ethiopian financial institution

### **3.5. Research instruments**

The study use as an instrument at the sampling and data collection stages and to answer the quantitative research questions, only listed financial firms and the annual reports of these firms were analyzed. To observe the qualitative inquiry, several firm managers of the sample were interviewed. Next, from the quantitative data, a particular statistical tool was utilized to analyze the data, and from the interview results, thematic analysis was employed

### **3.6. Nature and Source of data**

The researcher used both primary and secondary source. For primary source used interview in order to discuss the perception of experienced managers on the factors that affect the appointment of managerial position, about the leadership styles of men and women managers, and the impact of gender diversity on decision making process exploited qualitatively. As a Secondary sources that this study was used firms four years financial report and members of management in organizational structure download from companies' websites. Additionally, articles, researches undertaken in the area as well as journals and also used on line sources.

### **3.7. Sample design**

The sample used in this study was nine (9) banks and nine (9) insurances from financial firms. The data consisted of companies in the years 2008 to 2011 (four years in a row). Because of this, the research is referred to as a panel or longitudinal study, since the data was collected over a period of time, and was summarized statistically (Hair et al. 2003). The objectives of the longitudinal research were to observe, monitor and assess variations and developments in a situation or set of variables over a given period of time, in order to provide detailed and in-depth understanding of phenomena (Hussey & Collis 2009 and Menard 2007 cited in Stokes 2011).

The years 2008 to 2011 were selected due to the availability of data required to test the hypotheses. Besides, the study was started in 2012 when the latest data available on that time was annual reports in 2011.

### **3.8. Data type**

The study has both ratio and nominal type of data. The data was collected from each company's four (4) year annual report (2008-2011) and number of women managers in Board of Directors, the President, the Vice Presidents, Directors, Managers, Team Leaders and Branch Managers in the section of Biography and background of Members in management of nine (9) Ethiopian banks and nine (9) insurance as a secondary data. This is ratio type of data. And to collect primary data the researcher was planned to Interview six (6) women managers and six (6) men managers but some managers were not agree so, asked only four (4) women managers and three (3) men managers who have at least five year's managerial experience this is nominal type of data.

### **3.9. Unit of analysis**

The study was conducted in the case of Ethiopian financial institution specially banks and insurances which were established before year 2004. From these firms take four (4) women managers and three (3) men managers who have at least five year's managerial experience

### **3.10. Variables of the study**

The study has independent variables, dependent variables and control variable.

#### **3.10.1. Independent variable**

The independent variable that used in this study is gender diversity in management and Blau index is chosen to measure the diversity because of its ability to take into account both the number of two gender categories, which are men and women, and the balance of distribution of managerial position among them (Vera & Martin 2011). The Blau index has been used in recent studies by Harrison et al. (2002), Richard et al. (2004), Campbell and Vera (2008), Sacco and Schmitt (2005), Rebene Edith Matlala (2011) and Lineo Lehobo 2011 to measure group diversity, including gender as one type of diversity, in examining its influence on organization or firm performance. Therefore, the Blau index will be appropriate to be used in the study to measure gender diversity in management. Total number management team of each firm is the sum of managers in Board of Directors, the President, the Vice Presidents, Directors, Managers, Team Leaders and Branch Managers. Gender diversity defines as numbers of women in management calculate as the proportion of women managers from total number of managers. The Blau index is then widely used in measuring diversity variables by applying the following formula (Harrison & Sin 2006):

$$\text{Blau index} = 1 - \sum_{i=1}^n p_i^2$$

Where  $P$  is the proportion of women participation in the  $i$ th category and  $n$  is the total number of managers. The maximum value of the Blau index is 0.5 if a similar number of men and women are present in management

### 3.10.2. **Dependent variables**

The dependent variable that used in this research is firm financial performance of Ethiopian financial institution. Return on assets (ROA) is the basic measure of firm financial performance that represents the association between the net profit before interest and taxation earned and the assets owned by the firm (Atrill et al. 2009).

Total assets ROA measured by Net profit before interest and tax expenses by total asset

$$(ROA = \frac{EBIT}{TA})$$

Prior studies examining the relationship between the presence of women board members and their effect on firm financial performance have also utilized ROA as the dependent variable (see for example: Hillman & Cannella Jr. 2007; Thomsen et al. 2009; Adams & Ferreira 2004, 2009; Dobbin & Jung 2011, Gregoric et al. 2009; Cabo, Nogues & Mangas 2010, Rebene Edith Matlala 2011 and Lineo Lehobo 2011)

### 3.10.3. **Control variables affecting firm financial performance**

There are number of factors that affect the firm's financial performance other than gender diversity. The analyses will control the effects of firm size, leverage, and size of management team.

Firm size, treat by total assets, is commonly used as a control variable and different studies have found that firm size positively affects firm financial performance (see for example Heenetigala 2011; Campbell & Vera 2008; Chen, Dyball & Wright 2009; Carter et al. 2007; Radlach & Schlemmbach and 2008 Lineo Lehobo 2011 In this study, firm size will be measured by the natural logarithm of total assets of the firms. The natural logarithm used to normalize the data and minimize the value of standard deviation (Hair et al. 2006).

Leverage or financial gearing is used to evaluate the gearing or long-term financial stability or solvency of a business (Atrill et al. 2009). The level of the financial gearing, usually called leverage or Debt level is essential to examine the risk faced by firms in managing loan or debt since the higher debt involves higher interest expense debt Lineo Lehobo 2011. So, leverage directly influences firm performance, it will be included as one of the control variables in this study and will be measured by the Ratio of total debt to total assets.

Size of management team that is the number of firm managers, it will also influence firm performance. According to the agency theory (Jensen & Meckling 1976), a smaller board size is preferable to efficiently and productively manage the decision making process, especially in a demanding economic situation. In this study, team size was calculated by the natural logarithm of total number of firm's management team which is the sum of managers in Board of Directors, the President, the Vice Presidents, Directors, Managers, Team Leaders and Branch Managers.

