

Discursive Diversity Strategy:  
Signaling Theory and Implications for Firm Value of the S&P 500

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**Abstract**

Diversity initiatives are a significant business concern, with companies investing billions annually. The evolution of discursive strategy—the language and meaning shaping diversity—over 75 years, from the Civil Rights era to modern Environmental, Social, and Corporate Governance (ESG) initiatives, is a testament to its depth and significance. This evolution reflects a pattern of strategic linguistic adjustments in response to societal pressures and stakeholder reactions, as seen with companies like Bud Light and Target, firms that have had to reconsider their diversity-related language and actions.

The effectiveness of a firm's diversity strategy is closely tied to its discursive diversity strategy, which involves the deliberate choice of words by leadership to signal its commitment to diversity, equity, and inclusion (DEI). This signaling helps reduce information asymmetry between the firm and its employees, influencing employee perceptions of its diversity climate. When stakeholder interests are aligned with firm value through these discursive strategies, the positive impact on the firm can be significant. I developed and validated a four-item diversity scale for employee perceptions of diversity climate (ePDC), aggregating Glassdoor ratings for CEO approval, senior leadership, culture and values, and diversity and inclusion. This scale helps examine the moderating effect of a firm's discursive diversity strategy on the relationship between employee perceptions and firm value.

Companies like Bud Light, Target, Nike, and Starbucks have faced backlash due to their diversity strategies. This backlash often stems from different interpretations of fairness, inclusion, and competence among employees, dividing them into target and nontarget groups. The urgency and necessity of understanding these diverse employee perceptions and aligning communication strategies with them to effectively manage the diversity climate cannot be overstated. Analyzing these signals and their impact on employee perceptions is crucial for developing robust discursive diversity strategies that support firm value.

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**General Audience Abstract**

Diversity is not just a buzzword—it is big business. From the pre-Civil Rights era to today, language and meaning have been pivotal in shaping diversity initiatives. This study examines the evolution of what scholars term "discursive strategy" within the diversity landscape over the past 75 years. We trace a trajectory from the Civil Rights Act of 1964 to the Equal Employment Opportunity Commission (EEOC), affirmative action, diversity management, inclusiveness, and the recent focus on Environmental, Social, and Corporate Governance (ESG).

Recent events, such as reactions from stakeholders, have prompted firms like Bud Light and Target to reassess their word choices and subsequent actions regarding diversity. This research proposes a novel framework for strategy analysis: discursive diversity strategy. This framework expands traditional strategy models to include top leadership's language and word choices, reflecting a firm's commitment to diversity, equity, and inclusion.

Through a qualitative analysis of corporate communications and actions, we explore how firms strategically position themselves in the discourse surrounding diversity. Our findings suggest that firms' discursive diversity strategies reflect not only their internal policies but also deeply intertwined with their external reputations and stakeholder relationships.

Understanding the nuances of a discursive diversity strategy is crucial for firms seeking to navigate an increasingly complex and diverse business landscape. By adopting a more

comprehensive approach that considers words and actions, firms can better align their diversity initiatives with broader organizational goals and societal expectations.

## DEDICATION

I dedicate this dissertation to Andrea, my wife and partner for life. So many people, places, and things have contributed to who/what I am today. I would be remiss if I did not mention the privilege of being born and raised in Salem, Alabama. The community of family and friends, led by my parents, Fletcher and Shirley Baldwin, was a blessing, though I would not fully appreciate it until years later. It always seems appropriate to introduce myself as a person born in black and white Alabama. More specifically, I was born in Tuskegee, primarily because although I was not born during segregation, segregationist policies persisted, so I was born in the Black hospital not far from Salem, where I would grow up. I took my country upbringing to Washington, DC, where I attended Howard University. Howard was particularly informative because it allowed me to meet people across the African diaspora. I was interested in exploring more of the world when I graduated. I joined the Peace Corps. At that time, the Peace Corps motto was "the toughest job you will ever love." Honestly, I was intrigued by the opportunity to explore another culture through a lived experience. After a two 1/2-year tour in Nicaragua, I returned to the U.S. and began my professional career in banking. After two years at the bank, I was eager to better understand my Peace Corps experience through the lens of corporate America.

I decided to pursue my M.A. in International Affairs at Johns Hopkins University-SAIS.

I was a well-traveled, multilingual, global citizen when I met Andrea. With everything I had going for me, I was still a work in progress. Therefore, I must attribute the last 20 years of my development as a person and a professional to my wife. Andrea was born on the Caribbean island of Barbados, and our marriage has benefited from the island people's propensity to move around. We lived in Barbados for several years, and when we returned to the U.S., I returned to banking as a certified project manager (PMP). I took my international credentials and professional certifications to State Street Bank, where I was the product owner for the global anti-money laundering platform with teams in Boston, London, and Sydney. However, pursuing a tenure track can present a challenge for dual-career couples. Eventually, we moved our family to Blacksburg, Virginia, and in part, this is where my curiosity for the academy began to flourish.

In the transition from corporate America, I accepted a position in the management program at Virginia Tech's Pamplin College of Business. Early in my studies, it became clear that the influences of the Peace Corps, corporate America, and higher education aligned well with the stigma of being born and raised in Alabama. I have always been curious about who controls the narrative. My development as a doctoral student has equipped me with the tools to analyze better the historical patterns of my lived experience that often mask the negotiations of racism. With three years of my Ph.D. behind me, my wife

accepted the Associate Professor position at the University of Utah. For me, it meant yet another transition. However, it was one that I am eternally grateful for, particularly for my current position leading the data analytics team, which was one of the most rewarding experiences of my professional life. Like most people, I wear many hats. Today, I wear the hat of a budding scholar who believes that the narrative of my experiences with racism--past, present, and future--are intimately tied to how we articulate the power of difference. My research focuses on the discursive diversity strategy of S&P 500 firms and the implications for firm value. As Andrea and I partner on the future of diversity, equity, and inclusion, I look forward to leaving a legacy to our son, Liam, my son, Kentavius and his family, my sister, Fenaye and her family, and future generations who intend to make the world a more inclusive place for all.

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Joe Simpson, you were an active committee member, and I am grateful for your disciplined approach and precision. Dan Beal, you uniquely influenced my development in your dual role as professor and committee member. I am incredibly grateful for your patience and ability to make research methods digestible. As a late-career doctoral student, I found much of the subject matter challenging, and despite your busy schedule, you never seemed to be in a rush. Phil Thompson, I appreciate your honesty and openness. Not everyone cares enough to commit to tough love. Your willingness to embrace tough love has made me a more realistic academic and person. Ellen Krupar, Librarian Emeritus, I cannot say enough about your love for research and commitment to excellence. I reflect on your guidance so frequently that I should be citing our conversations. Also, I would like to thank my wife, Andrea, who is the best Ph.D. partner ever. You are my competitive advantage. What a joy it has been to have your professional perspective as someone fully committed to the maturation of doctoral students. Finally, I would like to thank my colleagues at the University of Utah, none more than Amy Stillwell, for showing me love and helping me to develop my ideas further. Thank you all.



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## My Motivation (Diversity Statement)

### Chapter 1: The Introduction

When I started out on this journey four years ago, I was committed to understanding diversity as consequence of historical patterns dating back centuries. Over the course of the first two years in the program, two disconnects became clear, the disconnect between the social-moral and business case for diversity and the academic-practitioner gap. Instead of repositioning diversity, equity, and inclusion as integral to the firm's survival, these disconnects reinforced historical patterns of controlling the diversity narrative, where control of the narrative leads to control of the policies, which leads to control of the practices within firms. In fact, with regards to diversity, the narrative has always been about assessing the value of human beings. Therefore, change must start with a narrative linked to how we assess the value of human beings, minoritized populations within firms. So, for the past two years I have built my research on discourse through the lens of diversity to what is now a fortuitous, and timely, research topic, Discursive Diversity Strategy: Signaling Theory and Implications for Firm Value of the S&P 500.

The discursive strategy literature presents this pattern of diversity discourse and its associated practices through the lens of sociomateriality, sensemaking, and power, the theoretical domains of strategy. Sociomateriality in strategy, which often references artifacts, locations, and spatial arrangements configured for strategic interactions between individuals (Balogun et al., 2014), highlights the production and transformation of discourses where the heterogeneity of texts, e.g., corporate documents, may be an indicator of the contradictions and conflicts that are present in contemporary society (Fairclough, 1995; Janssens & Steyaert, 2019). In the strategy literature, sensemaking is typically understood as a social process where individuals construct and reconstruct meaning, helping themselves and others understand changes in their

organizational context and environment (Balogun et al., 2014; Corley & Gioia, 2004; Gioia & Chittipeddi, 1991; Rouleau & Balogun, 2011; Weick, 1995). Sensemaking, then, centers the stakeholder's cognitive ability to navigate a web of identity-regulating discourses and bureaucratic controls (Zanoni & Janssens, 2007). Ultimately, the power-laden nature of strategy addresses the tensions that persist as actors in the firm engage in strategizing that forces its stakeholders to contend with the performative power of discourse (Balogun et al., 2014; Rouleau & Balogun, 2011). Combined, these theoretical domains of strategy deepen our ability to interpret various discursive practices.

Early scholars used a variety of discursive approaches to study strategy in context, including poststructuralist approaches (Ezzamel & Willmott, 2008; Knights & Morgan, 1991), critical discourse analysis (Balogun et al., 2011; Mantere & Vaara, 2008; Vaara et al., 2004), narrative perspectives (Barry & Elmes, 1997; Fenton & Langley, 2011), rhetoric (Jarzabkowski & Sillince, 2007), ethnomethodology, and conversation analysis (Samra-Fredericks, 2005; Whittle et al., 2013) as well as metaphors and analogical reasoning (Cornelissen et al., 2011; Heracleous and Jacobs, 2008, 2011). A second wave of scholars established linkages between discourse and social practice in strategizing. With references to Fairclough (2003), strategy-as-practice (SAP) scholars explored strategy as a "socially-accomplished activity" that people in firms do rather than something firms possess (Jarzabkowski et al., 2007; Johnson et al., 2003; Vaara & Whittington, 2012; Whittington, 2006). More recently, scholars seeking to advance strategic management research have examined technology changes in firms (Kahl & Grodal, 2016), leader communication (Argenti, 2017; Mayfield & Mayfield, 2017; Menon et al., 2018; Wenzel & Koch, 2018), entrepreneurial discourse (Roundy & Asllani, 2019), and discursive approaches to studying organizations (Hardy, 2022; Zhang et al., 2021).

My research builds on this foundational work by applying the theoretical domains of discursive strategy to a firm's diversity-related issues. In my view, the diversity conversation within firms will benefit from being firmly grounded in the contribution of diversity as a discursive strategy to firm value, especially given that the relevance of diversity in society is subject to constant negotiations (Dobusch, 2017; Oswick & Noon, 2014). Furthermore, I intend to empower diversity stakeholders, often subject to non-negotiated power relationships (Janssens & Steyaert, 2019; Zaroni & Janssens, 2015), with an empirical case for their contribution to firm value. The foundational argument in this paper is that traditional approaches to determining the relationship between diversity and firm value are incomplete, and examining the effects of the firm's discursive diversity strategy enhances that relationship. Thus, I developed a theoretically and empirically grounded concept of *discursive diversity strategy*: Word choices among top leadership that reflect the firm's attention to diversity, equity, and inclusion.

## **SIGNALING THEORY**

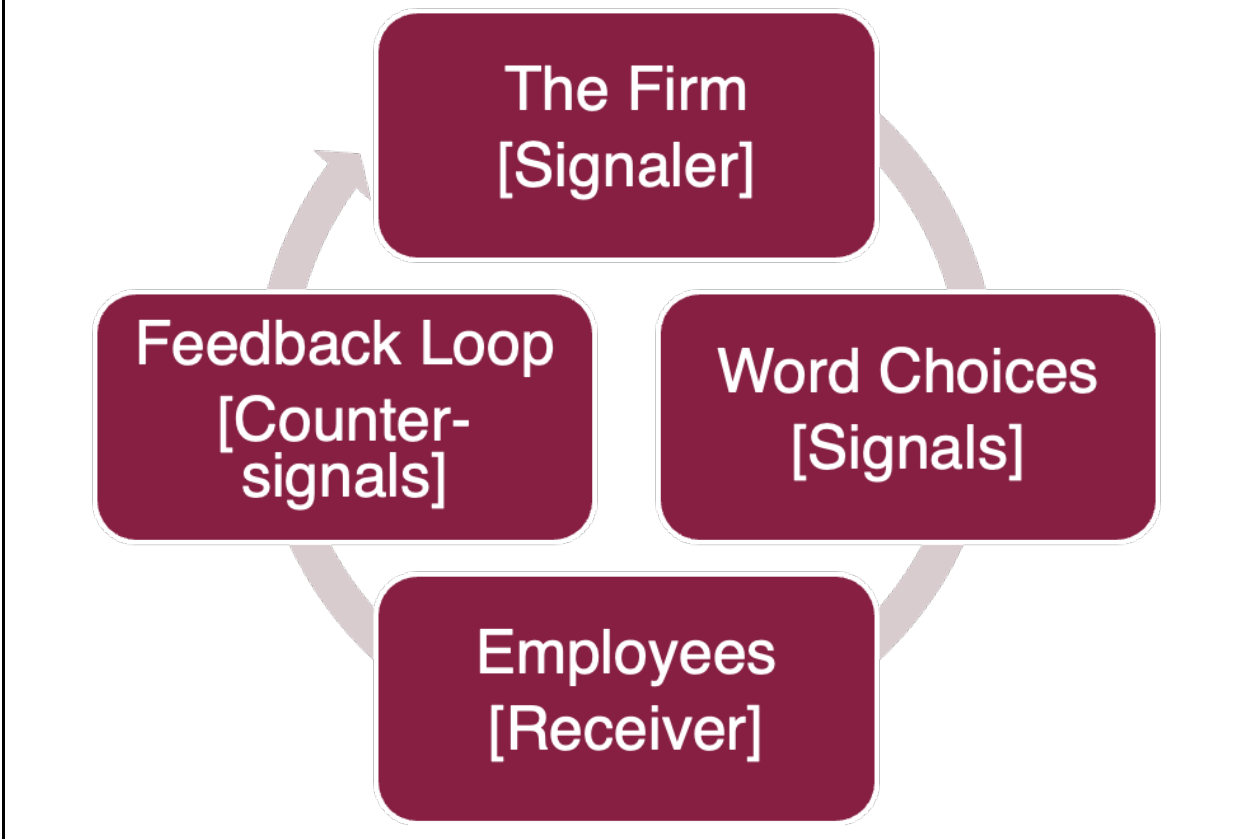
Signaling theory, initially developed by Spence (1973) in the context of labor markets, posits that individuals or entities may convey information about themselves or their characteristics to others through signals. These signals mitigate information asymmetry and establish trust. In the corporate context, signaling theory suggests that firms use various forms of communication, including corporate statements, reports, and actions, as signals to convey information about their values, policies, and commitment to diversity.

Information asymmetry between firms and stakeholders is a well-established challenge in strategy management. Firms often employ discursive strategies to convey their intentions and values, especially regarding issues such as diversity climate. However, the effectiveness of these

strategies in bridging the information gap with stakeholders, particularly regarding diversity, equity, and inclusion efforts, remains complex and elusive.

Signaling theory is composed of four key elements: the signaler, the signal, the receiver, and the feedback loop. It describes the behavior that occurs when two parties, individuals or organizations, access different information. In this scenario, one party, known as the sender, must decide whether and how to communicate (the signal) that information, while the other party, the receiver, must determine how to interpret the signal (Connelly et al., 2011). See Figure 1.1 Key elements of signaling theory.

Figure 1.1 Key elements of signaling theory





## **Feedback Loops and Stakeholder Perceptions**

Understanding the effectiveness of discursive strategies in addressing information asymmetry requires considering the feedback loops that connect firms and stakeholder groups. This consideration leads to several questions: How do stakeholders, including employees, investors, customers, and the general public, interpret and decode the discursive signals firms send? How do stakeholders respond to firm signals? Do the signals align with stakeholder expectations and values? What process governs how firms receive feedback and adjust their discursive strategies and diversity initiatives to meet stakeholder expectations? Understanding how firms adapt based on stakeholder responses contributes to the feedback loop.

## **Challenges and Future Research**

Addressing information asymmetry in the context of diversity climate signaling involves several challenges. Research gaps remain in understanding the effectiveness of different dimensions of discursive strategies, the impact of stakeholder diversity on interpretation, and the complexities of feedback loops in an era of social media.

Future research should explore how advances in natural language processing and sentiment analysis can be applied to gauge stakeholder sentiment regarding diversity climate. Additionally, examining the ethical dimensions of diversity signaling and the potential for "greenwashing" or superficial diversity commitments is crucial.

My research examines the lesser-researched component of signaling theory, the feedback loop. Adapting the iterative nature of signaling processes, I propose to develop the feedback loop further to address the information asymmetry between the diversity discourse strategies

signaled by the executive leadership and the effectiveness of diversity discourse strategy related to employee perceptions of diversity climate. I believe that a closer alignment of the signal sent by the executive leadership to the signal received by the firm's stakeholders will lead to an advanced interpretation of the possibilities for the relationship between discursive diversity strategy and firm value.

Signaling theory and feedback loops offer a valuable framework for exploring how firms communicate their commitment to diversity, equity, and inclusion and how stakeholders perceive and respond to these signals. Understanding the dynamics of information asymmetry and feedback can contribute to more effective diversity strategies, improved corporate transparency, and enhanced stakeholder engagement in shaping firm diversity climates.

## **DISCURSIVE DIVERSITY STRATEGY**

Gender and racial diversity on the board of directors have become synonymous with organizational attributes that signal symbolic and instrumental roles for the firm. These signals are intended to convey the firm's ability to meet the needs of a diverse market, establish and adhere to the norms of a progressive work environment, and improve a firm's reputation through philanthropy and community outreach (Miller & del Carmen Triana, 2009) are dependent on interpretation by the various stakeholder groups—the receivers—intended to relate such actions. Research has struggled to establish causal mechanisms between the composition of the board of directors and tangible outcomes for the organization regardless of whether scholars describe the value of diversity as instrumental—values interpreted as a means to an end—or noninstrumental—seen as something encompassing value regardless of potential consequences.

Researchers have mostly explored micro-level outcomes in the diversity climate literature and know relatively little about the underlying processes within employee perceptions of diversity climate that influence organizational outcomes, e.g., firm value (McKay & Avery, 2015; Reinwald et al., 2019). Furthermore, how individual employees interpret executive-level communication about diversity also needs to be clarified. The complications of the extant research include:

1. Determining what is intended by executives when they articulate the organization's strategic vision in terms of diversity,
2. More specifically, whether there is a correlation between the strategic articulations of diversity and the composition of the board of directors,
3. Whether the articulation of diversity combined with the composition of the board of directors is a signal of the organization's intentions to implement certain diversity practices, and
4. Whether the individual employees receive the signals as intended by executive management.

My concern with the potential for miscommunication between the signaler and the receiver may need to be more pronounced. Given the general paucity of studies examining firm-level consequences of diversity climate (e.g., Boehm, Kunze, et al., 2014), I am of the view that the practical implications of miscommunications between the signaler and the receiver lead to mischaracterizations of individuals throughout the organization. Further, the feedback component of signaling theory has been underdeveloped, resulting in missed opportunities to close the gap between what is being articulated by executives and what is relevant and meaningful to their employees.

To contribute to the expanding literature, I utilize signaling theory to explore how executive-level discourse affects the implementation and outcomes of employer DEI initiatives. A robust signaling environment is essential for signals to flow efficiently between employers (signal

designers) and employees (receivers) to reduce information asymmetry. This paper addresses the signaling theory gaps identified in the management literature.

