

CEOs with daughters make better bosses?

■ By Profs Henrik Cronqvist & Frank Yu



Why do some of America's largest corporations spend an extra US\$59.5 million a year on corporate social responsibility? New research suggests it's because they're run by chief executive officers with daughters.

Our research, shows that where the main decision maker has a female child, the company is generally much nicer to employees, and there are positive spin-off effects for the wider society as well.

Previous research has shown that there's some element of truth to the tale told in the film *Despicable Me*, where the villain is transformed from

being "super bad" to "super dad" after he has to father three little girls.

We already know that judges with daughters tend to vote more liberally. So too are congressmen with daughters, especially when it comes to reproductive rights issues.

This is the first time, though, that the effect on the behaviour of CEOs of large US corporations has been examined. We looked at the decisions made by almost 400 CEOs (including 3.7% women) who, between them, have a total of almost 1,000 children. We found that having a daughter also impacts the way CEOs run their companies. The effect is even greater if the daughter is the CEO's first-born.

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The most significant impact has to do with corporate social responsibility (CSR) issues related to diversity, which previous research has shown includes everything from whether companies provide childcare and flexi-time, to their reluctance to lay off staff, and their penchant for sharing profit with employees. It also covers how women, minorities and/or the disabled are treated. We found that, in general, these groups tend to fare better at firms with CEOs who have daughters.

Interestingly enough, having a son doesn't have the same results mentioned above. And firms that change from a CEO who has a daughter to one who doesn't, see a noticeable fall-off in these types of CSR-related initiatives. On the other hand, hiring a new CEO who has a daughter leads to increased CSR-related activity. Plus if there's a leadership change, companies that have a good CSR track record are more likely to hire CEOs with daughters. So the next time you're weighing a company's job offer, it may be wise to take some time to find out the gender of the CEO's children.

All of the factors above – which fall into the broad category of corporate social responsibility – add up to an extra US\$59.5 million per year in company spending when implemented. That's about 13.4% of the firm's net income. In fact, having a female child makes a male CEO almost a third more

likely to make CSR decisions similar to those made by a female CEO. Overall, CEOs with daughters tend to show a stronger attachment to society at large, and concern for the well-being of stakeholders – even those who are not their shareholders.

Individuals can put this information to work for them. Say you've invented a new product that will have a huge impact on quality of life for the entire society, but the only catch is you need an angel investor. Look for a venture capital firm run by a CEO with a daughter.

And it goes without saying: if you're really concerned about CSR issues, you will find kindred spirits in CEOs with daughters. That's because the influence that comes from our family environment goes both ways.

Parents shape their daughters' behaviour, and girls influence the decisions mum and dad make at work. Children shape their parents' beliefs and preferences, and this has real implications for decision making at the top echelons of corporate America.

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