### **3.11. Models specification**

Multiple regression analysis models will be used to measure gender diversity in management and its impact on firm financial performance.

$$ROA = \alpha + \beta_1 BLAUI_{it} + \beta_2 FIRMSIZE_{it} + \beta_3 FIRMLEVERAG_{it} + \beta_4 TEAMSIZ_{it} + \epsilon_{it}$$

Where:

ROA = firm financial performance

$\alpha$  = Constant (the intercept, or point where the line cuts the Y axis when X=0)

$\beta$  = Regression coefficient (the slope, or the change in Y for any corresponding change in One unit of X)

### **3.12. Validity test**

To ensure the internal validity of the research finding, the study made use of three (3) control variables in regression analysis such as, firm's total asset, leverage ratio, and management size. These control variables are the prime factors that influence firm's financial performance. Moreover, from Ethiopian financial institution the study use sample of 72 financial firms which are more experienced and known firms, enabling the study to have external validity as finding from the study are generalizable to all financial firms.

### **3.13. Method of data analysis**

Use Correlation whether there is a relation between women participation in management and firm performance. And also use Multiple regression analysis for examine the impact of gender diversity on firm financial performance the result will indicate the impact of women participation in top hierarchical rank on firm performance and all hypotheses was tested by econometric

software eviews version 6 regression analysis models in EViews. Additionally the research used descriptive statistics and indicates the five diagnosis tests such as the average value of error term to be zero, heteroskedasity test, Breush Godfrey test, non normality and multicollinearity tests.

### **3.14. Ethical consideration**

The aim of this study was to conduct meaningful research that would possibly inform and promote the drive towards gender diversity and equality in Ethiopian financial institution. Empirical and statistical analysis of the relationship in question was considered the most appropriate methodology to use in order to draw objective unbiased conclusion.

All data in this study was kept confidential. For qualitative approach the research did not use any information which might be disadvantageous to the participant including their educational and social background, and age.

The analysis in turn, made use of all the collected data as recorded and documented in the data source, without any subjective selectivity. In the same way, the study objective measured identifying variables of interest in tasting the relationship and carried out accurate empirical data analysis without any data tampering or alteration.

## **CHAPTER FOUR**

### **DISCUSSION AND RESULT**

#### **3.1. Introduction**

In this chapter discuss both quantitative analysis and qualitative analyses through sequential explanatory procedure or strategy (figure 3.1). First analyze quantitatively in order to answer the fist research question; this includes the descriptive statistics and the analysis of panel data using fixed and random effects. The analysis of panel data is used to test hypotheses and to examine the strength and direction of the relationships between the dependent and independent variables. In qualitative analysis several main findings from thematic analysis are presented. The combination of the two analysis results, including the acceptance or the rejection of the hypotheses, are then discussed and summarized in the following sections.

#### **3.2 Quantitative analysis**

##### **3.2.1. Descriptive Analysis of the variables**

Descriptive statistics explain the primary characteristics of quantitative data acquired during the data collection process to summarize the data (Hair et al. 2003). Descriptive analysis shows the average, and standard deviation of the different variables of interest in the study. It also presents the minimum and maximum values of the variables which help in getting a picture about the maximum and minimum values a variable can achieve.

Table 3.1 presents descriptive statistics for 18 Ethiopian financial firms for a period of four years from 2008 to 2011 inclusive and for a total of 72 firm's year observations

**Table: 3.1. Descriptive statistics**

|              | GEDV     | LEV      | FIRM SIZE | MGT SIZE | ROA       |
|--------------|----------|----------|-----------|----------|-----------|
| Mean         | 0.164742 | 2.093773 | 9.023006  | 16.95833 | 0.071196  |
| Median       | 0.132653 | 1.500701 | 9.175717  | 15.00000 | 0.038419  |
| Maximum      | 0.975309 | 7.093518 | 11.00000  | 39.00000 | 0.374608  |
| Minimum      | 0.000000 | 0.000000 | 7.477734  | 9.000000 | -0.024560 |
| Std. Dev.    | 0.165822 | 1.745771 | 0.927131  | 6.316617 | 0.067936  |
| Skewness     | 3.256308 | 0.697503 | 0.105860  | 1.603035 | 1.808671  |
| Kurtosis     | 16.64465 | 2.534648 | 1.950613  | 5.995029 | 7.306388  |
| Jarque-Bera  | 685.7721 | 6.487783 | 3.438117  | 57.74727 | 94.89041  |
| Probability  | 0.000000 | 0.039012 | 0.179235  | 0.000000 | 0.000000  |
| Sum          | 11.86142 | 150.7516 | 649.6564  | 1221.000 | 5.126085  |
| Sum Sq. Dev. | 1.952282 | 216.3879 | 61.02956  | 2832.875 | 0.327684  |
| Observations | 72       | 72       | 72        | 72       | 72        |

*Source: Eviews output*

### **ROA (Return on Assets)**

The ROA reflects the profitability of firms based on accounting numbers taken from the financial reports. The ROA is a ratio of net income and total assets. On average, from 2008 to 2011, the value of ROA was 0.07%. The maximum value was 0.37% and the minimum was -0.03%. The result shows that there was a large gap in terms of accounting profitability among the firms over the analyses period.

### **GEDV (Blau Index)**

The Blau index reflects the diversity in the gender of top management. It refers to the proportion of men and women in management. From 2008 to 2011, the value of the index on average was

0.16, with a minimum value of 0 and a maximum of 0.97. The minimum value of 0 means that there were firms in which all top managers were men. When more categories are applied, the maximum value of the Blau index gets closer to one. The mean value of 0.16 indicates underrepresentation of women on the decision making of Ethiopian financial institutions.