I begin by positioning my discursive diversity strategy in the discursive strategy literature. See Appendix Table 1a: Positioning Discursive Diversity Strategy in the Discursive Strategy Literature. As a holistic approach, six aspects of discursive strategy provide a more intelligible approach to deciphering the strategy that underscores a firm's intentions to improve performance and enhance firm value through diversity discourse. See Appendix Table 1b: Positioning Discursive Diversity Strategy in the Discursive Strategy Literature for a review.

I organize the remainder of this paper into four chapters. Chapter two (article one) contains my foundational article, Discursive Diversity Strategy: Implications for Firm Value. In this empirical paper, I offer an initial measure of a firm's discursive diversity strategy by conducting a computer-aided text analysis or CATA (Short et al., 2010) of the firm's discursive diversity and reexamining the interaction between gender ratio and discursive diversity strategy on firm value. By examining signals from the Board of Directors—the signaler—to indicate the firm's commitment to diversity-related issues, I establish a frequency of word choices as the firm's discursive diversity strategy. The contribution of discursive diversity strategy to the discursive strategy literature establishes an empirically grounded and broad impression of diversity discourse at executive levels, primarily the board of directors. See Appendix Table 2: CATA Measures and Dictionaries.

In chapter three (article two), I partnered with the Bright Initiative by Bright Data, a global program providing NGOs, NPOs, academic institutions, and public bodies with access to leading data technology and expertise to drive positive change. I used their Glassdoor application programming interface (API) to compile current and former employee reviews for S&P 500

firms from 2012-2022. I then used CEO approval, senior leadership, culture and values, and diversity and inclusion ratings from more than 150,000 unique employee reviews to test and validate a 4-item diversity scale for employee perceptions of diversity climate. To calculate employee perceptions of diversity climate at the firm level of analysis, I used Mplus version 8.10 to structure the 137,000 employee reviews by firm years (2012-2022) and firm IDs (cik)– obtained from Compustat data. This data cleaning resulted in 137,000 unique employer reviews tied to firm value and 494 firm clusters, allowing for a firm-level analysis of employee perceptions of diversity climate. By comparing the firm's discursive diversity strategy results from article #1 with the firm-level results in article #2, I could determine the interaction effects of the firm's discursive diversity strategy on the relationship between employee perceptions of diversity climate and firm value.

In chapter four (article three), I consider the recent backlash against firms resulting from their discursive diversity strategies. In this practitioner-oriented article, I examine how a firm's discursive diversity strategy can lead to public backlash and stakeholder disinvestment. I use the recent backlash against Target, Bud Light, and others to illustrate the point. I explore the role of feedback loops in addressing the information asymmetry between employee perceptions of diversity climate and stakeholder backlash. Given the intensity of the backlash from stakeholder groups, I utilize the logic of Mixed Signals – The Unintended Effects of Diversity Initiatives (Dover et al., 2019) to draw more conclusive evidence for developing the feedback loop. Finally, in the concluding chapter, I present directions for future research on discursive diversity strategy.

DISCURSIVE DIVERSITY STRATEGY:  
SIGNALING THEORY AND IMPLICATIONS FOR FIRM VALUE

**ABSTRACT**

Diversity is a multi-billion-dollar business. Dating back to the pre-Civil Rights era, what scholars now call discursive strategy—the language and meaning that shape phenomena—has shaped the diversity landscape. Over the past 75 years, we have witnessed a pattern of strategic maneuvering of the discursive strategy concerning diversity from the Civil Rights Act of 1964 to the Equal Employment Opportunity Commission (EEOC) of the 1970s to affirmative action (1980s) to diversity management (1990s) to inclusiveness (2000s) and most recently to Environmental, Social and Corporate Governance (ESG). However, in response to reactions from its stakeholders, firms, e.g., Bud Light and Target have been forced to rethink the word choices, and subsequent actions, that reflect its attention to diversity. To frame these issues for strategy research, I propose that firms expand their strategies to include *discursive diversity strategy*, which I define as word choices among top leadership that reflect the firm’s attention to diversity, equity, and inclusion.

Keywords: Discursive Diversity Strategy, Gender-specific, Sexual Orientation

## INTRODUCTION

Years of debate over the contribution of diversity to firm performance have led to a growing interest in the metrics that measure the relationship between board gender diversity and firm value (Afzali et al., 2022; Wu et al., 2022). From a macro perspective, scholars conducting research on diversity as a competitive advantage have demonstrated that diversity can lead to new ideas, more debates, better communication, and new business management processes that provide unique and valuable skills that not only improve performance but positively impact firm value (Adams & Ferreira, 2009; Cox, 1994). Scholars who have examined the relationship between diversity and financial performance (e.g., Richard et al., 2003; Richard et al., 2021) have found positive correlations between diversity in leadership positions and financial outcomes. Beyond the implications for financial outcomes, firms that are intentional about their willingness and commitment to diversity-related initiatives often enjoy improved social reputation and brand perception, features that can attract a broader customer base and enhance stakeholder relationships (Zagelmeyer et al., 2018).

From a micro perspective, the discursive strategy research, a multidisciplinary approach to understanding the language and meaning that shape diversity-related phenomena within firms, has deepened our ability to interpret a widening range of discursive practices and their implications for the firm's stakeholders. Historically, firms have relied on basic demographic metrics such as race, gender, and age to measure diversity. These metrics provide a foundational understanding of workforce composition but only capture part of the spectrum of diversity (Cox, 1994). Ongoing research has emphasized the importance of inclusive measures encompassing a broader range of dimensions, including cognitive diversity, personality traits, and cultural backgrounds (Cox & Blake, 1991; Harrison et al., 1998; van Knippenberg & Schippers, 2007).

Technological advancements and data analytics have also enabled firms to collect and analyze vast amounts of diversity-related data. Examples include mining social media data to understand stakeholder sentiment (Zhang & Zhao, 2019), the role of technology in processing and analyzing stakeholder feedback (Raghavan & Stroh, 2018), and exploring the role of discursive strategies in shaping and legitimizing change (Kahl & Grodal, 2016).

Unfortunately, the paucity of empirical research on the firm's discursive strategy leaves executive decision-making concerning the firm's attention to diversity as an immeasurable and undecipherable strategy. To date, significant theoretical advances seeking to measure the direct effects of diversity in firms, e.g., the composition of the board of directors, chief executives, and top management (Richard et al., 2021) have considered market- or asset-based measures of firm value (Awaysheh et al., 2020). However, the absence of diversity as a discursive strategy and the lens through which it could illuminate the contribution of diversity to firm value presents a critical complication for the firm. Specifically, it results in inconsistent signaling of attention to diversity at multiple levels of the firm (Kahl & Grodal, 2016), leading to internal practices that could be better advised and beneficial to the firm (Kalev et al., 2006). Furthermore, this inconsistent signaling of attention to diversity also extends to the firm's external stakeholders (Kahl & Grodal, 2016), often investors and moral advocates to the public (Awaysheh et al., 2020). Consequently, the incongruence between signals intended and signals received by stakeholders can have negative implications on firm value (Argenti, 2017) and even broader implications for sociomateriality, sensemaking, and power (Balogun et al., 2014), the theoretical domains of strategizing.

Since 2021, over 25 companies have received public shareholder letters alleging that their diversity, equity, and inclusion (DEI) programs amount to illegal discrimination and violate the



directors' fiduciary duties to investors (Godoy & Raychaudhuri, 2023). These threats to firms, including JP Morgan Chase, Pizza Hut, American Airlines, and Lowe's, resulted in changes that primarily involved "removing language" that said specific programs were for underrepresented groups. This change in discursive diversity strategy has direct implications for firm value, as is evident at Bud Light and Target, who have recently modified their discursive strategies in response to public backlash over inclusive discourse and targeted marketing campaigns (Holpuch, 2023). This paper aims to measure the firm's discursive diversity strategy. As such, I define the firm's *discursive diversity strategy* as word choices among top leadership (typically including the board of directors, top management team, and the Chief Executive Officer) that reflect the firm's attention to diversity, intended to improve performance and enhance firm value through a commitment to diversity. Drawing from signaling theory (Connelly et al., 2011), I facilitate a conversation between board gender diversity, discursive strategy, and diversity discourse scholars to advance diversity theorizing. My analysis weaves together these incumbent streams of research by (1) examining the discursive strategy of S&P 500 firms through the lens of diversity discourse to introduce 'discursive diversity strategy' as a distinct construct and (2) reexamining the relationship between board gender diversity and firm value through the effects of the discursive diversity strategy of S&P 500 firms. In the context of this article, diversity primarily considers gender composition—the ratio of women on the board of directors (Carter et al., 2003) and the implications for firm value as measured by Tobin's Q (Awaysheh et al., 2020). Moreover, I theorize that by analyzing a firm's discursive diversity strategy through the lens of several diversity-related sub-dimensions, the interaction effects will result in new metrics contributing to our understanding of the relationship between board gender diversity and firm value.

My literature review leads to the two key research questions driving this study: How do I measure the degree to which firms signal their attention to diversity? Second, what are the implications of dimensionalizing discursive strategies for firm value? First, I focus on a firm's discursive diversity strategy in the context of board gender diversity. Second, I analyze a firm's gender-specific discursive diversity strategy (Wu, et al., 2022) which focuses on word choices related to gender identity, orientation, and violence, e.g., gender equity, gender neutral, and intimate partner violence. Third, I analyze a firm's sexual orientation discursive diversity strategy (Kyaw et al., 2022), which focuses on word choices related to sexuality, e.g., lesbian, LGBTQ, and pride. Finally, I analyze a firm's gender-intersecting discursive diversity strategy (Thatcher et al., 2023), derived by extracting the gender-specific word choices from the word choices that comprise the firm's overall discursive diversity strategy. My findings strongly support theorizing on the interaction effect of discursive diversity strategy and board gender diversity on firm value for firms with low discursive diversity word choices. These insights lead to additional theorizing on how firms subject to the volatilities of their discursive diversity strategies, e.g., Bud Light and Target, can make better-informed decisions regarding signals intended to improve performance and enhance firm value through a commitment to diversity. Thus, my study demonstrates that not all types of discursive diversity strategies are the same, and further, not all discursive diversity strategies affect firm value in the same way. My paper has important implications for discursive strategy, board gender diversity, and diversity discourse research.

## THEORY & HYPOTHESIS

### Diversity as a Discursive Strategy

As a dominant discourse within firms, strategy related to diversity represents a delineated body of knowledge that is widely shared and has a significant impact on practices within the firm (Hardy, 2022). Diversity as a discursive strategy requires a multidisciplinary approach to understanding the language and meaning that shape diversity-related phenomena (Hardy, 2022; Thomas & Stephens, 2015). Over the past few decades, three domains of theorizing - sociomateriality, sensemaking, and power (Balogun et al., 2014; Hardy, 2022) - have been central to theoretical advances in discourse. First, concerning sociomateriality, a discursive approach to diversity within firms is a socially constructed "ensemble of ideas, concepts, and categorizations emanating from a collection of texts that become produced, reproduced, and transformed" (Hajer, 1995, p. 44; Hardy, 2022). Second, by investigating how meanings emerge, stabilize, and change, researchers then take a discursive approach to sensemaking to investigate different 'levels' of analysis (Kahl & Grodal, 2016). By connecting institutions, texts, and practices (Fairclough, 1995; Hardy, 2022), a discursive approach provides a more holistic understanding of the diversity phenomena within firms. Similarly, a discursive approach associates firms with various circumstances (Zhang, 2021), providing insight into the firm's attention to diversity, including the complexity of societal issues in a discursively constructed world. A discursive approach is a means of "interrogating existing power relations, questioning the authority of mainstream thinking, and proposing alternative ways of being" (Hardy & Thomas, 2014; Zanoni & Janssens, 2015), providing a lens into who and what have been rendered invisible by executive decision-making.

Despite this increased attention, scholars argue that the role of discourse in strategy remains theoretically underdeveloped and empirically under-explored (Balogun et al., 2011), creating blindspots and distortions (Ao, 2023), especially concerning diversity. Furthermore, research methods focused on identifying the specific, word-level content of specific orientations of discourse have been limited (Roundy & Asllani, 2019). With a granular, word-level understanding of the lexicon of diversity discourse, the linguistic representation of diversity as a means for building consensus around diversity-related issues remains clear. It leads to inconsistent communication of the firm's attention to diversity across various levels (Kahl & Grodal, 2016). This inconsistent communication results in internal practices that are unwise and harmful to the firm's well-being (Kalev et al., 2006).

Additionally, more coherence in conveying attention to diversity must be extended to the firm's external stakeholders, including investors and advocates for ethical practices in the public sphere (Awaysheh et al., 2020). Consequently, the disparity between the signals the firm intends to send, and the signals received by stakeholders can adversely affect the firm's overall value (Argenti, 2017). This situation also holds broader implications for sociomateriality, sensemaking, and power, which are theoretical aspects of strategic decision-making (Balogun et al., 2014).

However, is discursive diversity strategy a measurement of a firm's strategy? The recent cases of Bud Light and Target illustrate the firm's strategic use of discourse to conform to stakeholder expectations, legitimizing their existence (Meyer & Rowan, 1977). Furthermore, given the resource-based view of the firm, which suggests that firms strategically use communication to showcase their resources and capabilities (Barney, 1991), a firm's discursive diversity strategy needs to shape stakeholders' perceptions, e.g., JP Morgan Chase, Pizza Hut, American Airlines, et al. Altogether, my ability to unpack strategy as discourse by developing a

CATA measure (Short et al., 2010) of discursive diversity strategies contained in the 10-K filings of S&P 500 firms for 2012-2022 exposes new opportunities for researchers to investigate the genesis for a firm's discursive diversity, how it evolves with firm value, and when and under what conditions a firm's strategy is likely to be altered. Consequently, spurred on by the negative impact on firm value, Bud Light and Target represent relevant examples of the conditions under which a firm's discursive diversity strategy is subject to change.

### **Board Gender Diversity**

The historical underrepresentation of women and minoritized populations on the board of directors has resulted in a lack of gender and racial diversity within a significant part of a firm's governance structure (Burke, 2019; Carter et al., 2003; Terjesen & Singh, 2009). Consequently, the literature on women and minoritized executives on the board of directors has signaled that fundamental intergroup biases are at the highest levels of corporate America (McDonald & Westphal, 2013). Although the results of most board-related actions are long-term (Hillman, 2015) and take time to become evident, evaluating the signaling rationale for board diversity is challenging. This difficulty arises from the weak inherent link between the signal—the presence of women and racial and ethnic minorities on the board—and the quality that is important to the signal receiver (Lamkin Broome & Krawiec, 2008). Further, researchers have investigated the relationship between the composition of the board and the financial performance of S&P 500 firms (Carter et al., 2010), explained why women had achieved non-executive director (NED) but not ED roles (Bilimoria, 2008; Burke, 2019; Daily et al., 1999), and conceptualized a critical mass that normalizes women's presence as leaders (Erkut et al., 2008). A firm's decision to include women and minoritized individuals on its board does not necessarily reflect the

opportunities available for women and minorities seeking promotion within the firm (Lamkin Broome & Krawiec, 2008).

I present the choice of a firm's discursive diversity strategy as an oversight in the board diversity literature that represents (1) consensus from the board of directors for firm-level focus on diversity, equity, and inclusion; (2) a social practice whereby its emergence, or lack thereof, might signal a pattern of focus on diversity, equity, and inclusion over time; and (3) a discursive practice through which the firm's stakeholders both produce and consume diversity-related content, thereby enhancing firm value. As Johnson et al. (2013) note, there is no direct link between demographic characteristics and firm performance for several reasons, including the challenge of assessing board relationships with complex and distant outcomes like firm performance. Thus, it is valuable to study more directly attributable outcomes, such as specific decisions or activities (Finkelstein et al., 2009). This article evaluates the board's choice of diversity-related terms to indicate the firm's commitment to diversity.

### **Signaling Theory**

Using the guidance of previous works (Lamkin Broome & Krawiec, 2008), this study frames a firm's discursive diversity strategy as signals intended to enhance firm value. Opinions and discourses surrounding diversity influence how much a firm's diversity-related agenda may be supported or resisted (Tatli, 2012; Küskü et al., 2021). Executive-level decision-makers convey the firm's discursive diversity strategy to stakeholders through annual reports. Although highly edited and customized, these reports often mirror the firm's priorities and actions (McKenny et al., 2018). Therefore, they serve as a valuable resource for assessing the firm's emphasis on diversity.

Signaling theory, a versatile concept in management literature, is often used to address information asymmetries related to latent and unobservable qualities (Connelly et al., 2011). Its applications are diverse, ranging from understanding how board characteristics influence organizational reputation (Certo, 2003; Certo et al., 2001), to exploring the impact of multilevel signals on women's experiences of sex discrimination (Kim et al., 2014), and even to studying the influence of virtuous and entrepreneurial orientations on microfinance lending and repayment (Moss et al., 2015). Nevertheless, it remains unclear how individual employees interpret the diversity discourse from the executive level of the firm (Lamkin Broome & Krawiec, 2008; Shin & Gulati, 2010). Complications identified in the extant research include: (1) whether diversity can be considered as a signal of firm quality (Connelly et al., 2011) or is it simply a value that drives signaling behavior (Shin & Gulati, 2010); and (2) whether the demographic composition of the board can signal a firm's support for diversity initiatives, including the advancement of women (Bilimoria, 2000). Since signaling theory concerns how insiders intentionally convey imperceptible, positive information about themselves to outsiders (Connelly et al., 2011), my concern with the potential for miscommunication between the signaler and the receiver may not be so obvious.

Contributing to the growing body of literature, I apply signaling theory to analyze a firm's discursive diversity strategy to understand the implementation and outcomes detailed in its 10-K annual report. A robust signaling environment is necessary for efficient and effective communication between the firm (signal designer) and stakeholders (receivers) aimed at reducing information asymmetry (Yasar et al., 2020). This paper reveals a pattern of potentially unobserved and costly behaviors (Connelly et al., 2011) that influence the relationship between board gender diversity and firm value in S&P 500 firms.

My analysis weaves together incumbent streams of research on the firm's board gender ratio, discursive diversity strategy, and firm value to address my research questions. I begin by revisiting the relationship between board gender diversity and measuring the relationship to firm value. I then shifted the focus to my interest in measuring the degree to which firms focus their attention on diversity by measuring the relationship of discursive diversity strategy on firm value. Finally, I examine the interaction effect between board gender diversity and discursive diversity strategy on firm value.

### **Board Gender Diversity as a Predictor of Firm Value**

More than 20 years ago, Carter, Simkins, and Simpson (2003) proclaimed the gender, racial, and cultural composition of the board of directors as one of the most significant governance issues faced by modern corporations. Although a large body of literature examines the role of diversity management in firms, with many studies dichotomized around the social moral versus the business case for diversity (Noon, 2007; Oberfield, 2014; Pitts, 2006), research making the business case for diversity as shareholder value has seldom taken the role of the firm's discursive diversity strategy into account. The business case for diversity management within firms, and the board of directors, is typically associated with new ideas, more debates, better communication, and new business management processes (Gaio & Gonçalves, 2022), in that the composition of the board improves financial performance and enhances firm value (Carter et al., 2003). Then, the board's composition signals unique and valuable skills that improve performance, positively impact firm value, and demonstrate greater alignment with shareholder interests (Adams & Ferreira, 2009).

