

The Effect of Transformational Leadership on LGBT Equality in the Workplace

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HYPOTHESES

H1: Organizations that have leaders with more transformational qualities will be scored higher on LGBT workplace equality practices.

H2: Organizations with leaders with more transformational qualities will score higher in their firm-wide, sustained and accountable commitment to LGBT diversity.

BACKGROUND

- Organizations need more than policy alone to manage diversity changes – they need the right type of leadership as well.
- Existing research has demonstrated the positive effect transformational leadership has on diversity management in organizations; however, limited research has been conducted that explores this relationship with regard to sexual orientation and gender identity diversity specifically.
 - Previous studies have examined the moderating role transformational leadership plays when it comes to diversity and team performance (Kearney & Gebert, 2009; Mitchell & Boyle, 2009).
- Transformational leadership is a powerful leadership approach concerned with creating a connection between followers and leaders that influences both groups to be more motivated and raise their levels of morality.

METHODS

- The data utilized in the study focuses on 230 Fortune 500 companies that were included in the Human Rights Campaign's 2015 Corporate Equality Index (CEI). Data about the leadership styles of Fortune 500 executives was drawn from a content analysis of 2014 CEO shareholder letters conducted by Legutko (2016).
- Control variables: industry, size of organization (number of employees), 2014 revenue, CEO gender, and whether the company is headquartered in a state that prohibits discrimination based on sexual orientation and gender identity.
- Legutko (2016) used 2014 CEO shareholder letters to measure the dominant leadership style of each Fortune 500 CEO. A list of terms was created for authentic leadership, servant leadership, transactional leadership, and transformational leadership. The researcher then conducted a content analysis to analyze leadership styles.
- The Transformational Leadership Spectrum variable was created using SPSS and is the ratio of the transformational leadership number from the Legutko (2016) data over the transactional leadership number.

Demographic Characteristics of the Sample

Industry	N	%
Banking, Financial Services, and Insurance	47	20.4
Computers, Electronics, and Technology	28	12.2
Consulting, Business Services, and Publishing	7	3.0
Food, Retail, Consumer Products, and Hospitality	55	23.9
Health	17	7.4
Industrial	76	33.0
CEO Gender		
Male	216	93.9
Female	14	6.1
Headquarters in a state that prohibits discrimination?		
No	94	40.9
Yes	136	59.1
2014 Revenue (in millions)		
1-20,000	137	59.6
20,001+	93	40.4
Size of Organization (number of employees)		
1-50,000	136	59.1
50,001+	94	40.9

Descriptive Frequencies for Key Variables

	Mean
2015 Corporate Equality Index Rating	86.22
Human Rights Campaign Criteria (highest score is 100)	
Equal employment opportunity includes sexual orientation (criteria 1a)	97.83
Equal employment opportunity includes gender identity or expression (criteria 1b)	90.87
Equivalent spousal and partner benefits for employees with same-sex partners (criteria 2a)	93.48
Other "soft" benefits – includes parity between employees with same-sex or different-sex partners (criteria 2b)	84.57
Transgender-inclusive health insurance coverage (criteria 2c)	55.22
Organization has trainings, resources or accountability measures demonstrating a commitment to diversity and cultural competency (criteria 3a)	79.57
Organization has LGBT employee groups or diversity councils (criteria 3b)	90.43
Public commitment to LGBT diversity (criteria 4)	88.48
Organization has been involved in activities that undermine LGBT equality (criteria 5)	2.61

Results (ANOVAs and Regression)

Significant differences between where the organization's CEO falls on the transformational leadership spectrum (group means)

Variable	Transformational/Transactional Leadership Spectrum		P<0.05
	<2.426	>2.426	
Authentic Leadership	13.16	10.78	0.147
Servant Leadership	39.26	33.79	0.188
Size of Organization (Number of Employees)	58,933.02	113,526.99	0.016
2014 Revenue (in millions)	29,761.66	38,209.45	0.232
2015 CEI Rating	85.76	87.12	0.638
N	152	78	