**LEV (leverage)**

The smaller the value of leverage ratio, the more viable the firm is in terms of its ability to pay debt using its assets. When the value of the ratio is larger than one, the financial performance of the firm may be questionable since it clearly has a potential to not be able to pay the debt even after liquidating all of the assets. However, a small value of the ratio is also not a positive indicator since it demonstrates the inability of a firm to manage its assets to increase its income (Attrill et al. 2009). The mean value of the leverage ratio for sampled financial institutions from 2008 until 2011 was 2.09. The maximum value was 7.09 and the minimum was .000. From this, on average sample financial institutions, several banks and insurances were seen to have a value of more than one but many others had few debts compared to their asset

**FIRM SIZE (logarithm of total assets)**

The natural logarithm of total assets was the representation of the firm size. The value of total assets was logged in order to normalize the data so that the standard deviation was not too large (Hair et al. 2006; Baltagi 2001). The maximum value of the logarithm of total assets from 2008 to 2011 was 11.00 and the minimum value was 7.48. The mean value was 9.02

**MGT SIZE (total number of management)**

It indicate that the management size. The number of management in the current study was the total numbers of directors and executive managers of the firm. Mean value of the total number of management was 16.96, with the minimum value of 9 and the maximum of 39

### 3.2.2. Diagnostics tests of classical linear regression model

#### 3.2.2.1. Assumption one: $E(u_t) = 0$ .

This assumption requires the average values of errors to be zero. This assumption cannot be violated if the constant is included in the regression. So, for this study this assumption is assured.

#### 3.2.2.2. Assumption two: $\text{var}(u_t) = \sigma^2 < \infty$ .

**Table: 3.2. Heteroskedasticity Test**

Heteroskedasticity Test: White

|                     |          |                     |        |
|---------------------|----------|---------------------|--------|
| F-statistic         | 0.632486 | Prob. F(9,62)       | 0.7631 |
| Obs*R-squared       | 6.185822 | Prob. Chi-Square(9) | 0.7212 |
| Scaled explained SS | 17.68681 | Prob. Chi-Square(9) | 0.0590 |

*Source: Eviews output*

The above table display, three different types of tests for heteroscedasticity. The test statistics give the information used to determine whether the assumption of homoscedasticity is valid or not. In this case, both the  $F$ -,  $\chi^2$  („LM“) and Scaled explained SS, versions of the test statistic give the same conclusion that there is no evidence for the presence of heteroscedasticity, since the probability is above 0.05, we fail to accept the null hypothesis of heteroskedasticity.

#### 3.2.2.3. Assumption three: $\text{cov}(u_i, u_j) = 0$ .

According to R. R. Johnson 2003 a guide to EViews, the low value of the Durbin-Watson statistic reported above is indicative of the presence of serial correlation in the residuals of the

estimated equation. If uncorrected, serial correlation in the residuals will lead to incorrect estimates of the standard errors, and invalid statistical inference for the coefficients of the equation. The Durbin-Watson statistic can be difficult to interpret. To perform a more general Breusch- Godfrey test for serial correlation in the residuals,

**Table: 3.3. Breusch- Godfrey test**

**Breusch-Godfrey Serial Correlation LM Test:**

|               |          |                     |        |
|---------------|----------|---------------------|--------|
| F-statistic   | 5122.685 | Prob. F(1,66)       | 0.0000 |
| Obs*R-squared | 70.90786 | Prob. Chi-Square(1) | 0.0000 |

**Source: Eviews output**

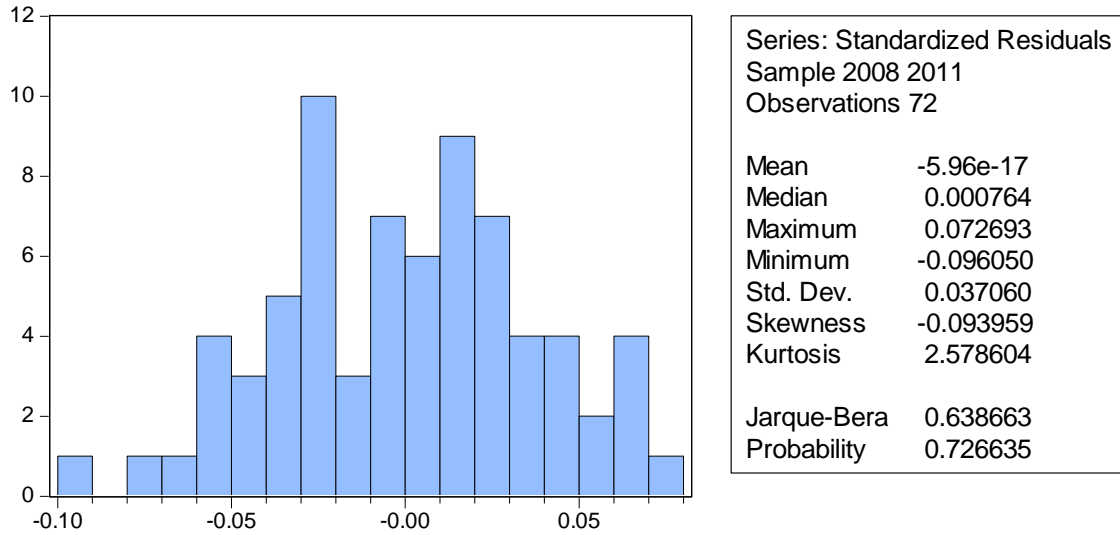
From the above test of Breusch-Godfrey serial correlation, EViews offers two versions of the test which are *F*-version and a  $\chi^2$  version. The implication is the LM test statistic for the null hypothesis of no serial correlation. The (effectively) zero probability value strongly indicates the presence of serial correlation in the residuals.

**3.2.2.4. Assumption four: the disturbances are normally distributed.**

The property of a normally distributed random variable that the entire distribution is characterized by the first two moments the mean and the variance. The standardized third and fourth moments of a distribution are known as its *skewness* and *kurtosis* (Chris Brooks 2008)

A normal distribution is not skewed and is defined to have a coefficient of kurtosis of 3. It is possible to define a coefficient of excess kurtosis, equal to the coefficient of kurtosis minus 3;

**Figure: 3.1. Normality graph**



**Source: Eviews output**

The other assumption of linear regression model is that errors are normally distributed. Hence, the above figure indicates that errors have kurtosis of 2.6 and skewness of -0.09. So, it can be said that errors are normally distributed. Reject the null hypothesis of non normality.