***Hypothesis 1: Board gender diversity (women ratio) positively predicts firm value as calculated by Tobin's Q.***



## **Discursive Diversity Strategy as a Predictor of Firm Value**

Without the firm's discursive diversity strategy, several blindspots that could illuminate the contribution of diversity to firm value still need to be discovered. First, the firm's discursive diversity strategy establishes consistent signaling of its attention to diversity at multiple levels of the firm (Kahl & Grodal, 2016), leading to better choices about internal practices that may be ill-advised and detrimental to the firm (Kalev et al., 2006). Second, the firm's discursive diversity strategy and the consistent signaling of attention to diversity also extend to the firm's external stakeholders (Kahl & Grodal, 2016), who are often investors and moral advocates to the public (Awaysheh et al., 2020). Finally, the firm's discursive diversity strategy has broader implications for the theoretical domains of strategizing–sociomateriality, sensemaking, and power–signaling the firm as a co-creator of diversity discourse aligned with societal norms (Balogun et al., 2014).

I consider the discursive diversity strategy included in the 10-K annual reports to illustrate a firm's compliance with societal norms that reduce information asymmetry between the firm and its stakeholders (Connelly et al., 2011). Suppose stakeholders seek signals of a firm's commitment to societal norms and expectations (Gaio & Gonçalves, 2022), e.g., common diversity practices (Leslie, 2019). In that case, content in the 10-K reports enhances firm value (Carter et al., 2003). Given the mixed results and conclusions surrounding the social-moral and business case for diversity, I take the view that alternative methods for measuring diversity at the firm level may avoid the pitfalls of previous models, which have suffered from an omitted variable problem (Awaysheh et al., 2020; McWilliams & Siegel, 2000). I look to correct this oversight by establishing a relationship between the firm's discursive diversity strategy and firm value. I predict that firms with a more robust discursive diversity strategy, measured by high

diversity word counts in the firm's 10-K annual reports, will have greater firm value as calculated by Tobin's Q (See Appendix Table 2 for a review of the word dictionaries).

### **The Interaction Effect: Gender Ratio and Discursive Diversity Strategy**

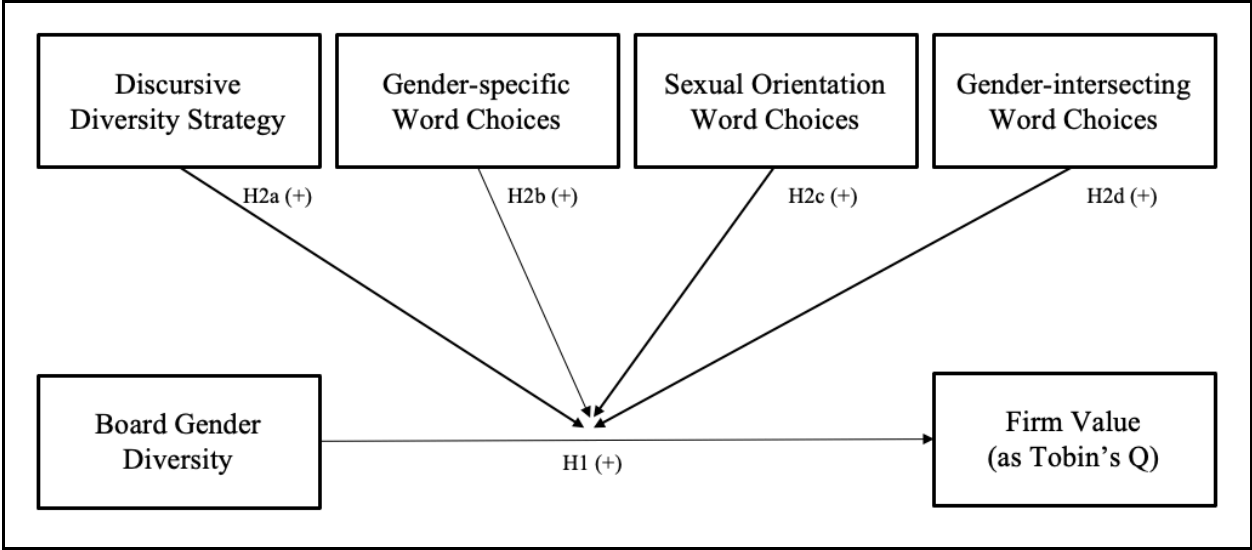
Diversity among the board of directors continues to be a topic of strategic interest to firms (Johnson et al., 2013) as they invest billions of dollars annually on diversity management solutions intended to manage bias and discriminatory behavior in the workplace (Dhanani et al., 2018). In retrospect, any effort to disentangle diversity-related signaling from the board of directors requires a dissection of the firm's discursive diversity strategy. The fact that a firm's discursive diversity strategy has received significantly less attention from both practitioners and academics in management research and almost none for diversity-related sentiments contained in a firm's annual reports (Wang et al., 2022) leaves a considerable gap in the ability of scholars to establish a relationship between board gender diversity and firm value.

A firm's discursive diversity strategy could moderate the relationship between board gender diversity and firm value for the following reasons. The discursive strategy literature has established that a firm's strategies facilitate a shared view (Kwon et al., 2013). Given the historical underrepresentation of women on the board (Johnson et al., 2013), a firm's discursive diversity strategy not only encourages participation by women at multiple levels of the firm but may also enable gendered perspectives around common language with agreed-upon discourse. Thus, firms with higher discursive diversity word counts will more effectively consider the needs of diverse stakeholder groups. This consideration reduces the information asymmetry between the firm and its stakeholders (Connelly et al., 2011). Further, firms that can reduce information asymmetry between the firm and its stakeholders will have a competitive advantage, resulting in improved firm performance and enhanced firm value. Therefore, I explore the interactive effect

of the firm's discursive diversity strategy and board gender diversity on firm value. See Figure 2.1: Moderating effects of discursive diversity strategy and sub-dimensions on the relationship between board gender diversity and firm value.

***Hypothesis 2a:*** *Discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the discursive diversity word count is higher.*

Figure 2.1 Moderating effects of discursive diversity strategy and sub-dimensions on the relationship between board gender diversity and firm value



As a multi-dimensional construct, a firm's discursive diversity strategy illustrates diversity, equity, and inclusion complexities. To distinguish between previous board gender diversity studies, which tend to focus on proportional representation on the board (Hoobler et al., 2018; Wu et al., 2022), the current research analyzes dimensions of a firm's discursive diversity strategy (van den Broek, 2022) as gender-specific, sexual orientation and gender-intersecting. A gender-specific discursive diversity strategy focuses on word choices related to gender identity, orientation, and violence, e.g., gender equity, gender neutrality, and intimate partner violence (Wu et al., 2022). A sexual orientation discursive diversity strategy focuses on word choices related to sexuality, e.g., lesbian, LGBTQ, and pride (Kyaw et al., 2022). Finally, I derived a gender-intersecting discursive diversity strategy by extracting gender-specific (Thatcher et al., 2023) word choices from the complete discursive diversity strategy.

Like hypothesis 2a, the sub-dimensions of a firm's discursive diversity strategy could moderate the relationship between board gender diversity and firm value. Facilitating a shared view (Kwon et al., 2013) requires a recognition of the varying perspectives of the firm's stakeholder groups. With the gender-specific, sexual orientation, and gender-intersecting sub-dimensions in mind, a firm's discursive diversity strategy enhances its ability to facilitate gendered perspectives around a common language with agreed-upon discourse. Firms can then utilize their discursive resources to shape perceptions, influence stakeholders best, and manage their reputation (Vaara & Whittle, 2022). Thus, firms with greater clarity about the specific sub-dimensions of their discursive diversity strategy will more effectively consider the needs of diverse stakeholder groups. This consideration reduces the information asymmetry between the firm and specific stakeholder groups (Connelly et al., 2011), leading to a competitive advantage, improved firm performance, and enhanced firm value. Therefore, I explore the interactive effect

of three sub-dimensions of the firm's discursive diversity strategy and board gender diversity on firm value: gender-specific, sexual orientation, and gender-intersecting sub-dimensions.

Consequently, the relationship between board gender diversity and firm value will vary depending on how firms deploy the sub-dimension of their discursive diversity strategy.

***Hypothesis 2b:** Gender-specific sub-dimension of discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the gender-specific discursive diversity word count is higher.*

***Hypothesis 2c:** Sexual orientation sub-dimension of discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the sexual orientation discursive diversity word count is higher.*

***Hypothesis 2d:** Gender-intersecting sub-dimension of discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the gender-intersecting discursive diversity word count is higher.*

## METHODS

First, I tested my hypothesis using the Wharton Research Data Services (WRDS) Compustat database firm data for S&P 500 companies from 2012 to 2022. The choice of 10-year archival data is consistent with longitudinal studies (e.g., Borgholthaus et al., 2021; Simpson & Sariol, 2022). Second, I extracted data from the annual reports using Python coding for the data collected as a measure of discursive diversity strategy and word counts within the 10-K filings of S&P 500 firms. Finally, having collected and analyzed a massive body of corporate 10-K statements, I collected board gender diversity data for the same 10-year period. See Table 1.1: Merged Datasets.

Table 1.1 Merged Datasets

	Observations (variables)
Firm-year observations from BoardEx database from fiscal year 2012 to 2022	7076 (10)
Firm-year observations with insufficient data after merging Compustat data for 2012 to 2022	5610 (19)
Firm-year observations with insufficient data after merging with diversity word counts for 2012 to 2022	3745 (27)
Final dataset after creating new variables and accounting for duplicates	3744 (64)



I obtained board gender diversity data, the percentage of women on the board, and other board characteristics from the Wharton Research Data Services (WRDS) BoardEx dataset, which offers a range of firm-level variables related to the board of directors. The board gender diversity dataset from BoardEx included 7076 observations for ten variables. After merging the BoardEx dataset with the Compustat financial data, there were 5610 observations for 19 variables. I then merged this combined dataset with the diversity word count dataset for the S&P 500 firms for the same period. After eliminating duplicates and creating new variables for analysis, my final dataset included 3744 firm-year observations for 64 variables over the 10-year time frame. Table 1 reports the initial dataset comprising board gender diversity variables, firm performance measures, and diversity word counts for 2012–2022.

I used the left-join function in R with cik and firm year as my cluster variables to merge the three datasets. To make interpreting the intercept more meaningful, I used the "grandmean" function in Mplus to center variables around their grand mean. Therefore, to calculate the mean of each variable, I subtracted each firm-level variable from the mean aggregate score for all years 2012-2022. Then, I conducted a series of analytical research methods to examine the moderating effects of a firm's discursive diversity strategy on the relationship between board gender diversity and firm value. In this phase, I focused on whether a firm's discursive diversity strategy provides useful signals for conditions likely to impact firm value.

### **Discursive Diversity Strategies in 10-K Reports**

The literature on diversity discourse has tended to utilize semi-structured interviews (Fernando, 2021; Dobusch, 2017; Tatli, 2011; Zanoni & Janssens, 2004) and bibliometric analysis of published works (Oswick & Noon, 2014). Text mining, "the discovery and extraction of interesting, non-trivial knowledge from free or unstructured text" (Kao & Poteet, 2007, p.1),

has been helpful in qualitatively assessing the micro-dynamics of language, boundaries of the diversity management field, negotiations of strategy and power, and the mobilization of discourse within organizations. More recently, however, researchers in organization management have not only focused on text mining (Kobayashi et al., 2018) but also on related methods, including topic modeling (Schmiedel et al., 2019) and computer-aided text analysis or CATA (Short et al., 2010).

For my purposes, CATA is particularly appropriate to address the research questions of interest because:

1. Scholars generally perform content analysis on texts such as CEO shareholder letters, annual reports, and mission statements (Duriiau et al., 2007),
2. CATA can process large samples with high speeds and reliabilities (Short et al., 2010), and
3. Most CATA procedures extract patterns by counting word/term frequencies (Kobayashi et al., 2018).

I utilized several sources for my data. First, I compiled a list of diversity-related word dictionaries from academic and practitioner-oriented literature reviews. Second, I gathered the 10-K filings of S&P 500 firms from the SEC's EDGAR database for 2012-2022. After merging the 10-K data with firm financial data from COMPUSTAT, my final sample size is 3,744 firm-year observations. After retrieving the 10-K data from the database, I employed a few standard text preprocessing techniques in text analysis studies (Short et al., 2010; Simpson & Sariol, 2022). The preprocessing steps decrease the complexity of the textual data while preserving the substantive content for the analysis (Denny & Spirling, 2017). As a first step, I parsed each document into words and removed non-alphabetical expressions, such as punctuations, special characters (e.g., #, %, &, \$, and ~~W~~), and numbers; then, I de-capitalized the words. Most text

analysis methods take individual words as the unit of analysis. However, since there are multi-word expressions, such as "diversity management" or "gender diversity," that deliver a particular meaning different from the individual words, I consider these expressions by using preferencing bi-grams or other combinations of words that capture the appropriate context. I also used stemming to reduce the variant forms of vocabularies in the corpus (Manning et al., 2008). For example, I used the stem "inclusiv" to capture "inclusive", "inclusiveness", and "inclusivity". See Appendix A: CATA Measures and Dictionaries

### **Firm Value as Dependent Variable**

I estimate Tobin's Q for firm years 2012 to 2022 to compare relative financial market valuations, calculated as  $([\text{Total Assets} - \text{Book Value of Common Equity} + \text{Market Value of Common Equity}]/\text{Total Assets})$ . Assets are the natural log of total assets; return on assets is the natural log of net income/total assets (Awaysheh et al., 2020). Tobin's Q, serving as a forward-thinking gauge rooted in capital markets, evaluates a firm's value. It assesses whether the market is willing to pay more (or less) than the actual replacement costs of a firm's assets. This way, it encompasses any anticipated excess returns from the firm's asset portfolio (Amit & Wernerfelt, 1990).

With the recent focus on the potential impact of board gender diversity on firm performance (Li et al., 2021; Tuggle et al., 2022; Wu et al., 2022), my study explores the moderating effect of a firm's discursive diversity strategy on this relationship, offering new avenues for evaluating its value. While it is true that the outcomes of most board actions are distant and require time to manifest (Hillman, 2015), my use of Tobin's Q goes beyond financial outcomes. It serves as a benchmark for examining the interaction effects of other predictor variables that are crucial for a firm's long-term expected value. My descriptive statistics and

correlation matrix, which use Tobin's Q logarithm for consistency with previous research (Awaysheh et al., 2020; Bliese et al., 2019; Simpson & Sariol, 2022), further support this approach. See Table 2.1: Descriptive Statistics

Table 2.1 Descriptive Statistics

Variables	MEAN	SD	N	Median	Min	Max
1. Firm Value - Tobin's Q (log)	9.38	1.59	3338	9.38	3.45	14.89
2. Board Gender Diversity (ratio)	0.22	0.10	2556	0.22	0	0.67
3. Discursive Diversity Word Count	13.53	19.91	3744	8	0	381
4. Gender-Specific Word Count	0.34	1.01	3744	0	0	20
5. Sexual Orientation Word Count	0.28	1.21	3744	0	0	35
6. Gender-Intersecting Word Count	13.20	19.56	3744	8	0	379
7. Number of Directors (log)	2.37	0.22	2556	2.40	0.16	3.40
8. Board Tenure (SD)	6.15	3.08	2556	5.60	0	20.30
9. Director Age (SD)	7.02	1.97	2556	6.70	2.60	14.90
10. Debt Ratio (LEV)	0.80	1.12	3260	0.44	0	16.80
11. Firm Size (emp_log)	2.99	1.49	3603	2.95	-3.77	7.40

## **Independent Variable – Board Gender Diversity**

### **Board Gender Diversity**

The level of board diversity can be measured using various metrics, such as the proportion of women or minority directors (Carter et al., 2003) or the level of international representation on the board (Carter et al., 2010). Consistent with previous research, I consider a group of variables on board characteristics to control for both structural and demographic diversity of the boards of directors (Li et al., 2022). To reexamine the relationship between board gender diversity and firm value, I used GenderRatio.W—the proportion of women directors at the annual report date selected—as my independent variable. I accessed data on the GenderRatio.W variable for S&P 500 firms (2012-2022) from the Wharton Research Data Services (WRDS) BoardEx platform. The original dataset contained GenderRatio.M as the proportion of male directors selected at the annual report date. To ensure consistency with my hypothesis of a positive correlation between board gender diversity and firm value, I reverse-coded the original dataset to capture the proportion of women directors at the date selected for the annual report. Though I was also able to capture nationality mix, the proportion of directors from different countries at the annual report date selected, my interest in racial and ethnic diversity is not included in my data. Future research efforts on board diversity should reflect the composition of non-white men.

### **Interaction Variable(s) – Discursive Diversity Strategy**

Discursive Diversity Strategy is an aggregate count of the number of mentions of diversity terms in each firm-year 10-K statement. In Appendix A (See Appendix A: CATA Measures and Dictionaries), I detail these word "choices" and focus only on terms that have implications for diversity in the context of "diversity, equity, and inclusion" (and any associated

word roots). I omitted terms such as "diversity" in the context of "products, portfolios, and geography" (and any associated root words). To vet the diversity word choices of a firm's discursive diversity strategy, I engaged four DEI subject-matter experts, two academics, and two practitioners. I asked them to apply their expertise to the word choices in my DEI word dictionary. First, to determine if the keywords list is exhaustive, and then to identify the subset of keywords that pertain directly to gender. The exercise produced several sub-dimensions of a firm's discursive diversity strategy, including gender-specific, gender-intersecting, and sexual orientation. The gender-specific sub-dimension considers gender word choices related to gender identity, orientation, and violence (Wu et al., 2022). Beyond the gender-specific sub-dimension, all four experts identified the remaining diversity dictionaries as gender-intersecting. These word choices may not be specific to gender but apply to gender-specific terms. The experts also distinguished gender from sexual orientation, an observation that has not been applied broadly in the management literature (Kyaw et al., 2022). While the gender word choices reference gender identity, orientation, and violence, the sexual orientation word count references word choices associated with sexuality. After conducting the CATA, it also became clear that firms draw distinctions between gender and sexual orientation in their discursive diversity strategy.

### **Control Variables**

To comprehensively understand the relationship between the percentage of women on the board and Tobin's Q, I included frequently used control variables that could influence my dependent variable. First, I included two firm-level control variables from representative data in Compustat. Concerning firm size, scholars have long argued that more prominent and more visible organizations experience more pressure to comply with societal expectations, including board gender diversity (Dimaggio & Powell, 1983). I included firm size as a log of the number

of employees (Awaysheh et al., 2020; Black et al., 2006) and debt ratio as a calculation of debt/sales (Awaysheh et al., 2020)

Furthermore, I considered three board-level characteristics related explicitly to signaling theory to address the scarcity of theoretical rationale in control variable decision-making (Bernerth & Aguinis, 2016). The first characteristic is the number of directors, which I controlled for by using the natural logarithm of the total number of directors. The size of the board of directors can impact firm performance independently of gender diversity. Larger boards may have different dynamics, decision-making processes, and governance structures than smaller boards, which could influence firm value (Desai, 2016). By controlling for board size, I can isolate the specific impact of gender diversity on firm value.

Another board-level characteristic I controlled is the directors' time on the board, which I measured using the natural logarithm of a director's number of years. Longer-tenured directors may have established relationships, networks, and institutional knowledge that could influence firm performance and decision-making independently of gender diversity (Westphal & Stern, 2007). By controlling for director tenure, I can better isolate the specific impact of gender diversity on firm value without conflating it with the effects of tenure.