Significant differences between organizations with headquarters in a state that prohibits or allows discrimination based on sexual orientation and gender identity (group means)

Variable	Headquarters in a state that prohibits discrimination based on sexual orientation and gender identity?		P<0.05
	No	Yes	
Authentic Leadership	11.97	12.62	0.681
Servant Leadership	36.54	38.01	0.715
Transformational Leadership Spectrum	2.83	2.15	0.035
CEI Criteria			
Criteria 1a	94.68	100	0.006
Criteria 1b	87.23	93.38	0.112
Criteria 2a	88.3	97.06	0.008
Criteria 2b	77.13	89.71	0.000
Criteria 2c	39.36	66.18	0.000
Criteria 3a	71.28	85.29	0.009
Criteria 3b	89.36	91.18	0.597
Criteria 4	83.51	91.91	0.024
Criteria 5	3.19	2.21	0.647
2015 CEI Rating	80.21	90.37	0.000
N	94	136	

Linear regression of 2015 CEI Rating on select individual measures.

	Model			
	1	2	3	4
Authentic Leadership	0.043	-	-	-0.053
Servant Leadership	-	0.079	-	0.123
Transformational Leadership Spectrum	-	-	-0.052	-0.054
Size of Organization	0.260**	0.257**	0.284**	0.279**
2014 Revenue	-0.184*	-0.186*	-0.201*	-0.203*
Industry	0.212**	0.203**	0.223**	0.205**
CEO Gender	0.037	0.038	0.027	0.026
Headquarters in state that prohibits discrimination?	0.207**	0.208**	0.187**	0.188**
R ²	0.120	0.124	0.112	0.111

N=230

*<.05.

**<.01.

RESULTS

- ANOVA results for transformational leadership spectrum show no significant findings, except regarding the size of the organization, which was significant at $P=0.016$.
- Most notable are the ANOVA results for the location of headquarters.
 - Organizations headquartered in a state that does not prohibit discrimination score lower on each individual CEI criteria.
 - Organizations headquartered in a state that does not prohibit discrimination scored 39.36 on Criteria 2c (transgender-inclusive health insurance coverage), while organizations headquartered in a state that does prohibit discrimination scored 66.18. This difference was significant at $P=0.000$.
 - Group differences in 2015 CEI Rating were significant at $P=0.000$, with organizations headquartered in states that do not prohibit discrimination scoring 80.21 for the 2015 CEI Rating and organizations headquartered in states that do prohibit discriminations scoring 90.37.
- No significant relationships between leadership style and 2015 CEI rating were found through the regression models; however, all control variables (except CEO gender) were found to be directly related to 2015 CEI Rating.

DISCUSSION

- Findings show little relationship between a company's CEI rating and the CEO's leadership style, but a strong relationship between CEI rating and the regulatory framework of the state where the companies' headquarters resides.
- Can make the assumption that an organization's industry, size, and revenue have a strong relationship with LGBT workplace equality practices.
- The mean CEI Rating of the 230 organizations was quite high, limiting the present study. Organizations may have been more inclined to opt into participating in the Human Rights Campaign's CEI survey if they knew it would reflect well on themselves.
- Leadership is a difficult construct to measure. This study was limited in assuming that CEO shareholder letters would be a representation of the CEO's true leadership style. A more comprehensive study is needed to investigate Fortune 500 executives' leadership styles using more reliable measures.

CONCLUSION

- Only 21 states plus the District of Columbia have laws prohibiting discrimination based on sexual orientation and gender identity in private companies.
- This study demonstrates the strong relationship between state laws surrounding LGBT discrimination and organizational policy.
 - Organizations headquartered in a state that prohibits discrimination based on sexual orientation and gender identity have more progressive policies and practices in place, paving the way for a more equitable future for LGBT workers.
- This study is useful for state policymakers as it helps to demonstrate the necessity of state laws in inspiring more advanced organizational change regarding LGBT equity.
- As more organizations grapple with issues of diversity, there is a need for further research to study the relationship between a wider range of leadership styles and LGBT workplace equality, as well as other specific aspects of diversity, like race.