**3.2.2.5. Testing for multicollinearity**

**Table: 3.4 multicollinearity test**

|           | GEDV      | LEV      | FIRM SIZE | MGT SIZE |
|-----------|-----------|----------|-----------|----------|
| GEDV      | 1.000000  |          |           |          |
| LEV       | -0.140981 | 1.000000 |           |          |
| FIRM_SIZE | -0.112310 | 0.758724 | 1.000000  |          |
| MGT_SIZE  | -0.048572 | 0.294771 | 0.572608  | 1.000000 |

**Source: Eviews output**

As can be seen from the above table, the largest observed correlation is 0.57 between the firm size and management size. So, the independent variables in the study have weak correlations since none of the values are more than 0.8.

### **3.2.3. Regression Analysis**

For the purpose of identifying the important variables influencing the dependent variable the researcher has used the regression analysis. In panel data (pooled) regression, time –series and cross-sectional observations are combined and estimated. In other words, several cross-sectional units are observed over a period of time in a panel data setting. Panel data is more useful in studying the dynamics of adjustment, and is better able to identify and measure effects that are simply not detectable in pure cross-sections or pure time - series data. Moreover, many variables can be more accurately measured at the micro level and biases resulting from aggregation over firms or individuals are eliminated.

The study used regression analysis to investigate the impact of gender diversity on financial performance.

#### **Regression Model: Pooled Least Squares Estimation**

The determinants of financial performance are investigated for all 72 firm-year observations. A number of different regression coefficients are estimated for selected independent variables. The regressions are estimated using the pooled least squares method with no weights.

For regression model,

$$ROA = \alpha + \beta_1 GEDV_{it} + \beta_2 FIRM\ SIZE_{it} + \beta_3 LEVERAG_{it} + \beta_4 MGT\ SIZE_{it} + \epsilon_{it} \quad (eq3.1)$$

***Table: 3.5. Significant test***

## *Gender diversity in management and its impact on firm's financial performance*

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Dependent Variable: ROA

Method: Panel Least Squares

Date: 07/19/13 Time: 12:44

Sample: 2008 2011

Periods included: 4

Cross-sections included: 18

Total panel (balanced) observations: 72

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| Variable  | Coefficient | Std. Error | t-Statistic | Prob.    |
|-----------|-------------|------------|-------------|----------|
| C         | 0.872168    | 0.244224   | 3.571176    | 0.0007   |
| GEDV      | 0.219624    | 0.098926   | 2.220088    | **0.0298 |
| LEV       | 0.011724    | 0.014848   | 0.789600    | 0.4325   |
| FIRM_SIZE | -0.099512   | 0.032472   | -3.064556   | *0.0031  |
| MGT_SIZE  | 0.003131    | 0.003249   | 0.963515    | 0.3388   |

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|                    |          |                       |           |
|--------------------|----------|-----------------------|-----------|
| R-squared          | 0.266103 | Mean dependent var    | 0.088083  |
| Adjusted R-squared | 0.222288 | S.D. dependent var    | 0.155166  |
| S.E. of regression | 0.136837 | Akaike info criterion | -1.073131 |
| Sum squared resid  | 1.254540 | Schwarz criterion     | -0.915030 |
| Log likelihood     | 43.63273 | Hannan-Quinn criter.  | -1.010191 |
| F-statistic        | 6.073373 | Durbin-Watson stat    | 0.175231  |
| Prob(F-statistic)  | 0.000313 |                       |           |

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Note (\*) Significant at 1%, (\*\*) significant at 5%

*Variables: GEDV (Blau Index) LEV (leverage) FIRM\_SIZE (logarithm of total assets),*

*MGT\_SIZE (total number of management)*

*Source: Eviews output*

The results of this regression indicate that the coefficient of gender diversity in top management is positively significant at level of 5%. This implies that the increasing and decreasing of gender diversity in managerial position will significantly affect the financial performance of the firm.

The researcher used log of total asset as a proxy of firm size of a company. The above regression result shows firm size has a significant negative relationship of  $-0.10$  and p-value of 0.003 at a significant level of 1%. This implies that when a log of total asset increases, it will adversely affect the firm's return on asset.

The adjusted  $R^2$ , also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables and is 26.6%. This means that 26.6% of the variance in net operating profitability can be predicted by the combination of the independent variables i.e. GEDV, LEV, FIRM\_SIZE, and MGT\_SIZE.

The C is the constant, where the regression line intercepts the y axis, representing the amount the dependent y will be when all the independent variables are 0. Here C is 0.87; the probability of the coefficient is significant with 10%. The F statistic is used to test the significance of R. Overall; the model is significant as F-statistics is 10% with significance value of (.000)

### **3.2.4. Quantitative Discussions**

#### **Gender diversity in top management and firm financial performance**

Based on the panel data analysis presented in the previous sections, a discussion of the results regarding the association between gender diversity in top management and firm financial performance in the context of 72 selected Ethiopian financial firms is provided in this section.

***H0: Gender diversity in management (as measured by Blau index) has no impact on firm financial Performance (as measured by Return on Assets).***

**Decision:** *reject*

**Discussions:**

There is a positive association between gender diversity in the in management and firm financial performance supports agency theory. So, reject the null hypothesis and fail to reject the alternative hypothesis that is gender diversity in top management has a positive impact on firm financial performance. This result confirms the business case of gender diversity in management (Carter et al. 2007, Singh & Vinnicombe 2004 cited in Smith, Smith & Verner 2006, Robinson & Dechant 1997; Gregoric et al. 2009; Broome, Conley & Krawiec 2011a; Smith, Smith & Verner 2006; Campbell & Vera 2010) as indicated earlier in the literature review chapter. In short, the presence of women and men decision making may enhance firm financial performance. It is because women managers may:

1. Improve the decision making process based on the evaluation of more alternatives.
2. Have different life and work experiences than men, therefore may consequently have a better understanding in different areas.
3. Enhance innovation, creativity and quality of the decision-making process of the board.
4. Produce higher quality problem-solving.
5. Enhance leadership effectiveness.
6. Improve better understanding of the market place of the firm.
7. Build effective global relationships.

### **3.3. Qualitative analysis**

The results from the quantitative method are the major part of the thesis while those from the qualitative approach are the minor element to support the quantitative results. This analysis used to answer research question 2, 3 and 4

The findings are, first, gender does not matter in the appointment of managerial position though the availability to do management roles did differ between men and women. Secondly, women manager behaved differently compared to men in a similar position. And thirdly, which is the most essential finding for the current study - the presence of gender diversity in management affected firm performance. Through this interview the researcher was understand the perception of men manager and women managers on each of the interview questions.