Finally, I controlled for the directors' age using the natural logarithm of the director's age (Carter et al., 2010; Li et al., 2022). Director age often correlates with experience and expertise in a particular industry or field. Older directors may bring valuable insights and knowledge to the boardroom that could impact firm performance independently of gender diversity (Zhu & Westphal, 2014). By controlling for director age, I can better isolate the specific effects of gender diversity on firm value without conflating it with the effects of age-related factors.



## RESULTS

The correlation matrix (Table 3.1) presents inter-correlations and regression results for firm value (calculated by Tobin's Q) showing results consistent with the hypothesized relationships among the focal indicators. I found a positive and significant relationship between discursive diversity strategy and all variables. I also found a positive and significant relationship between firm value and gender ratio ( $\beta = 0.25, p < .01$ )—the proportion of women directors. This finding aligns with signaling theory (Connelly et al., 2011), which suggests that a diverse board will enhance the firm's reputation (and value). Board diversity signals that board members can navigate the diverse landscape within which the firm operates (Bilimoria, 2000; Miller & del Carmen Triana, 2009). I also found a positive and significant relationship between gender ratio and diversity strategy ( $\beta = 0.17, p < .01$ ). See Table 3.1: Correlation Matrix

Table 3.1 Correlation Matrix - means, standard deviations, and correlations

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9	10	11
1. Firm Value - Tobin's Q (log)	9.38	1.59											
2. Board Gender Diversity (ratio)	0.22	0.10	.25**										
3. Discursive Diversity Word Count	13.53	19.91	.26**	.17**									
4. Gender-Specific Word Count	0.34	1.01	.04*	.06**	.36**								
5. Sexual Orientation Word Count	0.28	1.21	.03	.02	.15**	.18**							
6. Gender-Intersecting Word Count	13.20	19.56	.27**	.16**	1.00**	.32**	.15**						
7. Number of Directors (log)	2.37	0.22	.53**	.16**	.12**	.00	.02	.12**					
8. Board Tenure (SD)	6.15	3.08	-.14**	-.06**	-.08**	-.00	-.02	-.08**	-.04*				
9. Director Age (SD)	7.02	1.97	-.14**	-.11**	-.06**	.08**	.02	-.06**	.05**	.31**			
10. Debt Ratio (LEV)	0.80	1.12	.25**	-.02	.03	-.00	.02	.03	.01	-.01	.04	.19**	
11. Firm Size (emp_log)	2.99	1.49	.52**	.17**	.06**	.01	.04*	.06**	.35**	-.02	-.02	.49**	-.34**

Note. N=3744. *M* and *SD* are used to represent mean and standard deviation, respectively.

\* indicates  $p < .05$ . \*\* indicates  $p < .01$ .

I ran an OLS regression to examine the impact of control variables as predictors of the relationship with firm value. Relationships between Tobin's Q and the number of directors is positive and significant ( $\beta = 0.53, p < .01$ ); board tenure ( $\beta = -0.14, p < .005$ ); age ( $\beta = -0.14, p < .01$ ). Hypothesis 1 predicted that a firm's board gender diversity—the percentage of women on the board—positively predicts firm value (as calculated by Tobin's Q) such that there is a positive relationship between board gender diversity and firm value. As shown in Table 3.1, the coefficient for the firm's gender ratio ( $\beta = 0.25, p < .01$ ) was significant and positive when predicting firm value, thus fully supporting my hypothesis.

Hypothesis 2a predicted that a firm's discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the discursive diversity word count is higher. The interaction effect for board gender diversity and discursive diversity strategy on firm value was negative and marginally significant ( $\beta = -0.215, p < .1$ ). See Table 4.1: An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Discursive Diversity Strategy.

Table 4.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Discursive Diversity Strategy

Between Level	Estimate	S.E.	Est./S.E.	P-Value
TQK <sup>a</sup> (DV) on				
GRW	-0.709	1.474	-0.481	0.63
DDS	0.021	0.007	2.899	0.004***
GRWxDDS	-0.215	0.127	-1.689	0.091*
BRD	-0.011	0.025	-0.43	0.667
AGE	-0.096	0.046	-2.067	0.039
DIR	3.959	0.449	8.821	0.00***
GRW (IV) with				
DDS	0.807	0.337	2.392	0.017**
BRD with				
DDS	-8.124	2.755	-2.948	0.003**
GRW	-0.038	0.018	-2.104	0.035**
AGE with				
DDS	-4.374	3.391	-1.29	0.197
GRW	-0.028	0.012	-2.434	0.015**
BRD	1.607	0.404	3.975	0.00***
DIR <sup>a</sup> with				
DDS	0.427	0.192	2.22	0.026**
GRW	0.003	0.001	2.467	0.014**
BRD	-0.073	0.04	-1.807	0.071*
AGE	-0.007	0.023	-0.296	0.767
GRWxDDS with				
DDS	3.692	3.977	0.928	0.353
GRW	-0.042	0.011	-3.802	0.00***
BRD	0.3	0.194	1.545	0.122
AGE	0.156	0.116	1.342	0.18
DIR	-0.02	0.011	-1.829	0.067*
Intercepts				
TQK	9.969	0.103	96.878	0.00***
New/Additional Parameters				
SSLO	3.336	1.536	2.172	0.03**
SSHI	-4.812	3.675	-1.309	0.19

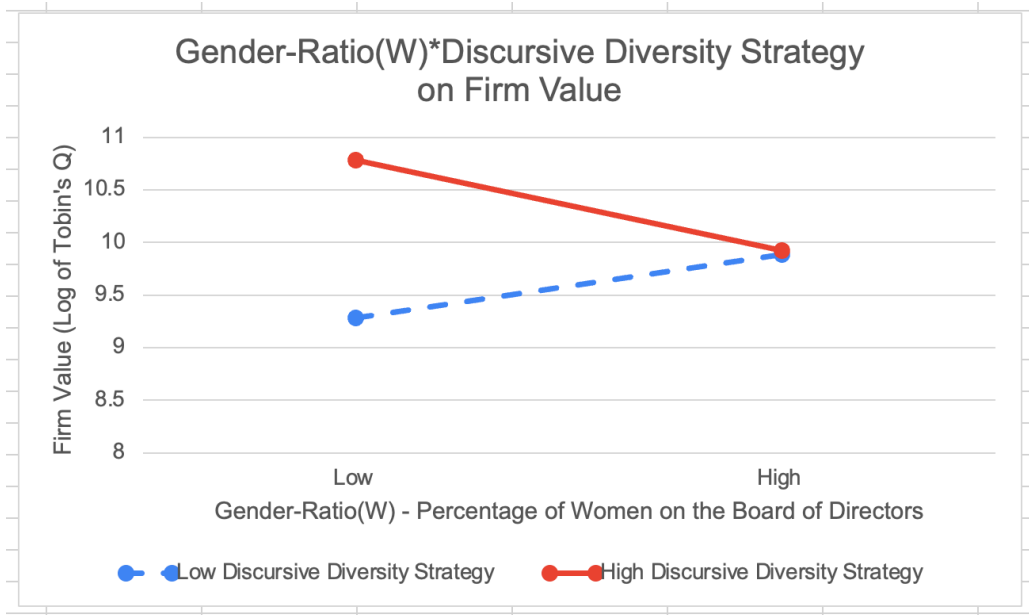
\*p < .10, \*\*p < .05, \*\*\*p < .01.

<sup>a</sup> = Logged

Notes: DV=dependent variable, IV=independent variable.

To test hypothesis 2a, I conducted a simple slope test in Mplus. The results show that firms with low discursive diversity strategies have a positive and significant relationship between firm value and board gender diversity ( $p = 0.03$ ). However, firms with high discursive diversity strategies show no significant relationship ( $p = 0.19$ ). Figure 3.1 provides a simple slope plot demonstrating that the interaction between a firm's discursive diversity strategy and board gender diversity on firm value. See Figure 3.1: Two-way interaction of discursive diversity strategy and board gender diversity (women ratio) on firm value.

Figure 3.1 Two-way interaction of discursive diversity strategy and board gender diversity (women ratio) on firm value



Hypothesis 2b predicted that a firm's gender-specific discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the discursive diversity word count is higher. The interaction effect for board gender diversity and gender-specific discursive diversity strategy on firm value was negative and significant ( $\beta = -4.074, p < .01$ ). See Table 5.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Gender-specific Discursive Diversity Strategy.



Table 5.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Gender-specific Discursive Diversity Strategy

Between Level	Estimate	S.E.	Est./S.E.	P-Value
TQK <sup>a</sup> (DV) on				
GRW	0.694	0.847	0.82	0.412
GEN	0.004	0.127	0.034	0.973
GRWxGEN	-4.074	0.905	-4.502	0.00***
BRD	-0.029	0.024	-1.23	0.219
AGE	-0.104	0.047	-2.21	0.027**
DIR	4.156	0.446	9.313	0.00***
GRW (IV) with				
GEN	0.014	0.007	2.092	0.036**
BRD with				
GEN	-0.159	0.153	-1.039	0.299
GRW	-0.027	0.017	-1.595	0.111
AGE with				
GEN	0.103	0.118	0.873	0.382
GRW	-0.019	0.008	-2.278	0.023**
BRD	1.531	0.397	3.857	0.00***
DIR <sup>a</sup> with				
GEN	0.008	0.011	0.724	0.469
GRW	0.002	0.001	2.483	0.013**
BRD	-0.073	0.04	-1.81	0.07*
AGE	-0.006	0.023	-0.263	0.793
GRWxGEN with				
GEN	0.008	0.022	0.353	0.724
GRW	-0.001	0.001	-1.809	0.07*
BRD	0.001	0.012	0.123	0.902
AGE	0	0.006	0.058	0.953
DIR	0	0.001	-0.204	0.838
Intercepts				
TQK	9.978	0.099	100.517	0.00***
New/Additional Parameters				
SSLO	4.183	1.045	4.002	0.00***
SSHI	-2.995	1.345	-2.227	0.026**

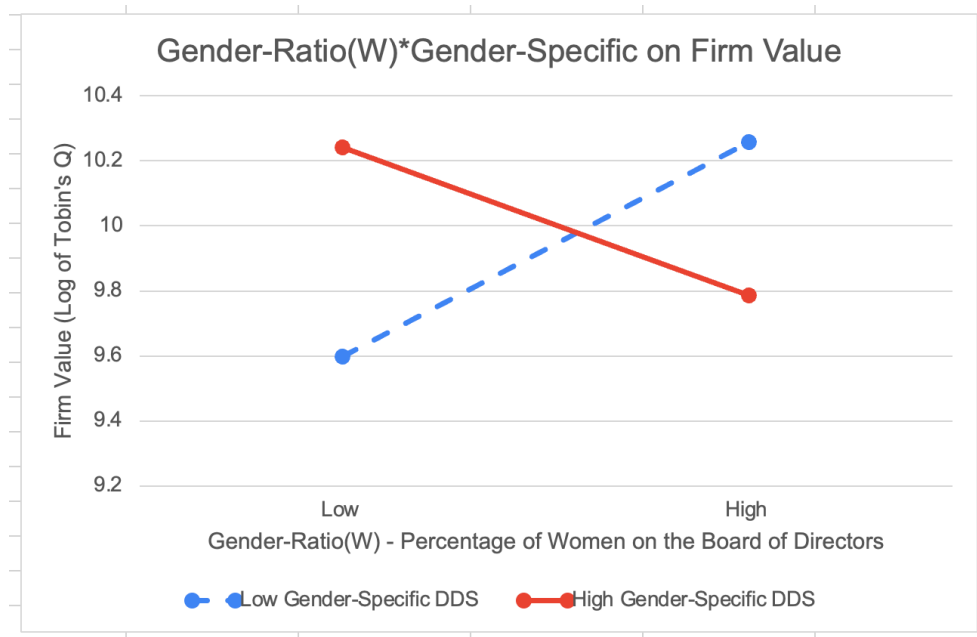
\*p < .10, \*\*p < .05, \*\*\*p < .01.

<sup>a</sup> = Logged

Notes: DV=dependent variable, IV=independent variable.

To test hypothesis 2b, I conducted a simple slope test in Mplus. The results show that firms with low gender-specific discursive diversity strategies have a significant and positive relationship between firm value and board gender diversity ( $p < .01$ ). Additionally, firms with high gender-specific discursive diversity strategies show a significant and negative relationship ( $p = 0.026$ ). Figure 4.1 provides a simple slope plot visualizing the interaction between gender-specific discursive diversity strategy and board gender diversity on firm value. See Figure 4.1: Two-way interaction of gender-specific discursive diversity strategy and board gender diversity (women ratio) on firm value.

Figure 4.1 Two-way interaction of gender-specific discursive diversity strategy and board gender diversity (women ratio) on firm value



Hypothesis 2c predicted that a firm's sexual orientation discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the discursive diversity word count is higher. The interaction effect for board gender diversity and sexual orientation discursive diversity strategy on firm value was non-significant ( $\beta = -0.449, p > 0.278$ ). See Table 6.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Sexual Orientation Discursive Diversity Strategy.

Table 6.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Sexual Orientation Discursive Diversity Strategy

Between Level	Estimate	S.E.	Est./S.E.	P-Value
TQK <sup>a</sup> (DV) on				
GRW	1.958	0.918	2.133	0.033**
SX	-0.089	0.067	-1.329	0.184
GRWxSX	-0.449	0.414	-1.085	0.278
BRD	-0.031	0.025	-1.243	0.214
AGE	-0.088	0.048	-1.839	0.066*
DIR	4.173	0.457	9.137	0.00***
GRW (IV) with				
SX	0.001	0.004	0.283	0.777
BRD with				
SX	-0.218	0.125	-1.744	0.081*
GRW	-0.026	0.017	-1.576	0.115
AGE with				
SX	0.125	0.059	2.136	0.033**
GRW	-0.018	0.008	-2.222	0.026**
BRD	1.534	0.397	3.866	0.00***
DIR <sup>a</sup> with				
SX	0.009	0.007	1.343	0.179
GRW	0.002	0.001	2.331	0.02**
BRD	-0.075	0.04	-1.869	0.062*
AGE	-0.005	0.023	-0.196	0.845
GRWxSX with				
SX	-0.003	0.022	-0.134	0.893
GRW	-0.001	0.001	-1.802	0.072*
BRD	0.034	0.019	1.741	0.082*
AGE	0.006	0.005	1.271	0.204
DIR	0.001	0.001	0.591	0.554
Intercepts				
TQK	9.921	0.076	129.836	0.00***
New/Additional Parameters				
SSLO	2.324	1.049	2.215	0.027**
SSHI	1.644	0.885	1.857	0.063*

\*p < .10, \*\*p < .05, \*\*\*p < .01.

<sup>a</sup> = Logged

Notes: DV=dependent variable, IV=independent variable.

Hypothesis 2d predicted that a firm's gender-intersecting discursive diversity strategy moderates the relationship between board gender diversity and firm value such that the relationship is stronger when the discursive diversity word count is higher. The interaction effect for board gender diversity and gender-intersecting discursive diversity strategy on firm value was non-significant ( $\beta = -0.184, p = 0.147$ ). See Table 7.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Gender-intersecting Discursive Diversity Strategy.

Table 7.1 An Interaction Model Comparison for Tobin's Q: Board Gender Diversity (women ratio) and Gender-intersecting Discursive Diversity Strategy

Between Level	Estimate	S.E.	Est./S.E.	P-Value
TQK <sup>a</sup> (DV) on				
GRW	-0.384	1.429	-0.268	0.788
GEX	0.02	0.007	2.922	0.003**
GRWxGEX	-0.184	0.127	-1.451	0.147
BRD	-0.012	0.025	-0.466	0.641
AGE	-0.094	0.046	-2.039	0.041**
DIR	3.963	0.449	8.827	0.00***
GRW (IV) with				
GEX	0.802	0.344	2.328	0.02**
BRD with				
GEX	-8.147	2.709	-3.008	0.003**
GRW	-0.038	0.018	-2.121	0.034**
AGE with				
GEX	-4.554	3.389	-1.344	0.179
GRW	-0.029	0.012	-2.419	0.016**
BRD	1.611	0.405	3.981	0.00***
DIR <sup>a</sup> with				
GEX	0.406	0.191	2.124	0.034**
GRW	0.002	0.001	2.407	0.016**
BRD	-0.073	0.04	-1.806	0.071*
AGE	-0.007	0.023	-0.282	0.778
GRWxGEX with				
GEX	3.322	3.611	0.92	0.358
GRW	-0.041	0.01	-3.935	0.00***
BRD	0.304	0.187	1.627	0.104
AGE	0.159	0.111	1.438	0.151
DIR	-0.02	0.011	-1.893	0.058*
Intercepts				
TQK	9.951	0.098	101.805	0.00***
New/Additional Parameters				
SSLO	3.034	1.547	1.961	0.05**
SSHI	-3.841	3.556	-1.08	0.28

\*p < .10, \*\*p < .05, \*\*\*p < .01.

<sup>a</sup> = Logged

Notes: DV=dependent variable, IV=independent variable.

## DISCUSSIONS

This article addresses concerns that signals from the board of directors remain mostly "unintelligible and undecipherable" to many of the firm's stakeholders, a competitive disadvantage for firms. I intended to answer two questions: First, how do I measure the degree to which firms signal their focus on diversity, equity, and inclusion? Second, what are the implications of discursive strategies on the relationship between board gender diversity and firm value? My results show that a firm's board gender diversity—the percentage of women on the board—positively predicts firm value such that there is a positive relationship between board gender diversity and firm value. Additionally, my preliminary findings indicate that the firm's discursive diversity sub-dimensions also have implications for the relationship between board gender diversity and firm value as board gender diversity increases. Consistent with the view that structured collections of texts comprise a firm's discourse (Fairclough, 1995), my results suggest that subsequent research will offer new theorizing to explain whether and under what conditions the moderating effects of the firm's discursive diversity strategy strengthens the relationship between board gender diversity and firm value.

### **Theoretical Implications**

My central contribution is to help unpack 'strategy as discourse' (Balogun et al., 2014) by developing a computer-aided text analysis (CATA) measure (Short et al., 2010) of discursive diversity strategies contained in the firm's 10-K filings. In doing so, I also contribute to research on the relationship between board gender diversity and firm value (Carter et al., 2010; Carter et al., 2003) by analyzing the direct effects of the firm's discursive diversity strategy. Specifically, I theorize that firms with higher discursive diversity word counts will improve performance and enhance firm value, leading to a competitive advantage. Consistent with this theorizing, my



preliminary results show that the choice of a firm's diversity strategy has significant implications for the relationship between board gender diversity and firm value.

My findings support and extend board gender diversity and discursive strategy theories (Carter et al., 2003; Balogun et al., 2014). Specifically, my study suggests that theories related to board diversity and discursive strategies may be modified and expanded to consider the role of discursive diversity strategy. Whereas these theories have traditionally focused on sociomateriality, sensemaking, and power (Balogun et al., 2014), my results imply that choices regarding sub-dimensions of a firm's discursive diversity strategy are also important. In fact, with a reliable framework for deciphering the diversity discourse emanating from executive ranks, it becomes easier for firms to implement diversity management strategies successfully (Leslie, 2019; Noon, 2014).

### **Practical Implications**

Another major takeaway of my study is that a firm's discursive diversity strategy has multilevel implications for its ability to mitigate risk associated with the information asymmetry between the board and its stakeholders (Connelly et al., 2011). A discursive diversity strategy that reduces information asymmetry improves firm performance and enhances firm value more effectively than those that fail to do so. Moreover, I contend that, over time, firms with a higher discursive diversity word count will gain a competitive advantage over firms with a lower discursive diversity word count. However, what can companies do right now? The central elements of firms' discursive strategies (Kahl & Grodal, 2016) are how diversity discourse positions the firm, its relation to diversity discourse, and how firms shape their stakeholders' relation to it. Firms must make strategic choices regarding whether to signal engagement with their stakeholders about diversity through discourse, how to signal engagement, and how aligned

to be with their stakeholders' evolving interpretations of diversity. I believe, and my results suggest, that the first step for firms is to establish/assess their current discursive diversity strategy. Second, firms must commit to an iterative process (Kahl & Grodal, 2016) to close the asymmetry gap between executive leadership and the firm's stakeholders. Moreover, firms must focus on the sub-dimensions of their discursive diversity strategy given that sub-dimensions have different implications on the relationship between board gender diversity and firm value.