The interview questions are explored separately in the following section

#### **3.3.1. Does gender matter in the appointment of managerial position?**

In this section, interview data regarding the perceptions of the interviewees of the reasons why they were hired are presented and analyzed. On analyzing the answers to interview questions, two main reasons emerged; personal and environmental factors that did not have any single relationship with their gender Both women and men managers of the bank and insurance companies, researched in this study pointed out that the presence of women as top management members was quite rare and usually where women were appointed, they had a „woman specific role“ in areas such as human resource, marketing and finance. Before presenting the explanations regarding the participants“ appointment as manager, the respondents should be answering the question whether it is easier or harder to get the managerial position if they are women. Similarly ask this question for men manager. And also environmental and personal

factors in the appointment of managers especially, on women managers are described in the following sections.

### **3.3.1.1. Getting managerial position**

This section used to identify for whom to get the managerial position is simple or harder to get for women or men. Ask four (4) women managers and three (3) men managers of Ethiopian financial firms. One women bank director explain the question for you getting this position was simple or harder the perception of the manager discuss in the following ways

*Since am a women getting managerial position is not simple because it need more educational level more experience high communication skill and other managerial skill so, even now change many things about women before ten years they could not get the position because of their less education, experience and confidence. For example, before ten year there was only two women student in our department. So I believe that I can take any kind of responsibility. Whether a woman and men who fulfill the requirement they can get the managerial position. (Women director of the bank)*

The other women bank executive manager explain this question as follow

*It is not simple for both women and men mean that both women and men there is a lot of challenge to get the position specially, for women it is so harder. Even the women have fulfill the requirement, they are not get the position because of the attitude that "women have no capacity for leader" they give priority for men. (Women executive manager of the bank)*

The other women manager of bank was explain;

*As far as I know, anyone who meets the necessary requirement, they get the position easily. But for some position the requirement is hidden for somebody, in this case it is hard to get the position. (Women manager of the bank)*

Women director of insurance company explain this first question as follows;

*If you are qualified you can easily get the position. As you know managerial position need more qualification including many year experience. In my experience, even if women have appropriate educational background for the vacant managerial position,*

*they did get that position because of lack of experience. Thanks GOD for women today is better than past; they meet the required years of experience. Still they are few in number especially, in board of director. (Women director of insurance)*

The researcher also asks similar question for three (3) men managers they explain the following ways; the men manager of bank explain as follows

*For me it is simple, because I was qualified and well experienced. Before getting the current position I was a manager in other company. (Men manager of bank)*

The other men manager of insurance discuss this question;

*The managerial position is not simple or hard generally it depends on the educational backgrounds and appropriate experience. Anyone who meet the qualification and have enough capacity, they get the position. In fact leading is not as easy as normal working. (Men manager of insurance)*

The men director of the insurance says that;

*For me it was hard because at that time I was not ready to take responsibility that means I agree that leading is difficult specially to manage human being. I preferred to done the work rather than to gave order. (Men director of the insurance company).*

### **3.3.1.2. Environmental factors**

In this section, two environmental factors that lie behind the appointment of the women to managerial position are delineated. The first factor is the equal opportunity policies in the corporations; the second factor is the focus on gender mainstreaming prescribed by the Ethiopian government in recent years to improve the level of national development.

One director explained that the company she worked for had broadened the opportunity for anyone who wished to join the high-level management team as long as he or she met the requirements

## *Gender diversity in management and its impact on firm's financial performance*

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*In our company there is no any environmental factor which is positively or negatively affects the appointment of managers. Anyone who fulfill the requirement appointed in managerial position (Women director of the bank)*

The women director of a bank expressed the additional opinion that, in terms of opportunity for a certain job level, there was no tendency to choose one sex over another. Everyone was treated equally.

*In this company, everyone is paid for performance. So, it is based on your own merit and not because someone is a man or woman then he or she is nominated to a higher job position. There is no case like that at all. The opportunity is opened for everyone. I am not a feminist who used to think that women can do more than men. No. All opportunities can be equal (The women Director of a bank)*

This view is also echoed by the women manager of an insurance company who gave the story behind her appointment 10 years before. It was not a coincidence that she was suddenly appointed as a manager; it was because of her experience in working with the company and her knowledge of the industry that led her to that position.

*At that time, my boss was going to retire. And I was the person that he trusted a lot to handle everything in this company. Then I was offered to replace him. At the first time he requested, I rejected it as I thought that I was not ready enough to have the position and I had never been a manager before with such a huge responsibility. But I was assured by him that I would be able to do the job. Then I considered the offer again. And with the consideration I had that I knew this company from the very simple thing up to the most complex one and I also knew how it operated, finally I accepted the offer (The women manager of an insurance company).*

The women director of the bank response that;

*We, as women, may achieve this position [as a board member] because of our performance. We have to thank God that even in Ethiopian, gender is not considered as a problem. It is the same case in this bank. As you may see, everyone has an opportunity as long as he or she has the required performance. That's the first important point. Of course, in order to arrive in certain level of position, there should be minimum requirements. Especially in a high profile company such as this bank, job requirements are essentials. So this means that there should be no different between men and women (A women Director of Bank).*

The men manager of bank explain about the environmental factors discuss;

*In our organization there were not environmental factors to affect the appointment of managers. Everyone in this company had equal opportunities to nominate him or herself to be a manager, no matter the gender, as long as he or she passes the fit and proper test and has the requirements needed. (The men manager of insurance company).*

All the respondents were strongly agree in their firm no any environmental factors influence the appointment of managerial position. The appointment of managerial position based on qualification.

### **3.3.1.3. Personal factors**

Apart from the environmental factors described previously, personal factors are also crucial.

Three personal factors are defined in this section as the background to the appointment as board members. The first factor is personal decision to pursue the career with the support of close family members. The second factor relates to educational requirements as well as the appropriate management skills needed. Finally, the third factor is the effect of the women's early life experience on career advancement.

The supportive behavior of husbands towards wives with high career ambitions has also been pointed out by Lebanese career women in their interviews with Tlaiss & Kauser (2011). This implies that the responsibilities of being mothers and wives do not constrain women from reaching high positions, as long as their families are fully supportive. Morgenson (2007) emphasized that when husbands failed to support their wives in their climb onto higher career levels, these men were part of the challenges that women faced. Another interviewee mentioned her family background as having a great effect on her career path, as the character and working behavior she has acquired were the products of her family lifestyle and educational experience.

*In my family's house, if I may say, it is the girls who struggle a lot for their life. We are educated to be strong. In [contrast], the boys are only easy going guys. So I think, it is not because of gender so that men must be strong and women are not demanded to be strong. Anyone could be a strong person (The women Director of a bank)*

The women manager of the bank said that

*Women have the opportunity to be promoted and moved to other cities. But they usually do not take the opportunity as they do not want to leave the family. Based on my experience, to make it simple, from twenty women and twenty men at the beginning of the recruitment process for lower management position, those who are able to move up continuously to higher level positions are men. The challenge given by the company is too hard if the women have married. I emphasize once more that these women have their choice and not because they are incompetent. So actually, I believe that Ethiopia has huge number of qualified women, but these women are faced with choices and their choices are not likely to be career women. ... Many of them are ambitious. The opportunity is given to them and they can perform well. Thus, in my opinion, the reason why these women can reach the highest position is because the opportunity is there and they take it (The women manager of the bank).*

The men manager of the bank (in the same interview as quoted above) emphasized that

*Only few women can eventually move up to higher position because it is a matter of choice. It is a choice for women to be a housewife who take cares of family and do job outside the house only to support the family finance, not as the main source of income. Most of the women are married so that the family expense is supported by both husband and wife. Although the women have good job performance, they choose not to take jobs with major and demanding responsibilities. They want balance life. That's life. I really appreciate this case (The men manager of a bank).*

The men directors of insurance company

*Before getting a managerial position, I accepted the job as I had huge responsibilities to my family members. I worked and worked day by day and I forgot to finish my study in the faculty of education. I love to read and learn by myself about management and leadership. I also attended workshops, seminars and trainings to enrich my knowledge (A men director of an insurance company).*

Most of the respondents point regarding this internal limitation was that women faced work challenges like those described by Spearritt and Butcher (2010) who queried why Australian

businesses carried on having men instead of women as executives and in board positions. The reasons included long working hours, extended travel requirements and „clubby“ social networking, which tend to favor men with fewer family duties than women (Lewis & Simpson 2010). Harvey and Allard (2009) argue that women in high-powered careers and with major family responsibilities cannot do both at the same time. Forty-nine per cent of women in high-level jobs did not have children. In contrast, men in successful jobs tend to have wives and children.

### **3.3.2. Do women managers behave differently from men managers?**

In this section, interview data from the participants regarding their perceptions of whether or not gender made a difference in their careers are presented and analyzed.

*According to my working experience in the service company, people always believe that woman seems to be calm and weak. But actually, woman is not weak. In many cases, woman is more assertive than men. Although woman is more assertive, she still has empathy. So in her leadership style, she is assertive but not authoritarian, and conservative but not in doubt. However, this characteristic could not be generalized, despite my opinion that generally woman is more loyal, highly dedicated, always stay in the right track, and straight to the point (men Director of an insurance company)*

The men manager of the insurance company was agree women and men managers have different leadership style. He indicates that;

*Yes, most of the time women managers more participatory than men mangers. Men managers need to show the power so, they are autocrat. Even thought the leadership style depends on the career development and also depends on personal behavior. Especially in decision making women managers see the case in different angles so, they are not decide immediately. (Men manager of insurance company).*

Also the women manager of the bank share the above idea women and men managers follow different types of leadership style she explain that;

*I think the difference come because of natural behavior. By nature women are more sensitive for everything so, the treat everyone smoothly that means they create good*

*relationship with their follower, treat equally, most of the time listen carefully on the shoes of that person. Therefore, they always used transformational leadership style. In contrast men managers are autocrat and more flexible for decision. (The women manager of a bank)*

The women director of the bank was explained as follows;

*I never differentiate the roles between men and women. As I am the only woman director in a „men world“, people have always asked me whether I face difficulties in working with men. I think I don't experience those difficulties. I am not working in a field which needs physical ability. I never face any hindrance or limitation because of my gender. In contrary, I feel that being a woman is a benefit for me. But I have to highlight that this is only my personal point of view. A woman is more persistent; tend to be more precise in examining something, and also a hard worker. Besides that, women don't only produce correct results but also beautiful outcomes. So there is an aesthetical value behind the results. ... I also feel that I have a different touch in my department compared to the previous man director in this department. We now have different face (Director of bank)*

The men manager bank discussed

*Actually, I believe that there are no specific differences between men and women. They both may have capability in doing the jobs given. But I also believe that each gender has its own characteristics, since every person has his or her own strengths. There might be a factor of gender, such as attention to details. But this could not be generalized, that attention to details is possessed more by women. So I see this as: „care“. Hence, in actualizing women's leadership or managerial style, women tend to show their care, not only the commitment because I believe that men and women have similar commitments and greater awareness to the surroundings. (men bank manager)*

The other women bank women manager agree the difference and she was discuss in detail;

*There is a difference in leading women managers are more systematic and procedural. This might be because women should also do detailed household work. So women are more multi-tasking. In my experience, usually women branch managers have always taken care of the details, for example, in customer services. That is why usually the front-liners and customer services mostly are women as they are assumed to be able to give more attentions to customers. But once more, it is not always like that. There are also men with such kind ability. But in general, women have more attentions. Then, when women deliver services, the services come from the hearts. But I think the more detail ways are stereotyped more to women (women bank manager).*

The women bank manager beloved that,

*I think the difference is comes from the role model person. Because sometimes there was also a difference within the women manager themselves. So, the leader ship style is not natural this adopted from your influential role model. (Women bank manager)*

The question over whether female and male managers behave in the way has led to the finding that women usually show more ethical awareness (Bernardi and Guptill, 2008). Welch, Welch and Hewerdine (2008) demonstrated that female entrepreneurs showed a higher degree of risk aversion than their male counterparts. Similarly, women prefer longevity over fast company growth (Bird and Brusck, 2002), considering self-fulfillment rather than profits as the main measure of their success (Weiler and Bernasek, 2001).