### **Limitations and Future Research Directions**

During my research, I limited explanations about why and under what conditions a firm's discursive diversity strategy has implications for the relationship between board gender diversity and firm value to an examination of the firm's discursive diversity strategy and three gender-related sub-dimensions: gender-specific, sexual orientation, and gender-intersecting discursive diversity strategy. I focus on three limitations and directions for future research. First, I focus on counter-signals, critical factors in reducing information asymmetry. Prior studies tend to ignore the feedback process or sending of counter-signals by the receiver to the signaler (Taj, 2016). Although feedback is the central outcome of signaling theory (Connelly et al., 2011) that makes the signaling process effective (Srivastava, J., 2001), research on the feedback loop has been inadequate, lacking determinants of causation and the extent to which the signal was interpreted by the receiver as intended (Taj, 2016). My development of a discursive diversity strategy represents a mechanism by which the gap between the signal from the board of directors and the firm's stakeholders begins to close. Iterations of diversity discourse in the firm's 10-K annual reports should begin to reduce the asymmetries between executive-level diversity discourse and the expectations of their employees. To this end, I present a mechanism for analyzing changes in a firm's discursive diversity strategy over time.

Second, in this article, I have primarily limited my discussion to discourse as text, one of three of Fairclough's (1995) approaches to critical discourse analysis (e.g., discourse as discursive practice and discourse as a social practice). As an approach to discourse as a discursive practice, scholars often examine the processes through which the firm's stakeholders produce and consume texts (Phillips & Oswick, 2012; Zaroni & Janssens, 2015). Following Tatli's recognition of the need for a framework that takes a multilevel perspective to reveal the ambivalences and tensions that operate in the diversity field (Tatli, 2011), I propose to conduct a multilevel analysis of individual perceptions of diversity climate by web-scraping social media job sites, (e.g., Twitter, Glassdoor) for the years 2012-2022. Ultimately, I hope that the utility of advanced research methods will help to demystify a firm's commitment to diversity, equity, and inclusion through the diversity discourse evident in their annual 10-K corporate filings.

Third, as an approach to discourse as a social practice, my results are limited by insufficient data related to common diversity practices within firms (Leslie, 2019). Signaling theory addresses the issue of information asymmetry; however, the available data on common diversity practices are rarely accessible across organizations. Establishing discursive diversity strategies is the first step in a broad approach to segmenting firms by "structured collections of texts" (Fairclough, 1995) so that scholars can use it to study how the textual agency of discourse translates into actions for the firm's stakeholders.

Finally, my examination of a firm's discursive diversity strategy as "text" is incomplete. Though my research is limited to text as clues for the firm's focus on diversity, discussions on diversity not only occur through written "texts" but also oral expressions, visual representations, and physical designs (Ao, 2023; Kahl & Grodal, 2016). Therefore, subsequent research must view a firm's discursive diversity strategy through multiple mechanisms, including text, audio,

video, and images. In aggregate, these structured collections of "texts" will comprise a firm's holistic discursive diversity strategy and best position its stakeholders to mitigate the negative implications of information asymmetry that exists between the firm and its stakeholders.

## **CONCLUSION**

"For data to be useful, researchers must be able to extract underlying insight—to measure, track, understand, and interpret the causes and consequences of market behavior" (Berger et al., 2020). In this sense, my approach to examining diversity discourse through different methods provides valuable insights into the relationships between board gender diversity and firm value. I have taken the first step in analyzing this relationship. The discursive diversity strategy introduces a novel analysis of diversity discourse through the lens of time, industry, and model selection, thus contributing significantly to the relationship between board gender diversity and firm value. My research question explores whether a firm's discursive diversity strategy provides useful signals for conditions likely to impact performance and enhance firm value. While the preliminary results suggest that the significant correlation between diversity discourse and firm value is a useful signal, the steps outlined for future research will allow us to address this question more conclusively.

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DISCURSIVE DIVERSITY STRATEGY: SIGNALING THEORY, EMPLOYEE PERCEPTIONS OF DIVERSITY CLIMATE, AND THE IMPLICATIONS FOR FIRM VALUE

**ABSTRACT**

The recent backlash against DEI initiatives (e.g., Bud Light, Target) is one of many societal pressures with implications for firm value. With so many contending stakeholder interests, the firm's diversity climate likely depends on the executive leadership's ability to reduce information asymmetry between the firm and its employees regarding its commitment to diversity and inclusion. This signaling depends heavily on the word choices that comprise the firm's discursive diversity strategy. Similarly, discursive strategy scholars have established that failing to connect stakeholder interest to firm value may result in negative implications for the firm. Critical discourse theorists also contend that stakeholder interests in DEI initiatives depend heavily on attention to word choices. Considering previous approaches, this article builds on Chapter 2, which establishes the significance of a firm's discursive diversity strategy by validating a four-item diversity scale for employee perceptions of diversity climate (ePDC) from Glassdoor employee ratings. This diversity scale aggregates employee ratings for CEO approval, senior leadership, culture and values, and diversity and inclusion. By first establishing a diversity scale for employee perceptions of diversity climate, I then examine the moderating effect of the firm's discursive diversity strategy on the relationship between employee perceptions of diversity climate and firm value.

Keywords: Discursive Diversity Strategy, Employee Perceptions of Diversity Climate

## INTRODUCTION

2023 is a year that Bud Light and its parent company, Anheuser-Busch InBev, would like to forget. As the new year rolled in, it was the best-selling beer brand in the world. By the year's end, the Modelo brand had surpassed Bud Light as the top-selling global beer, and Bud Light's market value had declined by double its previous level. I view what happened in the interim through the lens of Bud Light's discursive diversity strategy and word choices among top leadership that measure the firm's focus on diversity, equity, and inclusion. Bud Light's discursive diversity strategy included gender-specific word choices, e.g., word choices concerned with gender identity, orientation, and violence, as part of its sponsorship of Dylan Mulvaney, a transgender social media personality. Its pro-trans affiliation drew the ire of conservative groups who organized protests of the Bud Light brand. In response to the conservative backlash against its highly profitable product line, Bud Light reversed its pro-trans discursive diversity strategy, placed the campaign's executive team on administrative leave, and eliminated hundreds of jobs across the United States. However, the damage had been done. Estimates are that Bud Light lost more than \$1 billion in market share (Ziady, 2024) due to its discursive diversity strategy.

Indeed, the conservative backlash against progressive policies has exposed social fissures that have historically resulted in changes to society's discursive diversity strategy. Nowhere else are the contrasts so stark as they are within firms where the need to reduce information asymmetry is highly dependent on how its discursive diversity strategies are received by its stakeholders, who are often in vigorous opposition to each other and disproportionately empowered (Roosevelt Thomas, 1992; Zanoni & Janssens, 2004). As scholars look to make sense of myriads of factors that underlie executive decision-making, word choices have consequences. To better conceptualize such phenomena, I build on my previous research on the discursive diversity strategy of S&P 500 firms. First, I build on findings in Chapter 2,

establishing that a firm's discursive diversity strategy moderates the relationship between board gender diversity and firm value.

In my current research, I specifically focus on the moderating effect of a firm's discursive diversity strategy on the relationship between employee perceptions of diversity climate—which includes CEO approval, senior leadership, culture and values, and diversity and inclusion ratings drawn from Glassdoor employee reviews—and firm value. I believe that the nascency of research into a firm's discursive strategy (Kahl & Grodal, 2016) presents an opportunity to delve into the theoretical and practical implications for employee perceptions of diversity climate, not only for Bud Light but for firms that may have their discursive diversity strategies challenged by activist investors or targeted employee groups. Since the backlash to Bud Light, we have seen firms, e.g., American Airlines, JP Morgan Chase, et al. (Godoy & Raychaudhuri, 2023), begin to posture in anticipation that their discursive diversity strategies might negatively impact firm value. As such, research on discursive diversity strategy lays the groundwork for conducting an empirical analysis of employee perceptions of diversity climate to reduce information asymmetry.

Despite the potential of the present research, its long-term feasibility depends on triangulating the relationship between a firm's discursive diversity strategy, employee perceptions of diversity climate, and firm value. My research tracks the discursive diversity strategy of S&P firms from 2012-2022, and thus, I set reasonable expectations for firm value from a dataset that scholars have yet to examine. Moreover, though scholars have long been concerned with the implications of diversity on firm-level outcomes (Boehm et al., 2014; Cox, 1993; Reichers & Schneider, 1990), my approach, which triangulates the relationship between a

firm's discursive diversity strategy, employee perceptions of diversity climate, and firm value appears to be a novel contribution.

Information asymmetry between the firm and its employees often leads to a proliferation of legislative action, class-action lawsuits, and CEO and board terminations (Connelly et al., 2011). Given the negative implications for firm value, several reasons for reducing the information asymmetry of its discursive diversity strategy are beneficial not only for the Bud Lights of today but also for the Bud Lights of tomorrow. First, firms can make better-informed decisions regarding word choices intended to reduce information asymmetry through a commitment to diversity and inclusion. Unfortunately, the paucity of empirical research on the firm's discursive strategy leaves executive decision-making concerning the firm's commitment to diversity and inclusion as an immeasurable and undecipherable strategy. Specifically, it results in inconsistent signaling of diversity-related commitment at multiple firm levels (Kahl & Grodal, 2016), leading to internal practices that could be better advised and beneficial to the firm (Kalev et al., 2006). Furthermore, this inconsistent signaling of diversity-related commitment also extends to the firm's external stakeholders (Kahl & Grodal, 2016), often investors and moral advocates to the public (Awaysheh et al., 2020). As I recognize that the information asymmetry between signals intended and signals received by stakeholders can have negative implications on firm value (Argenti et al., 2017), I am interested in how firms might respond if they had a longitudinal view of the relationships between their discursive diversity strategies, employee perceptions of diversity climate, and firm value.

Second, reducing information asymmetry between the firm's discursive diversity strategy and its stakeholders presents an opportunity to reposition the power dynamics inherent in the firm-employee relationship (Zanoni & Janssens, 2015). To this point, little is known about when

and to what extent employee perceptions of the firm's discursive diversity strategy have implications for firm value—particularly regarding power and influence. Therefore, not only does information asymmetry disadvantage the firms' employees (Connelly et al., 2011), but it also creates an imbalance of power and influence among stakeholder groups. When the firm's discursive diversity strategy is out of sync with its stakeholder groups, there are significant implications for perceptions of the diversity climate in society. I believe that triangulating an empirically relevant relationship between a firm's discursive diversity strategies, employees, and firm value will yield, even if minimal, a transfer of power from firms to employees and among stakeholder groups.

Therefore, the goal of the current research is to examine the moderating effects of a firm's discursive diversity strategy (Mod) on the relationship between employee perceptions of diversity climate (IV) and firm value (DV). Specifically, I collected Glassdoor reviews to leverage more than 150,000 records and millions of data points. I used these data points to calculate employee perceptions of the diversity climate for S&P 500 firms from 2012-2022. I hypothesize and test the validity of a four-item diversity scale. Further, I hypothesize and test the moderating effect of a firm's discursive diversity strategy on the relationship between employee perceptions of diversity climate and firm value. To do so, I integrate the discursive diversity strategy data from Chapter 2 with the Glassdoor employee reviews and thus can examine the relationship empirically.

Throughout these studies, I have made several key contributions to climate literature's discursive strategy and diversity. First, I examine how employee perceptions of diversity climate may impact firm value. The firm's discursive strategies can shape employee perceptions, which may then influence whether they remain with the firm, which also has cost implications

associated with retention and new hire investments, as well as brand identity (Berrey, 2015; Kalev et al., 2006; Leslie, 2019). While Glassdoor.com's addition of "diversity and inclusion" as a metric for organizational satisfaction is valuable, my use of the employee perceptions of the diversity climate construct includes three additional Glassdoor metrics: CEO approval, senior leadership, and culture and values. Collectively, these metrics represent a more holistic framework for assessing how employees perceive diverse climates in the workplace. I provide empirical evidence regarding the effects of employees' perceptions of diversity climate, further advancing my previous findings on the relationship between discursive diversity strategy and firm value.

Second, by analyzing the moderating effect of a firm's discursive diversity strategy on the relationship between employee perceptions of diversity climate and firm value, I advance the understanding of how a firm's stakeholders may have differing views of the sub-dimensions that comprise its discursive diversity strategy, and the corresponding implications for firm value. Scholars know little about the underlying processes within employee perceptions of diversity climate that influence organizational outcomes, e.g., firm value (McKay & Avery, 2015; Reinwald et al., 2019). Thus, my ability to deconstruct the firm's discursive diversity strategy offers an empirical assessment of the word choice dynamics within employee perceptions of diversity climate, suggesting a more accurate description of the relationship between the firm and its employees.

Third, I invited subject matter experts to assess the word dictionaries that comprise a firm's discursive diversity strategy, which enabled us to taxonomize better the words that firms choose to signal their focus on diversity and inclusion. This type of characterization provides an empirically based foundation for longitudinal research and best practices. My examination of the



relationship between employee perceptions of diversity climate may provide additional perspective for firms interested in making better-informed decisions to reduce information asymmetry regarding the firm's commitment to diversity, equity, and inclusion.

## **THEORY and HYPOTHESIS**

In this article, I use reviews from Glassdoor.com to develop and analyze the construct I refer to as employee perceptions of diversity climate. This DEI construct establishes a measure for employee perceptions of the diversity climate within S&P 500 firms and is based on more than 150,000 unique employee ratings. By developing this construct on employee ratings, I further acknowledge that the existing social climate for DEI issues extends beyond the firms. Thus, employee ratings likely reflect the societal backlash that often underlies executive decision-making when firms pivot to/from more inclusive discursive diversity strategies (Herdman & McMillan-Capehart, 2010). In my research, diversity climate denotes how employees perceive the degree to which the firm's policies, practices, and procedures, whether overtly or implicitly, convey a commitment to valuing diversity and fostering social integration among all staff members (McKay et al., 2008). To that end, I examine the empirical relationship between employee perceptions of diversity climate and firm value.

### **1.0 From Glassdoor Reviews to Employee Perceptions of Diversity Climate**

Reinwald and colleagues (2019) observation is noteworthy: "One possible explanation for the inconsistent pattern of prior findings is that extant unit-level research has not considered the extent to which employees vary in their perceptions of diversity climate." As firms seek to balance the social-moral and business cases for diversity (Pittman, 2006), the backlash against firms with more inclusive discursive diversity strategies is rising (Burnett & Aguinis, 2024; Leslie, 2019). The pressure that activist investors and stakeholders apply to the upper echelon,

including CEO and senior leadership, has direct implications for firms' discursive diversity strategies and, inevitably, on the perceptions of diversity climates within firms. Consequently, the fact that employees can substantially differ in their appraisal of how much their firm values diversity (Kossek & Zonia, 1993) leads some to question the appropriateness of aggregating everyone's perceptions into a single score (McKay & Avery, 2015). I use Glassdoor.com, one of the most relevant and comprehensive sites for employee reviews, to combine four ratings of interest to this study: (1) CEO approval, (2) senior leadership, (3) culture and values, and (4) diversity and inclusion. This segmentation allows us to measure firm-level perceptions of diversity climate. However, I do not attempt to measure climate strength—the degree of within-unit agreement among work unit members' climate perceptions (Schneider et al., 2013). I posit that including these ratings under employee perceptions of diversity climate may be understood through the lens of diversity climate (McKay et al., 2008), in addition to upper echelon and signaling theory (Chatman & O'Reilly, 2016; Connelly et al., 2011; Wu et al., 2022).

### **CEO Approval Rating**

The role of the chief executive officer is to brand the firm through its commitment to an inclusive diversity climate. CEOs represent an aspect of information asymmetry (Connelly et al., 2011) that employees, as well as the firm's stakeholders, engage in to influence perceived moral hazards in the context of executive decision-making about DEI-related issues (Devers et al., 2007), including the firm's discursive diversity strategy. An employee's perception of the diversity climate likely influences how they rate the CEO.

### **Senior Leadership Rating**

Firms also seek to gain legitimacy for their diversity climate by engaging with prestigious boards of directors or prestigious top managers (Connelly et al., 2011). I draw insights from

studies on diversity among top-level executives, acknowledging criticism for predominantly concentrating on either Boards of Directors (BODs) or Top Management Teams (TMTs) and neglecting to examine the interdependency between the two (Dalton et al., 2007; Wu et al., 2022). An employee's evaluation of senior leadership, while not exclusively focused on diversity climate, embodies the reliance and interconnectedness between the TMT and BOD (Luciano et al., 2020; Wu et al., 2022). This approach offers a more comprehensive view of the firm's diversity climate, ensuring a thorough understanding of the topic.

### **Culture and Values Rating**

Scholars have grappled with the concept of culture within firms for decades (for an overview, see Chatman & O'Reilly, 2016). I include Glassdoor's culture and values rating as a component of employee perceptions of diversity climate. As Chatman and O'Reilly (2016, p.1) conceptualize, culture is 'the norms that characterize a group or organization that, if widely shared and firmly held, act as a social control system to shape members' attitudes and behaviors.' This understanding of culture's role in shaping attitudes and behaviors is crucial for firms' discursive diversity strategies and the climate they enable.

### **Diversity and Inclusion Rating**

Researchers investigating diversity among top-level executives in the United States (Andrevski et al., 2014; Hambrick et al., 1996) have determined that the advantages of diversity in Top Management Teams (TMTs) outweigh its drawbacks. Scholars in diversity often apply signaling theory to elucidate how firms utilize diverse boards to convey adherence to societal values to various organizational stakeholders (Miller & Triana, 2009). While this theoretical framework may justify Glassdoor's choice to incorporate a diversity and inclusion rating, it also implies that employee perceptions can differ significantly and that, as a sole measure, the

diversity and inclusion rating might be too narrow in scope. In determining the ratings to include in employee perceptions of diversity climate, I also considered that Glassdoor.com added the diversity and inclusion rating dimension in September 2020. To establish a longitudinal model for the period under analysis (2012-2022), it was essential to identify ratings encompassing the spirit of diversity and inclusion for the entire period under review.

## **2.0 The Moderating Role of Discursive Diversity Strategy**

The distinction between diversity climate and culture is significant. Diversity climate is rooted in an individual's perceptions of aspects of organizational structure and systems, which researchers aggregate to form a group-level measure. On the other hand, culture reflects individuals' assessment of the expected attitudes and behaviors (norms) required for group members to fit in (Schneider et al., 2013). This distinction is crucial as it helps us understand that climate, focusing on perceptions of situational phenomena (e.g., organizational systems and structures), is, by definition and measurement, more transitory and easily changed than culture, which is viewed as relatively stable, enduring, and interconnected (Chatman & O'Reilley, 2016). This understanding can greatly impact how the firm's upper echelon deploys its discursive diversity strategies. However, an aspect that has received limited scholarly attention is how employees meaningfully aggregate signals (Connelly et al., 2011). To further illustrate the interplay between these dimensions, I present Figure 6.2.