On the other hand, women stockholders with significant ownership obviously have strong incentives to achieve the best corporate performances, in order to increase their own personal wealth.

### **3.3.3. What do you think about the relationship between gender diversity in management and firm performance?**

This section addresses the theme of what the participants in this research thought about the link between their presence gender diversity and the firm's performance. The general outcome from the interviews was that the women managers acknowledged being able to affect firm performance. An example given was their influence in the decision-making process in managerial meetings when financial matters were discussed. Besides the involvement of their department's team members and other subordinates, the women saw themselves as having influenced the quality of the company's financial situation. The men managers also agree that the presence of gender diversity in management have an impact on firm performance because each sex has their own strength, so the companies increase its performance by exploits their strength.

The following participants were explained the relation between gender diversity and performance.

The women bank director gave her own thinking like;

*I think women have another additional ability which is to maintain personal relation. Our human relations might be better than men in general. I usually ask all heads of division to sit together in a meeting to discuss current issues. I used to be a subordinate so that I know how it feels to be a lower management staff. Because of that, I am not authoritarian. I understand well that when a leader is authoritarian, he or she tends not to get inputs or suggestions from subordinates as they become reluctant to approach their bosses. I have been in such kind of situation and I felt the same thing. Therefore, when I have the position as a director now, I try to be better than my previous Boss (The women director of the bank).*

The men insurance director also beloved that;

*Gender diversity has an impact on performance because performance is a commutative effect of the team. Therefore anyone of the workers have their own contribution on company performance mean that all the community around the working compound of the firm should perform their own responsibility in order to increase the company performance. Similarly, women and men managers have different managerial qualities so, the company exploits their quality properly to increase its performance.*

The other men bank manager said that;

*In my opinion, I do not see that there is a direct positive relationship between the presence of women managers and company performance. When we work for a company, it is a taboo to say that it is me who generates money for the company, as different departments in the company have a share in contributing to company success. For example, there is the manager of finance who manages the company income, and there is the manager of marketing who always spends lots of money for marketing activities, but in return the company will earn money as the result of it. Because of that, the company success is derived from the combination of the performance of all managers and not only from single director. (Men bank manager)*

The women director of the insurance company response this question;

*This company has several activities for staff to improve and furnish their creativity. This is amazing as we never imagined that they actually have huge talents. If they are not given opportunity to show their creativity, we would never know about that and the company may lose magnificent amounts of intangible assets. We also continuously run*

*family gathering event which is organized by staffs including the theme, activities and agenda. There would be interactions among them, practice of building a solid teamwork, openness and harmony (A woman director of an insurance company).*

The women bank manager explain the relation as follows

*I have to totally dedicate my profession to this company because this is my job. I establish the very detailed plans and strategies because by doing so we may be the winner. These kinds of challenges should always be brought up to our team. I have to show them that we have challenges to conquer, which means that if we want, I always say that women should be given the opportunity to demonstrate their abilities. If I can do the job, I am sure that other women would also be able to do the same thing (A women bank manager)*

The evidence from the interviews with women and men managers presented in the above suggest that, the presence of women in the management affects company performance in terms of the directing and monitoring functions. Specifically, the women managers emphasized that their appointment in the managerial position more the significance of company financial performance rather than men respondents.

### **3.3.4. Qualitative discussion**

Specifically, the findings from the above interview are as follows:

1. With regard to the presence women or men in the managerial position, for women relatively it was hard to get the position but for men it is so simple both women and men manager beloved that once the women get the managerial position they are more successful than men managers. However, both women and men managers explicitly stated that their gender was not the factor to be considered. They were appointed not because they are women but because of their adequate and appropriate level of education and experience, the equal opportunity given by the corporations, their personal motivation or desire, and their family supports and backgrounds.

2. Regarding their behavior in exercising their role as managers, all women managers stated that women managers acted differently from men managers in general although some women managers considered that a man's working style and personality traits were also essential to their success in the workplace. This means that while the women managers praised their particular „female“ characteristics and behavior which may have positive effects on the companies as well as on their career advancement, they also admitted to exercising similar working styles as men did that would have affected firm performance. At the same time, the women also believed that men perhaps also exercise a working style similar to a woman's style in running their leadership roles. In contrast, some men managers implicitly suggested that they felt no difference between their supervising and advising styles and those of the men managers although they sometimes felt that they behaved in a slightly different fashion from men.
3. All the women managers and some men managers perceived their presence in the top managerial position to have affected company performance in terms of financial aspects, although the effect was claimed to be indirect. They claimed that the direct effect of their presence was enhancement of team or departmental performance which, combined with the performance of other departments chaired by men, resulted in a positive company performance as a whole. The enhanced team or departmental performance was assumed by the women managers to be one element that led to enhanced company performance as a whole, so that they did not deem it appropriate to judge company performance simply on the contribution of women management members. On the other hand some men manager claimed that when there are more women in decision making process; kill more

time for discussion because most of the time women manager could not decide as faster as men managers.

### **3.4. Results from the mixed methods**

Given the results of quantitative and qualitative methods that have been presented in the previous sections, the mixed results from quantitative and qualitative analyses are described in this section to satisfy the research questions.

The result form the quantitative method indicated that there was a positive significant relationship between gender diversity in top management and firm's financial performance. Therefore, the company which have more diverse management team result higher profitability. And also indicate similar results. Both the women and men managers believe that there is a positive relationship between gender diversity and firm performance. This result due to the quality of leadership each sex have contributed their own contribution especially, women managers generate new idea, more procedural treat all equally this comes from their natural famine characters. So, both Femininity and Masculinity characteristics have their own advantage for Increase Company's performance. Because performance is a commutative result.

## CHAPTER FIVE

### CONCLUSIONS AND SUGGESTIONS

#### 5.1 Introduction

The chapter contains the summary of conclusions arrived at in earlier chapters. The chapter also details the potential contribution and limitation of the study as well as suggestions for future research.