Figure 5.2 Employee perceptions of diversity climate 4-item scale illustrated through Venn diagram of Glassdoor rating reviews

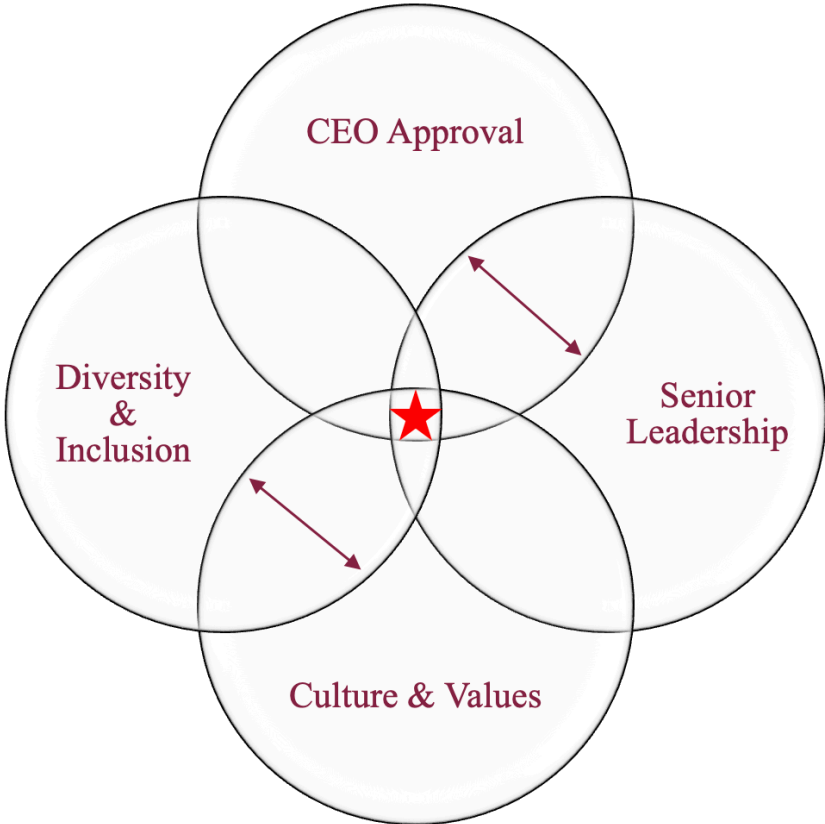


Figure 6.2 characterizes the complexities that may influence the word choices that comprise a firm's discursive diversity strategy. In its simplest form, an employee's perception of the diversity climate within the firm likely includes the interplay between the CEO and Senior Leadership and the interplay between culture and values and diversity and inclusion. Though an individual's unique experiences often color their perspectives (Emerson & Murphy, 2014), it is helpful to understand whether and to what extent employee perceptions of diversity climate have implications for firm value. While it is true that the matter could be more complex, I aggregate the Glassdoor variables mentioned above to begin to unpack this complicated narrative.

The hyper-vigilance of DEI policies across firms, industries, and sectors and fierce conservative backlash makes it clear that the word choices that comprise a firm's discursive diversity strategy matter—but can firms discern how much it matters in dollars and cents? Can the board of directors and top management teams prioritize which discursive diversity strategies matter most? Or to distinguish how stakeholders respond to such strategies? Essentially, are firms that decide to reverse-course on their discursive diversity strategies making informed decisions or responding to saber-rattling constituent groups? These questions, and others, point to the ambiguity of executive decision-making regarding DEI matters and the need for empirical evidence that may better contextualize social pressures.

Given the uncertainty surrounding the impact of diversity on firm performance, diversity scholars have turned their attention to potential moderating factors of the diversity-performance relationship. In this vein, I embark on a preliminary investigation into the relationship between employee perceptions of diversity climate and firm value. I anticipate a reinforcing interaction effect (Reinwald et al., 2019) and propose that the relationship between employee perceptions of

diversity climate and market value may be contingent on the level of diversity word count, a metric I will use to gauge the intensity of diversity strategies.

*Hypothesis 1: Employee perceptions of diversity climate positively predicts firm value as calculated by Tobin's Q.*

### **3.0 Employee Perceptions of Diversity Climate and Firm Value**

Due to its influence on employee perceptions of diversity climate, I expect the conditional effect of discursive diversity strategy to enhance firm value (Hmieleski et al., 2012; Menges et al., 2011). Leveraging millions of data points from Glassdoor employee ratings, which include CEO approval, senior leadership, culture and values, and diversity and inclusion, I first validate employee perceptions of diversity climate as a measurable construct. The discursive diversity literature explores the use of narrative in organizational processes of strategy development, change, and its future state (Barry & Elmes, 1997). Given that differences in employee perceptions of diversity climate may emerge from unclear policies, practices, and procedures (Reinwald et al., 2019), firms that enact their discursive diversity strategy more effectively will likely contribute to collective organizational action (Abdallah & Langley, 2013). Thus, firms with higher discursive diversity word counts may encourage more diverse employee groups to make choices about employment.

Further, these choices reflect perceptions of a diverse climate that likely signal unobservable qualities within the firm to external stakeholders considering investment options (Connelly et al., 2011). Given that a firm's discursive diversity strategies are an effort to reduce information asymmetry and maintain a positive reputation over time, it is essential to examine a firm's diversity climate over more extended periods (Connelly et al., 2011). Firms that can reduce information asymmetry between the firm and its stakeholders will have a competitive

advantage, resulting in improved firm performance and enhanced firm value. Consequently, I examine the relationship between employee perceptions of diversity climate and firm value from 2012-2022.

Based on the preceding arguments, the discursive diversity strategy moderates the relationship between employee perceptions of diversity climate and firm value; moreover, this relationship will get stronger as the discursive diversity word count increases. Thereby, my assumption parallels climate models of organizational effectiveness (Cox, 1993; Reinwald et al., 2019), which emphasize the critical role of employee perceptions in realizing positive effects on firm performance.

*Hypothesis 2a: Discursive diversity strategy moderates the relationship between employee perceptions of diversity climate and firm value such that the relationship is stronger when the discursive diversity word count is higher.*

## METHODS

### Data Collection and Preparation

To retrieve employee ratings for each of the S&P 500 firms, I partnered with the Bright Initiative by Bright Data, a global program providing NGOs, NPOs, academic institutions, and public bodies with access to leading data technology and expertise to drive positive change. I used their Glassdoor application programming interface (API) to compile current and former employee reviews for S&P 500 firms from 2012-2022. I then used CEO approval, senior leadership, culture and values, and diversity and inclusion ratings from more than 150,000 unique employee reviews to calculate employee perceptions of diversity climate<sup>1</sup>. I used R

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<sup>1</sup> Glassdoor.com added the diversity and inclusion rating dimension in September 2020. Therefore, any empirical data that references employee perceptions of diversity prior to 2021 does not include the dimension.



Studio v.2023.03.0+386 to join my Compustat data set with the Glassdoor dataset. To calculate employee perceptions of diversity climate at the firm level of analysis, I used Mplus version 8.11 to structure the 137,000 employee reviews by firm years (2012-2022) and firm IDs (cik)—obtained from Compustat data. This data cleaning resulted in 137,000 unique employer reviews tied to firm value and 494 firm clusters of employee perceptions of diversity climate. Further, to calculate the mean of the variables in this dataset, I subtracted each firm-level variable from the mean aggregate score for all years 2012-2022. Then, I conducted a series of analytical research methods to examine the moderating effects of a firm's discursive diversity strategy on the relationship between employee perceptions of diversity climate and firm value. In this phase, I focused on whether a firm's discursive diversity strategy provides useful signals for conditions likely to impact firm value.

## MEASURES

### **Firm Value as Dependent Variable**

I used Compustat data from the WRDS database to collect financial data for S&P 500 firms. I collected the market value of common equity, total assets, and book value of common equity for each firm from 2012-2022. I use an estimate of Tobin's Q calculated as  $([\text{Total Assets} - \text{Book Value of Common Equity} + \text{Market Value of Common Equity}]/\text{Total Assets})$  to compare relative financial market valuations. Assets are the natural log of total assets; return on assets is the natural log of net income/total assets (Awaysheh et al., 2020). Tobin's Q, serving as a forward-looking gauge rooted in capital markets, evaluates a firm's worth. It assesses whether the market is willing to pay more (or less) than the actual replacement costs of a company's assets. This way, it encompasses any anticipated excess returns from a firm's collection of assets (Amit

& Wernerfelt, 1990). I calculated Tobin's Q for each company for each year in my analysis period to capture changes in relative financial market valuations over time. In my descriptive statistics and correlation calculations, I used Tobin's Q logarithm consistent with previous research (Awaysheh et al., 2020; Bliese et al., 2019; Simpson & Sariol, 2022). See Table 9.2: Employee Perceptions of Diversity Climate as a Predictor of Firm Value – Measures.

Table 8.2 Employee Perceptions of Diversity Climate as a Predictor of Firm Value – Measures

Variables	Measures
Firm Value	An estimate of Tobin's Q, calculated as $([\text{Total Assets} - \text{Book Value of Common Equity} + \text{Market Value of Common Equity}]/\text{Total Assets})$
Board Gender Diversity	The proportion of women directors at the annual report date selected
Discursive Diversity Strategy	Word count of diversity related terms in the firms 10-K annual filing for a given year <ul style="list-style-type: none"> <li>• Gender-specific sub-dimension</li> <li>• Sexual orientation sub-dimension</li> <li>• Gender-intersecting sub-dimension</li> </ul>
Control Variables - Firm value (2)  - Gender (3)	Representative data from Compustat <ul style="list-style-type: none"> <li>• Firm size (log of # employees)</li> <li>• Debt ratio/Leverage (debt/sales)</li> <li>• Number of directors (Log)</li> <li>• Time on the board (STDEV)</li> <li>• Age (STDEV)</li> </ul>

## **Employee Perceptions of Diversity Climate as Independent Variable**

Glassdoor.com provides four ratings of interest to this study: (1) CEO approval, (2) senior leadership, (3) culture and values, and (4) diversity and inclusion with employee ratings from 1 to 5 (low to high). To test the validity of the employee perceptions of diversity climate scale, I loaded the dataset into Mplus v.8.11. I aggregated individual employee ratings (level-1 data points) at the firm level (level-2 data points) using multilevel modeling, which allows for the analysis of nested data structures where employee ratings (level-1 units) are nested within firm-level units (level-2 units). Consequently, using multilevel modeling in Mplus allows for examining both within-group and between-group effects. The relationship between employee perceptions of diversity and firm value is at the firm level. Therefore, I focused primarily on the between-group effects on employee perceptions of diversity climate.

## **Interaction Variable(s) – Discursive Diversity Strategy**

Discursive Diversity Strategy is an aggregate count of the number of mentions of diversity terms in each firm-year 10-K statement. I collected and analyzed 10-K filings of S&P 500 firms from the SEC's EDGAR database for 2012-2022. With observations from 494 firms, I used computer-aided text analysis (CATA) to text-mine the words in my DEI dictionary. To vet the list of diversity word choices of a firm's discursive diversity strategy, I engaged four DEI subject-matter experts<sup>2</sup>, two academics, and two practitioners. I asked them to apply their expertise to the DEI word dictionary word choices. First, to determine if the keywords list is exhaustive, and then to identify the subset of keywords that pertain directly to gender. The exercise produced several sub-dimensions of a firm's discursive diversity strategy, including

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<sup>2</sup> Special thanks to Andrea N. Baldwin, Associate Professor, Gender and Ethnic Studies, University of Utah; Victoria Cabal, Ed.D., Executive Vice President, Rankin Climate; Edmond Fong, Associate Professor, Ethnic Studies, University of Utah; and Susan Rankin, CEO, Rankin Climate.

gender-specific, gender-intersecting, and sexual orientation (for more details, see Baldwin, Chapter 2). The CATA made it clear that firms also draw distinctions between gender and sexual orientation in their discursive diversity strategy.

### **Control Variables**

To comprehensively understand the relationship between employee perceptions of diversity climate and Tobin's Q, I included two firm-level control variables from representative data in Compustat that could influence my dependent variable. I approximated firm size as a log of the number of employees (Awaysheh et al., 2020; Black et al., 2006) and debt ratio as a calculation of debt/sales (Awaysheh et al., 2020). Previous research on employee perceptions of diversity climate has shown that controlling for firm size accounts for the potential influence on employee attitudes and performance (Pierce & Gardner, 2004). Additionally, larger firms may profit more from economies of scale and attract and retain talented employees (Orlitzky, 2001). I log-transformed the number of employees to reduce the skewness (Chen & Hambrick, 1995; Reinwald et al., 2019).

## **RESULTS**

### **Validating the Diversity Scale - Employee Perceptions of Diversity Climate**

To test the validity of a four-item diversity scale, I used R Studio v.2023.03.0+386 to transform the data for the 494 firm-level observations of employee perceptions of diversity climate. Due to the nested nature of the data (i.e., employee ratings were nested within firms), I used multilevel modeling in Mplus to test my hypotheses. First, I examined the reliability and construct validity (via confirmatory factor analysis) of my measures. I then computed the intra-class correlation coefficients (ICCs) to determine whether employee perceptions of diversity climate could be aggregated at the firm level (James et al., 1993).

### **Employee Perceptions of Diversity Climate - Reliability and Confirmatory Analysis**

I performed reliability analysis on the full data set in R Studio. Reliability analysis demonstrated satisfactory reliabilities (alphas above .70) for a scale where all four items showed reliabilities of greater than .70. I performed subsequent analysis utilizing only item 3, the diversity and inclusion rating, and although the reliability was greater than .70, the dataset only included firm years 2020-2022. Thus, the actual measure used in this study, which I refer to as employee perceptions of diversity climate, was computed with a calculation of all four items in Mplus. See Figure 7.2 Reliability and Confirmatory Factor Analysis.

Table 9.2 Reliability and Confirmatory Factor Analysis

<b>Reliability Analysis</b>								
Call: alpha(x = QGD[c("PDC1", "PDC2", "PDC3", "PDC4")])								
	raw_alpha	std.alpha	G6(smc)	average_r	S/N	ase mean	sd	median_r
	0.85	0.86	0.85	0.61	6.1	0.00054	1.3	0.61
95% confidence boundaries								
		lower	alpha	upper				
	Feldt	0.85	0.85	0.85				
	Duhachek	0.85	0.85	0.85				
Reliability if an item is dropped:								
	raw_alpha	std.alpha	G6(smc)	average_r	S/N	alpha se	var.r	med.r
PDC1	0.88	0.87	0.83	0.70	6.9	0.00056	0.008	0.67
PDC2	0.73	0.77	0.72	0.53	3.3	0.00097	0.021	0.59
PDC3	0.82	0.85	0.81	0.66	5.8	0.00061	0.014	0.59
PDC4	0.75	0.78	0.74	0.54	3.5	0.00090	0.026	0.59
Item statistics								
	n	raw.r	std.r	r.cor	r.drop	mean	sd	
PDC1	87128	0.68	0.76	0.63	0.53	0.43	0.73	
PDC2	113162	0.87	0.91	0.90	0.84	3.49	1.47	
PDC3	55269	0.82	0.79	0.69	0.69	3.41	1.77	
PDC4	111792	0.87	0.90	0.87	0.87	3.11	1.47	

### **Employee Perceptions of Diversity Climate - Evaluating Model Fit**

To confirm that my measurement model was a good fit with the Glassdoor dataset, I conducted a confirmatory factor analysis (CFA). I used three key indices recommended by Hu and Bentler (1999) to evaluate model fit: the Comparative Fit Index (CFI), Root Mean Squared Error of Approximation (RMSEA), and Standardized Root Mean Squared Residual (SRMR). Acceptable model fit is indicated by CFI values above .90, RMSEA values no higher than .08, and SRMR values of .10 or lower (Hu & Bentler, 1999; Kline, 2015). See Figure 8.2 Evaluating Model Fit - CFI and RMSEA and Figure 9.2 Evaluating Model Fit – SRMR.



Table 10.2 Evaluating Model Fit - CFI and RMSEA

User Model versus Baseline Model:		
Comparative Fit Index (CFI)	0.996	0.994
Tucker-Lewis Index (TLI)	0.987	0.981
Robust Comparative Fit Index (CFI)		0.992
Robust Tucker-Lewis Index (TLI)		0.977
Loglikelihood and Information Criteria:		
Loglikelihood user model (H0)	-518884.694	-518884.694
Scaling correction factor for the MLR correction		1.195
Loglikelihood unrestricted model (H1)	-518478.421	-518478.421
Scaling correction factor for the MLR correction		1.193
Akaike (AIC)	1037793.388	1037793.388
Bayesian (BIC)	1037909.403	1037909.403
Sample-size adjusted Bayesian (SABIC)	1037871.267	1037871.267
Root Mean Square Error of Approximation:		
RMSEA	0.059	0.054
90 percent confidence interval - lower	0.056	0.051
90 percent confidence interval - upper	0.062	0.057
P-value H <sub>0</sub> : RMSEA ≤ 0.050	0.000	0.014
P-value H <sub>0</sub> : RMSEA ≥ 0.080	0.000	0.000

Table 11.2 Evaluating Model Fit - SRMR

CFI/TLI	
CFI	0.988
TLI	0.971
Chi-Square Test of Model Fit for the Baseline Model	
Value	50738.898
Degrees of Freedom	12
P-Value	0.0000
SRMR (Standardized Root Mean Square Residual)	
Value for Within	0.017
Value for Between	0.032

### **Employee Perceptions of Diversity Climate - Intra-class Correlation Coefficients**

To justify the treatment of employee perceptions of diversity climate as a multilevel construct, I examined ICC to determine the viability of aggregating ratings to the firm level of analysis. The items exhibited low-to-moderate interrater reliability across firms: PDC1 = 0.059 (CEO Approval); PDC2 = 0.066 (Culture & Values); PDC3 = 0.135 (Diversity & Inclusion); PDC4 = 0.051 (Senior Leadership). ICC typically ranges from 0 to 1. A higher ICC value indicates that a larger proportion of the variance in the dependent variable is due to differences between groups, suggesting that the clustering of individuals within groups accounts for a substantial amount of the variability in the outcome (Ward-Bartlett et al., 2021). Thus, a multilevel modeling approach seems justified. See Figure 10.2 Intraclass Correlations (ICCs).

Table 12.2 Intraclass Correlations (ICCs)

Estimated Intraclass Correlations for the Y Variables					
Variable	Intraclass Correlation	Variable	Intraclass Correlation	Variable	Intraclass Correlation
PDC1	0.059	PDC2	0.066	PDC3	0.135
PDC4	0.051	DDS	0.519	TQK	0.928

### **Employee Perceptions of Diversity Climate - Latent Variables**

My results show that the standardized factor loadings for PDC1-PDC4 are sufficiently high (typically above 0.5 or 0.6), which suggests that these observed variables are strong indicators of the latent construct, employee perceptions of diversity climate (Short et al., 2011). In this case, the standardized factor loadings provide evidence that the observed variables are measuring the intended latent construct effectively. See Figure 11.2 Latent Variables.

Table 13.2 Latent Variables

Latent Variables:						
	Estimate	Std.Err	z-value	P(> z )	Std.lv	Std.all
PDC =~						
PDC1	0.506	0.002	210.527	0.000	0.506	0.678
PDC2	1.336	0.003	387.222	0.000	1.336	0.908
PDC3	1.182	0.006	212.413	0.000	1.182	0.686
PDC4	1.294	0.003	415.627	0.000	1.294	0.880

### **Employee Perceptions of Diversity Climate as a Predictor of Firm Value**

The between-level correlation matrix provides insights into the relationships between the latent constructs (PDC1, PDC2, PDC3, PDC4, DDS) and the dependent variable (TQK) at the firm level. The correlations between PDC1- PDC4 are positive and relatively strong, ranging from 0.893 to 0.949. This suggests that there are strong positive associations between different dimensions of employee perceptions of diversity climate (ePDC) within firms. For example, firms that score high on PDC1 are likely to also score high on PDC2, PDC3, and PDC4. However, as a predictor of firm value, the correlations between TQK (log-transformed Tobin's Q, representing market value) and the employee perceptions of diversity climate variables are generally weak. This suggests that there is little to no association between perceptions of diversity climate within firms and firm value. See Figure 12.2 Between Level Correlation Matrix - Perceptions of Diversity Climate.

Table 14.2 Between Level Correlation Matrix - Perceptions of Diversity Climate

Correlations					
	PDC1	PDC2	PDC3	PDC4	DDS
PDC1	1.000				
PDC2	0.893	1.000			
PDC3	0.315	0.469	1.000		
PDC4	0.911	0.949	0.429	1.000	
DDS	0.040	0.031	-0.223	0.016	1.000
TQK	-0.083	-0.015	0.142	-0.063	0.332



## **Between Level Interaction Effects - Employee Perceptions of Diversity Climate and Discursive Diversity Strategy on Firm Value**

The estimated intraclass correlation (ICC) suggests the proportion of total variance in each variable attributed to between-group differences relative to total variance. The estimated ICC for ePDC\*DDS is 0.020, suggesting that around 2.0% of the total variance in the interaction between employee perceptions of diversity climate and discursive diversity strategy is attributed to between-group differences, while much of the variance (98.0%) is due to differences within groups. See Figure 13.2 ICC Interaction effects of employee perceptions of diversity climate and discursive diversity strategy on firm value.

*Table 15.2 ICC Interaction effects of employee perceptions of diversity climate and discursive diversity strategy on firm value*

Estimated Intraclass Correlations for the Y Variables					
Variable	Intraclass Correlation	Variable	Intraclass Correlation	Variable	Intraclass Correlation
TQK	0.949	DDS	0.519	PDC	0.056
PDCxDDS	0.020				

The between-level interaction effects show the estimated regression coefficients between the dependent variable (TQK) and the predictor variables (DDS, PDC, LEV, EMP, and PDC\*DDS) at the firm level. See Table 10.2: An Interaction Model Comparison for Tobin's Q: Employee Perceptions of Diversity Climate and Discursive Diversity Strategy.

Table 16.2 An Interaction Model Comparison for Tobin's Q: Employee Perceptions of Diversity Climate and Discursive Diversity Strategy

Between Level	Estimate	S.E.	Est./S.E.	P-Value
TQK <sup>a</sup> (DV) on				
PDC	0.144	0.186	0.778	0.437
DDS	0.026	0.005	5.052	0.00***
PDCxDDS	-0.03	0.014	-2.198	0.028**
LEV	0.73	0.086	8.469	0.00***
EMP	0.652	0.048	13.591	0.00***
LEV with				
DDS	-1.198	0.809	-1.481	0.138
EMP <sup>a</sup> with				
DDS	2.36	1.056	2.236	0.025**
LEV	-0.54	0.14	-3.854	0.00***
PDC (IV) with				
DDS	0.674	0.284	2.371	0.018**
LEV	0.001	0.019	0.069	0.945
EMP	0.008	0.028	0.288	0.773
PDCxDDS with				
DDS	59.965	44.309	1.353	0.176
LEV	-0.22	0.418	-0.525	0.599
EMP	-0.057	0.557	-0.103	0.918
PDC	-0.118	0.191	-0.619	0.536
Intercepts				
TQK	10.204	0.08	127.519	0.00***
New/Additional Parameters				
SSLO	0.704	0.26	2.712	0.007***
SSHI	-0.423	0.333	-1.272	0.203

\*p < .10, \*\*p < .05, \*\*\*p < .01.

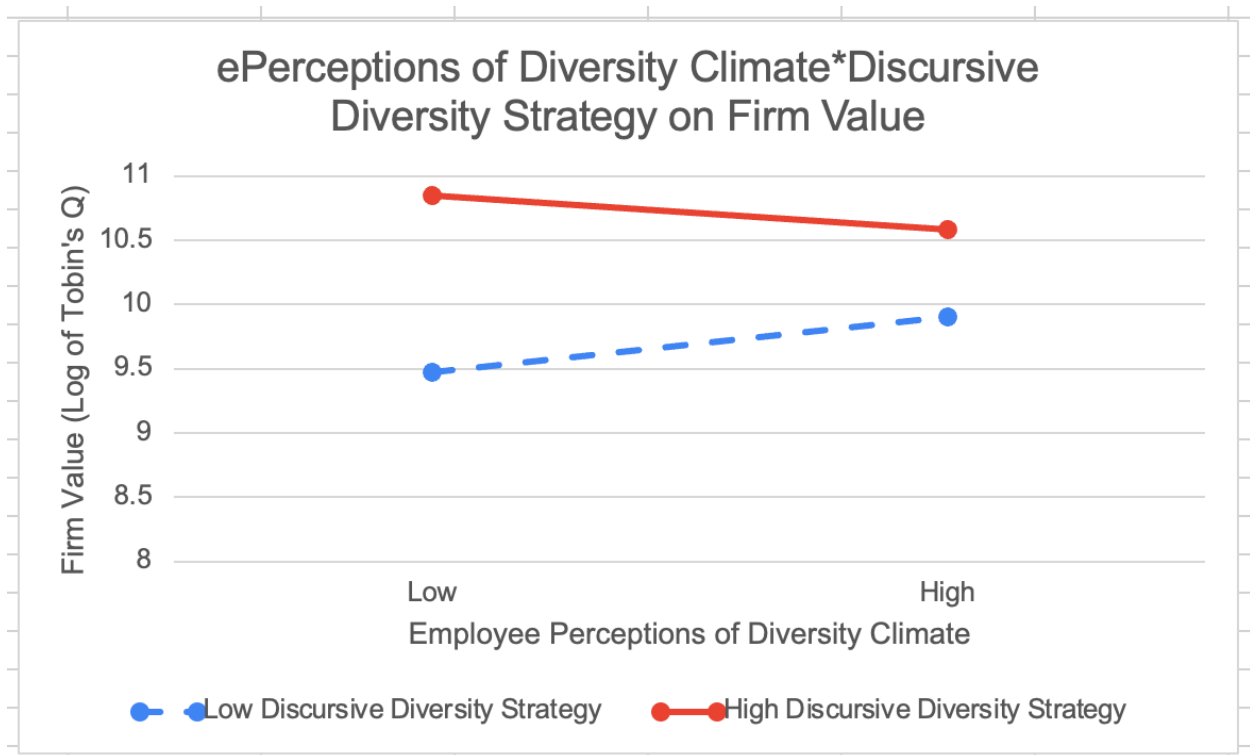
<sup>a</sup> = Logged

Notes: DV=dependent variable, IV=independent variable.

I ran an OLS regression to examine the impact of control variables as predictors of the relationship with firm value. Relationships between Tobin's Q and debt ratio (LEV) is positive and significant ( $\beta = 0.730, p < .01$ ); firm size (EMP) ( $\beta = 0.652, p < .01$ ). Hypothesis 1 predicted that employee perceptions of diversity climate would positively predict firm value (as calculated by Tobin's Q) such that there is a positive relationship between employee perceptions of diversity climate and firm value. As shown in Table 10.2, the coefficient for employee perceptions of diversity climate ( $\beta = 0.144, p = 0.437$ ) was not significant when predicting firm value. Thus, there is no support for H1.

Hypothesis 2 predicted that a firm's discursive diversity strategy would moderate the relationship between employee perceptions of diversity climate and firm value such that the relationship would be stronger when the discursive diversity word count is higher. The interaction coefficient for employee perceptions of diversity climate and discursive diversity strategy on firm value was marginally significant ( $\beta = -0.030, p < .1$ ). This indicates that the interaction between employee perceptions of diversity climate and discursive diversity strategy has a significant but negative effect on firm value (TQK). Specifically, for each one-unit increase in the interaction term ePDC\*DDS, firm value is expected to decrease by approximately 0.030 units. To test the hypothesis, I conducted a simple slope test in Mplus. Figure 14.2: Two-way interaction of employee perceptions of diversity climate and discursive diversity strategy on firm value.

Figure 6.2 Two-way interaction of employee perceptions of diversity climate and discursive diversity strategy on firm value



The results show that firms with low discursive diversity strategies have a positive and significant relationship between firm value and board gender diversity ( $p = 0.007$ ). However, firms with high discursive diversity strategies show no significant relationship ( $p = 0.203$ ). Thus, my hypothesis is partially supported.

Overall, the results suggest that the interaction between employee perceptions of diversity climate and discursive diversity strategy has a statistically significant and positive effect on firm value, suggesting that the relationship between employee perceptions of diversity climate and firm value may depend on the level of diversity word count.

## **DISCUSSION**

The current research utilizes multilevel modeling to comprehensively analyze the interaction effects of employee perceptions of diversity climate and discursive diversity strategy on firm value. My research revealed that the relationship between employee perceptions of diversity climate and firm value may depend on how executives choose to reduce information asymmetry regarding the firm's commitment to diversity and inclusion. More specifically, firm value is likely to increase for firms with low discursive diversity strategies as employee perceptions of diversity climate increase. The results from chapters 2 and 3 are similar in that the moderating effect of a firm's discursive diversity strategy on the predictor variable is positive and significant for firms with low discursive diversity strategies and not significant for firms with high discursive diversity strategies. Though further research on the sub-dimensions is warranted, initial results suggest that word choices are likely to unintentionally hinder the diversity and inclusion goals firms aim to achieve. These findings are significant for both theoretical advancements and practical recommendations, given that the decentralization of discursive

diversity strategies creates a challenge for scholars interested in validating diversity initiatives' causal effects on firm-level outcomes (Dover et al., 2019).

### **Theoretical Contributions**

Altogether, this research makes several theoretical contributions to the literature. First, my research considers multiple perspectives of signaling theory, including signaling rationale, which refers to efforts to communicate the firm's values to current employees, potential employees, or the public (Dover et al., 2019). As firms face increasing pressure from stakeholders to advance social agendas (Miller & Triana, 2009), signaling has become more critical as firms struggle to address systemic inequality (Johansson & Ringblom, 2017). Though the extant research on employee perceptions of diversity climate relates diversity-supportive workplaces with positive benefits (Avery et al., 2007; Dover et al., 2019), my results suggest that a firm's best intentions may be compromised by its discursive diversity strategy, resulting in unintended consequences.

McKay and Avery (2015) note that studies on diversity climate at the aggregate level have mainly drawn upon organizational climate theory (Kopelman et al., 1990; Reichers & Schneider, 1990), the interactional model of cultural diversity (IMCD) (Cox, 1993), and social identity theory to inform their hypotheses. These insights often lead to the development of new measurement tools that cater to diverse perspectives at the micro or macro level. Such an approach allows individual contributions to diversity discourse within firms to influence group-level dynamics as sentiments trickle upward from the micro-level (Wang et al., 2022).

Employing signaling theory as the primary theoretical framework, I have constructed and validated a four-item diversity scale, capturing employee perceptions of diversity climate. This scale acknowledges that diversity signaling experiences vary among receivers based on various



groupings (Connelly, 2011). However, many strategy studies consider the signals firms send (Basdeo et al., 2006; Zhang & Wiersema, 2009). Signals capture one of many potentially interesting relationships from such a robust dataset that may be explored in future studies.

Finally, by combining discursive diversity strategy with employee perceptions of diversity climate, I have shown that the interaction effect significantly relates to firm value. My research demonstrates that it is feasible for executives within and between industries to make better-informed decisions about the implications of diversity and inclusion word choices and the potential implications for employee perceptions of diversity climate and firm value. As data analytics tools become increasingly more sophisticated, I expect more techniques to emerge to help develop and advance theory, particularly in the diversity management arena.

### **Practical Implications and Recommendations**

Over the past decade, firms have had to grapple with societal pressures regarding diversity and inclusion that have direct implications for their employees and their perceptions of the firm. However, some companies discussing diversity and inclusion have done well, while others have yet to do so. Further, the potential for my research to influence how firms associate employee perceptions of diversity climate with organizationally important outcomes (Herdman & McMillan-Capehart, 2010) depends on addressing some practical implications of aggregate-level research.

First, diversity studies at the aggregate level have primarily examined how diversity climate impacts outcomes concerning race-ethnicity and gender (McKay et al., 2008), as well as the racial-ethnic and gender makeup at the unit level (Gonzalez & DeNisi, 2009; McKay et al., 2011) concerning employee and organizational outcomes. My research delves deeper by breaking down a company's diversity strategy into sub-dimensions. A crucial aspect of this is the

establishment of a categorization of word choices used concerning other marginalized groups, such as women, older adults, LGBTQ+ individuals, people with disabilities, and religious minorities (McKay & Avery, 2015). Since employees interpret their experiences within the organization, these interpretations, when aggregated, form perceptions of the diversity climate (Schneider & Reichers, 1983). These sub-dimensions gauge the information asymmetry between the firm and its employees concerning its compliance with societal expectations.

Second, with few exceptions (see Boehm et al., 2014), aggregate-level diversity climate research has yet to explore the mediating mechanisms that link diversity climate with employee and firm-level outcomes. This research becomes a tool to elucidate the discursive diversity strategies by which employee perceptions of diversity climate improve firm-level outcomes (McKay & Avery, 2015). I acknowledge that my analyses were correlational and not causal and that I have only analyzed at time (t). This decision suggests that the interaction effect of a firm's discursive diversity strategy with employee perceptions of diversity climate at T1 (t+1) or T2 (t+2) may have different implications for firm value. While firms continue to face internal and external public scrutiny from their stakeholders, my research suggests that with an empirically sound assessment of word choices, executives can signal an underlying quality (Connelly, 2011) regarding diversity and inclusion with employee perceptions of the diversity climate.

Finally, aggregate-level diversity climate research needs to provide more knowledge on the antecedents of diversity climate. Scholars and practitioners can benefit from a deeper understanding of the various conditions influencing employees' views of workplace diversity climates (McKay & Avery, 2015). This research puts forth a model that, when combined with other longitudinal data sources, allows for new interpretations of the diversity phenomena in firms. I draw clear distinctions between sub-dimensions, which opens the door to introducing

known antecedents that correspond to the groupings above. One of the most compelling takeaways from this research is the empirical validation of the diversity climate construct at the firm level of analysis. Combined with the sub-dimensions, the firm-level analysis of the diversity climate construct across S&P 500 firms provides a rich foundation with practical implications for employees within and between industries.

### **LIMITATIONS and FUTURE DIRECTIONS**

This research uses CATA to search the 10-K annual filings of S&P 500 firms. I establish a longitudinal and empirically validated analysis of the interaction effect between discursive diversity strategy and employee perceptions of diversity climate on firm value. Firms may opt for alternative textual forms to signal their dedication to diversity, such as diversity statements—a formal corporate document highlighting diversity-related initiatives like equal employment opportunities and values (Leslie, 2019; Wu et al., 2022). Moreover, ongoing advancements in machine learning will empower researchers to delve deeper into the intricacies of textual analysis (Wang et al., 2022). Recognizing that textual expression is just one facet of a firm's communicative diversity strategy is essential. Conversations about diversity unfold through written texts, spoken words, visual depictions, and physical layouts (Phillips & Hardy, 2002). These forms create a discourse through which stakeholders interpret the company's stance on diversity-related matters. Broadening the scope of a firm's communicative diversity strategy would involve text mining, video, audio, and image analysis. I urge scholars to invest more resources into comprehending employee perceptions of diversity climate beyond textual mediums. By collecting data for most S&P 500 firms, I have demonstrated the universality of text for establishing a relationship between employee perceptions of diversity climate and firm value. Text, however, is but the first step.

To the extent that questions remain about the appropriate unit of analysis for diversity climate (McKay & Avery, 2015), I have demonstrated through a multilevel analysis of individual employee ratings that future research may glean insights on outcomes relevant to the firm at the firm level of analysis. These insights have considerable implications for the future of diversity climate research. I have explicitly focused on firm value as my outcome variable. However, there is considerable scope within the dataset to explore other financial or gender-related outcomes and other discursive diversity strategy sub-dimensions included in my original dataset. Therefore, we encourage research beyond the S&P 500 to develop further discursive diversity strategies that satisfy the firm's financial interests and society's social values.

It is becoming evident that diversity climate holds significance as it impacts various critical outcomes such as employee attitudes, individual performance, and unit-level performance. Regrettably, practitioners lack clear guidance on establishing or sustaining a conducive diversity climate (McKay & Avery, 2015). By compiling sub-dimensions within discursive diversity strategy, my research offers a flexible playbook for firms to evaluate diversity-related factors that they consider most pertinent to their organization, industry, or geographical context. In doing so, this research transitions the discourse from needing more guidance to identifying and prioritizing the most suitable pathways forward.

## **CONCLUSION**

We have already seen firms, e.g., American Airlines, JP Morgan Chase, et al., begin to posture in anticipation that their discursive diversity strategies might negatively impact firm value. By applying novel text-mining analytical techniques, this research suggests that they may have reason to be concerned. I tested and validated a diversity scale from Glassdoor reviews for S&P 500 firms at the firm level of analysis. As such, my findings for the moderating effect of a

firm's discursive diversity strategy lay the groundwork for a better understanding of the information asymmetries that may impact employee perceptions of diversity climate.

Additionally, my research introduces a novel analysis at the firm level, thus contributing significantly to the dichotomous arguments around the business versus the social-moral case for diversity. My primary objective in establishing an empirical relationship between discursive diversity strategy and employee perceptions of diversity climate is to open Pandora's box to firm-level explanations for valuing diversity. My research question explores whether a firm's discursive diversity strategy provides useful signals for conditions likely to impact firm value. Preliminary results suggest that the interaction effect between discursive diversity strategy and employee perceptions of diversity climate on firm value, while interesting, requires further examination to determine the usefulness for firms.

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AFTER THE BACKLASH: WHAT FAIRNESS, INCLUSION, AND COMPETENCE SIGNALS MEAN FOR EMPLOYEE PERCEPTIONS OF DIVERSITY CLIMATE

**A. Section 1: Overview of the Issue**

**1.1 Background of the Problem:**

Firms today face a profound challenge in effectively executing their diversity-related strategies, leaving them adrift in decision-making and inept at signaling commitment to a rapidly diversifying workforce. These strategies, conveyed through corporate discourse, aim to reduce information asymmetry regarding the firm's dedication to diversity, equity, and inclusion (DEI). However, stakeholders interpret these commitments through diverse lenses, sometimes perceiving them as insincere or opportunistic. This wavering support for DEI can lead to severe reputational damage for brands. When firms publicly shift their stance on diversity, stakeholders perceive a sense of corporate hypocrisy, resulting in backlash. This backlash, in turn, can significantly impact employee perceptions of diversity climate, ultimately affecting organizational outcomes.

**1.2 Current Scenario:**

Many prominent firms, including Bud Light, Target, Nike, and Starbucks, have faced backlash for elements of their diversity strategies. Recent data shows that Fortune 500 companies spend billions on diversity management annually, responding to the backlash and crafting discursive diversity strategies. However, effectively navigating these strategies requires executives to account for the diverse interpretations of fairness, inclusion, and competence signals (Dover et al., 2019; Leslie, 2019) among different employee groups. Backlash is a motivating factor that divides employees into opposing groups: target and nontarget (Burnett & Aguinis, 2024; Leslie, 2019). Furthermore, backlash stems from varying interpretations of these

signals, underscoring the need for organizations to align their communication strategies with employee perceptions. In the following section, I analyze these signals and their implications for employee perceptions of diversity climate.