#### 5.2 conclusions drawn from findings

In this section summarize the conclusions drawn from both the quantitative and qualitative analyses for the relationships between gender diversity in top management and firm financial performance.

The first research question

Does gender diversity in management influence the financial performance of Ethiopian financial institution?

***H0: Gender diversity in management (as measured by Blau index) has no impact on firm financial Performance (as measured by Return on Assets).***

**Reject the null hypothesis;** because gender diversity has a positive impact on firm financial performance. This confirms that there is appositive link between gender diversity in top management and firm financial performance. Studies by Graham and Thomson (2005) and catalyst (2004) showed companies with higher women manager proportions reported higher return than companies with all men managers. Schaffnit-Chatterjee (2010) and kang, et al. (2010) indicated that gender diversity in management ultimately leading to a significant improvement in firm profitability.

The second research questions what are the internal and external factors those affect the appointment of managerial position?

The respondents agree that internal factors are the most crucial one in managerial assignment. Those internal factors are comes from both men and women, some men manager perceive women managers have no power of fast decision making skill so, to protect this delaying of decision making minimize the number of women managers. Similarly some women have no willing to take responsibility due to lack of confidence.

There is no any external factor that affect the appointments of managerial position mean that, the firms are not apply any external program or policies for appointing like, gender mainstreaming and affirmative action are not applicable in assignment of managerial position. Rather the appointment based on educational qualification and experience that the given position needed.

The third question Do women managers behave differently from men managers? All the respondents" answer YES, most of the time women managers have participatory and transformational leadership style while, and men managers have transactional leadership style.

The last important question does the presence of gender diversity in decision making affect firm financial performance? The entire respondents agree the more gender diversity in decision making have a positive impact on performance. Special women managers crate new idea and they see things in different angles and men managers are fast and good decision makers. So, performance is a cumulative effect of the workers in the compound.

What are the perceptions of women and men managers of Ethiopian financial firms regarding the factors in the appointment of managerial position and the role gender diversity play in contributing towards their firm"s financial performance?

The themes found from data analysis regarding the relationship between women managerial position and firm performance as follows

- Gender is not an appointment factor for being a manager in financial intuition.
- Women managers, behave differently to male managers,
- The presence of gender diversity in managerial position has a positive significant to firm financial performance,

### **5.3. Suggestions for future research**

This study has opened up the avenue for future studies to further explore the like between gender diversity and financial performance. The following recommendations are made to ensure that follow-up research is vigorous;

- ✓ To utilize samples of non financial firms in, or other than, the Ethiopian context and in more current time spans.
- ✓ To assess financial performance using more accounting measures
- ✓ To employ non-financial measures of performance of companies with gender diversity in top management

Addis Ababa  
University  
(Since 1950)



## **Appendix 1**

### **Letter of invitation to participate in the research**

Dear Participants,

My name is Netsanet Bekele, a master's student in the Faculty of Business and economics MBA program, Addis Ababa University. As part of my masters program, I am now conducting a research with a title "Gender Diversity and Firm Performance: Evidence from Ethiopian Financial Firms". The current study has two objectives: first, to examine in the Ethiopian context, how gender diversity in the top management impacts on the financial performance of these corporations and second, to explore the perceptions of women and men managers who are on the decision making position of corporate firms regarding the gender diversity in management.

The study is important from several perspectives. First, many studies conducted in developed countries have found that the presence of women on company management may enhance firms value as women bring an additional perspective. However, this relationship is yet to be explored in developing countries such as Ethiopia. Second, though there is growing awareness in Ethiopia about the role women can play in legislative structure, their role in enhancing the performance of the corporate sector has so far eschewed the attention of the researchers. Last, Ethiopian Government starts to move toward realization that the involvement of women in higher level of all aspects of life should be increased and elevated, including in business area.

Therefore, I would like to invite you to be a participant in this research. You will be involved as an interviewee to provide information about your perceptions regarding the role you play in enhancing firm financial performance working with other sex. You will be asked to answer several questions and the interview will last for about one hour.

Your participation is voluntary and you may withdraw at any time without providing an explanation, or refuse to answer questions without any consequences. I will provide you with an informed consent form for your approval. I would also ask your agreement to record the interview.

I guarantee that the interview will be confidential and your anonymity will be maintained. No one will have access to the information except the researcher. Any report from this research will be in aggregate form and your identification will not be revealed.

If you need a report of this research, please write down your name and address in the informed consent form which will be given before the interview is conducted and the report will be delivered to you.

If you have any questions about the research, please contact the researcher with the contact details below.

Please tell me the appropriate place, date and time that you want with the contact details below, as soon as possible.

Thank you for your attention and cooperation.

Sincerely,

**Netsanet Bekele**

E-mail: kingmbadoc@gmail.com

**Appendix 2 interview questions**

**Addis Ababa University**

**School of Graduate**

**School of Business and Public Administration**

**MASTERS OF BUSINESS ADMINISTRATION**

**(MBA)**

**INTERVIEW QUESTIONS**

Thank you for agreeing to this interview. I am very interested to hear your valuable opinion on gender diversity in top management and firm financial performance

**Unstructured/ in-depth interview questions**

1. Think about the managerial position. Do you think it is easier or harder to get managerial position if you are a woman/man?
2. Does gender matter in the appointment of higher-level management positions?
3. What are the environmental factors in the appointment of women in managerial position?
4. What are the personal factors in the appointment of women in managerial position?
5. Does the presence of gender diversity in decision making affect firm financial performance? What is your opinion about the relation between the two?
6. What are the perception of women and men managers regarding the relationship between gender diversity in top management and firm performance?

**Appendix 3 List of sample Ethiopian financial firms** which have at least five year from established

1. Abyssinia bank
2. Awash bank of Ethiopia
3. Commercial bank of Ethiopia
4. Construction and business bank
5. Dashen bank
6. Developmental bank of Ethiopia
7. Nib bank
8. United bank
9. Wegagen bank
10. Africa insurance
11. Awash insurance
12. Nib insurance
13. United insurance
14. Global insurance
15. Niyala insurance
16. Ethiopia insurance corporation
17. National insurance
18. Nile insurance

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