## Section 2: Analysis and Insights

### **2.1 Key Factors:**

#### **Backlash and Its Impact on Employee Perceptions of Diversity Climate:**

Backlash, also referred to as "backfire" by Leslie (2019), can arise from negative evaluations by nontarget group employees or challenges to performance among target group employees due to diversity, equity, and inclusion (DEI) interventions. Unfortunately, executives who commit to DEI initiatives without assessing their success or potential unintended consequences can exacerbate backlash, leading both target and nontarget employee groups to question perceptions of fairness, inclusion, and competence (Dover et al., 2019).

#### **Perceptions of Fairness Signals:**

Anticipating perceptions of fairness signals is crucial for both target and nontarget employee groups. Framing DEI initiatives solely around target groups may evoke discomfort and concerns about fairness or differential treatment (Burnett & Aguinis, 2024). Research indicates that workplaces perceived as fair and diversity-supportive positively affect morale, productivity, and commitment (Avery et al., 2007; Hicks-Clarke & Iles, 2000; McKay et al., 2007; Plaut et al., 2009). However, from an organizational perspective, signaling fairness and minimal discrimination against target groups can also yield financial, legal, and reputational benefits (Dover et al., 2019).

#### **Perceptions of Inclusion Signals:**

Similarly, anticipating perceptions of inclusion signals is vital to avoid backfiring diversity initiatives. McKay and Avery (2005) argue that promising inclusive and fair workplaces without affecting real organizational change can lead to disillusionment among target group employees. While DEI initiatives aim to signal inclusion to target groups, they may inadvertently signal exclusion and threat to members of nontarget groups (Dover et al., 2019).

### **Perceptions of Competence Signals:**

The unintended competence signals sent by DEI initiatives, suggesting that members of target groups need help to succeed within the organization (Leslie, 2019), can create additional barriers for target group members and those facing negative stereotypes in the workplace (Burnett & Aguinis, 2024). Unlike fairness and inclusion signals, competence signals may not be intentional (Dover et al., 2019). However, they can significantly impact perceptions of diversity climate and hinder efforts to foster an inclusive work environment.

By analyzing these critical factors and their implications for employee perceptions of diversity climate, organizations can better understand the complexities of DEI initiatives and work towards reducing backlash, promoting fairness, fostering inclusion, and mitigating unintended competence signals to create a more equitable and inclusive workplace environment.

## **2.2 Industry Trends:**

When discussing relevant trends in the industry that impact the topic of diversity, equity, and inclusion (DEI), it is essential to consider the following key trends:

### **2.2.1 Increasing Diversity in the Workforce:**

One of the most significant trends impacting the DEI landscape is the increasing workforce diversity that will be mostly Black, Brown, immigrant, mixed-race, and non-binary within a generation (Carter et al., 2020). Organizations operate in increasingly diverse

environments, with employees representing various backgrounds, demographics, and perspectives. This diversity presents opportunities and challenges for organizations to foster inclusivity and ensure equitable employee opportunities.

### **2.2.2 Growing Emphasis on Corporate Social Responsibility (CSR):**

There has been a growing emphasis on corporate social responsibility (CSR) among businesses across various industries (Awaysheh et al., 2020). Companies must demonstrate their commitment to social and environmental issues, including diversity and inclusion. Stakeholders, including customers, investors, employees, and communities, hold organizations accountable for their CSR efforts and diversity initiatives.

### **2.2.3 Rise of Social Movements and Activism:**

Social movements and activism, both online and offline, have brought diversity, equity, and inclusion issues to the forefront of public discourse. Movements such as #MeToo, Black Lives Matter, and LGBTQ+ advocacy have raised awareness about systemic inequalities and injustices in society and the workplace (Hellerstedt et al., 2024). These movements have influenced organizational policies, practices, and public perceptions of diversity and inclusion. All told, Fortune 500 companies jointly spend more than \$16 billion on diversity management yearly (Staley, 2017), a significant part of that attributed to responding to backlash.

### **2.2.4 Legal and Regulatory Changes:**

Significant legal and regulatory changes related to diversity and inclusion have occurred in recent years. Recent data from the ACLU identify more than 500 bills targeting the LGBTQ community introduced in 47 states. Organizations are also increasingly subject to class action lawsuits, which account for 0.4% of revenues for U.S.-based firms (Reuters, 2017).

Governments and regulatory bodies in many countries have implemented laws and regulations to promote diversity, prevent discrimination, and ensure equal employment opportunities (Barak et al., 2022). Organizations must stay abreast of these changes and comply with legal requirements while proactively addressing diversity and inclusion issues.

### **2.2.5 Focus on Intersectionality:**

There is a growing recognition of the importance of intersectionality in diversity and inclusion efforts (Thatcher et al., 2023). Intersectionality acknowledges that individuals may experience multiple forms of discrimination or privilege based on intersecting factors such as race, gender, ethnicity, sexual orientation, disability, and socioeconomic status (Crenshaw, 1989; Smith et al., 2019). Organizations are increasingly adopting intersectional approaches to DEI that recognize and address diverse individuals' unique experiences and needs.

### **2.3 Comparative Analysis:**

When comparing different perspectives or solutions related to diversity, equity, and inclusion (DEI), it is essential to consider various approaches and viewpoints that organizations may adopt. Here is a comparison of the Top-Down vs. Bottom-Up Approach that contextualizes my Chapters 2 and 3 findings.

#### **2.3.1 Top-Down (Macro) Approach:**

The top-down approach emphasizes leadership-driven initiatives and organizational policies promoting diversity and inclusion. It involves top-level executives setting diversity goals, implementing diversity training programs, and establishing diversity councils or committees within the organization (Burnett & Aguinis, 2024). As I have shown in Chapter 2, though firm-level approaches can drive systemic change and foster a culture of inclusion, many factors determine the effectiveness of diversity goals, including the firm's word choices. My

findings suggest that the relationship between board gender diversity and firm value may depend on the level of diversity word count.

### **2.3.2 Bottom-Up (Micro) Approach:**

In contrast, the bottom-up approach focuses on grassroots efforts and employee-driven initiatives to promote diversity and inclusion. It empowers employees at all levels of the organization to advocate for change, share diverse perspectives, and drive inclusivity within their teams and departments (Dover et al., 2020; Reinwald et al., 2019). As I have shown in Chapter 3, employee engagement and ownership of DEI efforts may be reflected in employee perceptions of diversity climate, which I aggregated at the firm level of analysis. My findings in Chapter 3 suggest that the relationship between employee perceptions of diversity climate and firm value may also depend on the level of diversity word count. In the next section, I present Bud Light as a case study.

### **Section 3: Bud Light (Case Study)**

At the onset of 2023, Bud Light made headlines with its discursive diversity strategy, signaling a pro-transgender commitment through a partnership with transgender influencer Dylan Mulvaney. Despite being the world's top-selling beer brand then, Bud Light's position swiftly changed by year's end. The brand faced a conservative backlash against its pro-trans affiliation, leading to a significant revenue downturn during the second and third quarters, with sales plummeting by 13.5%. Consequently, Bud Light took drastic measures, including placing its Chief Marketing Officer and other executives on leave, downsizing U.S. office staff, and retracting its pro-trans commitment. In a candid interview, Chief Executive Michel Doukeris attributed the decision to a desire to associate beer with relaxation rather than debate. However, the damage was irreversible.

This real-world example highlights the stark disparity in information perception between Bud Light's leadership and its stakeholders. Despite Bud Light's intent to signal inclusivity and support for the transgender community, the ensuing backlash underscored a failure to anticipate and mitigate the negative consequences of its discursive diversity strategy. This case serves as a cautionary tale, prompting deeper introspection into the ramifications of word choices and signaling strategies employed by organizations.

Bud Light's experience is not an isolated incident. Target, renowned for its commitment to diversity and inclusion, faced backlash for halting sales of certain items during Gay Pride month due to customer threats and disruption. Like Bud Light, Target's commitment to DEI is significant, and its brand appeal ranks high for DEI among S&P 500 companies. The backlash against Bud Light and Target exemplifies the delicate balance between signaling inclusivity and navigating societal pressures.

A nuanced understanding of word choices becomes imperative as firms grapple with diversity-related decisions. A well-informed discursive diversity strategy should signal a firm's genuine commitment to diversity and its intention to enhance performance and firm value. However, as evidenced by Bud Light and Target's experiences, the dimensions of a firm's discursive diversity strategy require careful consideration and alignment with stakeholder expectations. The power of a firm's discursive diversity strategy becomes most apparent during pivotal moments, where societal dynamics intersect with employee perceptions of diversity climate.

In 2024 and beyond, executives face the daunting task of reconciling inclusive values with potential backlash. In navigating this challenge, firms must leverage insights from research to optimize decision-making amidst uncertainty. By triangulating research findings on discursive



diversity strategy, gender board diversity, and employee perceptions of diversity climate, organizations can identify specific dimensions of their discursive diversity strategy with negative implications for firm value. Ultimately, a proactive and informed approach to discursive diversity strategy is integral for Bud Light and other S&P 500 firms to foster a culture of inclusivity and resilience in the face of backlash.

## **Section 4: Proposed Solutions or Recommendations**

### **4.1 Potential Solutions:**

Let us shift our focus towards counter-signals, a crucial element in mitigating information asymmetry within organizations. The feedback loop, or the transmission of counter-signals from the receiver to the signaler, plays a pivotal role in the signaling process (Srivastava, 2001). Despite its centrality, prior studies have largely ignored the significance of feedback (Taj, 2016), needing more insight into its causal determinants and the receiver's interpretation of the signal (Connelly et al., 2011).

Management scholars have increasingly recognized the importance of feedback in signaling theory, highlighting the need for receivers to provide information to signalers regarding the effectiveness of their signals (e.g., Gupta, Govindarajan, & Malhotra, 1999). Receivers can offer feedback in the form of counter-signals to enhance the signaling process. The underlying premise is that information asymmetry operates in both directions: while receivers seek insights into signalers, signalers also seek feedback to gauge signal reliability, receiver attention, and signal interpretation. Heeding counter-signals, signalers can refine future signals to enhance reliability (Gulati & Higgins, 2003).

However, despite the efficacy of the feedback mechanism, executive leadership may need to be more accurate with counter-signals or respond in a manner that undermines both target and

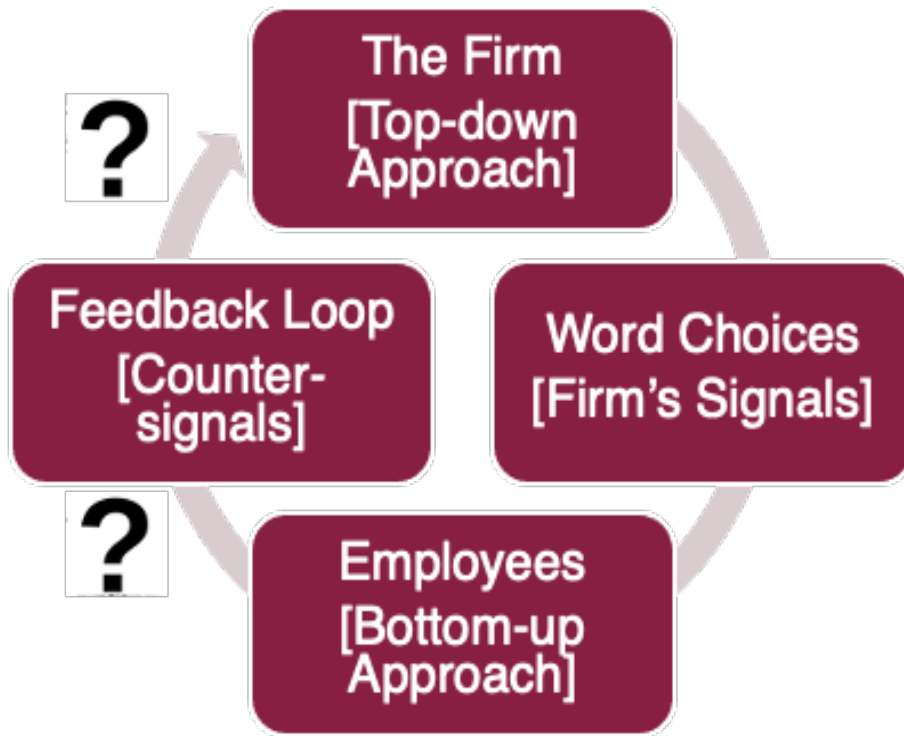
nontarget employee groups (Burnett & Aguinis, 2024). To address this challenge, organizations should view counter-signals as integral to a reciprocal signaling process (Connelly et al., 2011). Firms can better understand receiver perspectives and mitigate potential backlash by studying, analyzing, and responding to counter-signals.

Signaling theory is a valuable management framework that reduces information asymmetry and strengthens intra-organizational communication channels. Examining the relationship between the firm's discursive diversity strategy, employee perceptions of diversity climate, and firm value aims to bridge the gap between leadership signals and employee groups. Through proactive engagement with counter-signals, organizations can foster a more inclusive and responsive organizational culture, ultimately enhancing organizational performance and employee perceptions of a diversity climate.

#### **4.1.1 The Feedback Loop: How Counter-signals are sent and received**

For the remainder of this article, I consider the most underdeveloped component of signaling theory, the feedback loop, and its relevance to how firms respond to backlash. By segmenting its employees as target and nontarget groups, firms can more effectively receive and respond to counter-signals that inevitably affect employee perceptions of diversity climate and firm value. In Figure 15.3 I reconceptualize the feedback loop component of signaling theory by outlining the relationship between the firm (sender), the signal (word choices), target and nontarget employee groups (receivers), and the fairness, inclusion, and competence counter-signals (feedback loop) that lead to backlash if not adequately addressed by executive leadership.

Figure 7.3 Reconceptualizing the Feedback Loop of Signaling Theory



## **4.2 Implementation Strategy:**

To effectively implement the proposed solutions, organizations must prioritize the development of a robust feedback loop within their diversity and inclusion (DEI) initiatives. This prioritization entails leveraging segmentation strategies to differentiate between target and nontarget employee groups and proactively addressing fairness, inclusion, and competence counter-signals. Here is a step-by-step approach:

### **4.2.1 Segmentation of Employee Groups:**

- Begin by segmenting employees into target and nontarget groups based on their demographics, experiences, and perceptions related to diversity and inclusion.
- Utilize employee perception measures, as outlined in Baldwin, chapter 3, to identify signals most likely to result in backlash within each group.

### **4.2.2 Anticipation and Sending of Counter-Signals:**

- Encourage target and nontarget employee groups to actively monitor and identify fairness, inclusion, and competence signals within the organization's discursive diversity strategy.
- Empower employees to send counter-signals to executive leadership when they perceive signals that may lead to backlash, providing specific feedback and suggestions for improvement.

### **4.2.3 Reception and Alignment of Signals by Leadership:**

- Leadership should be receptive to counter-signals and prioritize identifying potential backlash-inducing signals.
- Adequately represent target and nontarget groups by aligning the organization's discursive diversity strategy to address their concerns.

- Adjust word choices and messaging to mitigate potential backlash and foster a more inclusive organizational culture.

#### **4.2.4 Tracking and Analysis of DEI Initiatives:**

- Implement a multilevel approach, as suggested by Burnett & Aguinis (2024), to track the effectiveness of DEI initiatives.
- Integrate measures of CEO approval, senior leadership, culture and values, and diversity and inclusion into empirically validated metrics to gauge employee perceptions of diversity climate.
- Analyze data trends and employee feedback to identify areas for improvement and inform strategic decision-making regarding DEI initiatives.

By implementing this strategy, organizations can establish a feedback loop to anticipate, address, and mitigate potential backlash associated with their discursive diversity strategies. This proactive approach fosters a more inclusive organizational culture and enhances the effectiveness of DEI efforts, ultimately contributing to improved firm value and employee perceptions of diversity climate.

#### **Conclusion:**

The article delves into the intricate relationship between a firm's discursive diversity strategy, employee perceptions of diversity climate, and firm value. It highlights the significant implications of fairness, inclusion, and competence signals on employee attitudes and organizational outcomes, particularly in the context of potential backlash. Through an analysis of signaling theory and empirical research findings, the article underscores the importance of establishing a robust feedback loop to mitigate information asymmetry and proactively address counter-signals from both target and nontarget employee groups.

The main argument posits that by leveraging segmentation strategies and prioritizing the anticipation and reception of counter-signals, organizations can enhance the effectiveness of their diversity and inclusion initiatives, ultimately fostering a more inclusive and resilient organizational culture. This proactive approach mitigates potential backlash, strengthens organizational communication channels, and improves employee perceptions of diversity climate.

As they navigate an increasingly diverse and complex business landscape, organizations must recognize the power of their discursive diversity strategies and their critical role in shaping employee perceptions and firm values. By embracing a feedback-driven approach and actively engaging with counter-signals, firms can cultivate a culture of transparency, trust, and inclusivity, paving the way for long-term success and sustainable growth.

#### **Future Directions:**

Discursive diversity strategy presents a promising avenue to delve deeper into the nuanced impact of specific word choices and messaging on organizational outcomes. Investigating the language used in executive communications and its alignment with organizational values can provide insights into how discursive strategies shape target and nontarget employee perceptions of diversity climate. I have taken but the first step towards integrating intersectionality, and organizational culture as foundational elements in articulating diversity and inclusion in S&P 500 firms. Scholars and practitioners can:

- Conduct longitudinal studies to examine the long-term effects of diversity and inclusion initiatives on organizational outcomes, including firm value, backlash, and perceptions of diversity climate.

- Investigate the intersectionality of various diversity dimensions, such as race, gender, sexual orientation, and socioeconomic status, to understand how multiple identities intersect and influence employee experiences and perceptions.
- Explore the role of organizational culture in shaping diversity climate and employee attitudes, including the impact of leadership behaviors, communication norms, and organizational values.

Further exploration of employee perceptions of diversity climate also presents opportunities to examine the interplay between individual experiences, organizational practices, and broader social contexts. Research could focus on understanding how perceptions of fairness, inclusion, and competence are formed and influenced by organizational policies, leadership behaviors, and cultural norms. Moreover, investigating the differential impact of diversity climate on target and nontarget employee groups can deepen our understanding of diversity dynamics within organizations and inform targeted interventions to promote inclusivity and equity. Future research must deepen our understanding and enhance practical applications through employee voice, external stakeholder perspectives, comparative analysis, and action-oriented research in S&P 500 firms. My research calls on scholars and practitioners to:

- Investigate strategies to empower employee voice and participation in diversity and inclusion initiatives, including the effectiveness of feedback mechanisms, employee resource groups, and inclusive decision-making processes.
- Consider external stakeholders' perspectives, such as customers, investors, and community members, to understand how perceptions of diversity and inclusion influence brand reputation, consumer behavior, and corporate social responsibility efforts.

- Conduct comparative analysis across industries, regions, and organizational sizes to identify best practices and contextual factors contributing to successful diversity and inclusion outcomes.
- Collaborate with organizations to implement and evaluate diversity and inclusion interventions in real-world settings, using action research methodologies to co-create knowledge and drive organizational change.

By pursuing these research directions and taking proactive actions in the field, scholars and practitioners can advance our understanding of diversity and inclusion and contribute to building more equitable, inclusive, and sustainable organizations and societies.



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## Chapter 5: The Conclusion

In conclusion, the articles shed light on the evolving landscape of diversity management within organizations, emphasizing the critical role of discursive diversity strategy in shaping organizational practices and perceptions. From the historical evolution of diversity initiatives to contemporary challenges faced by firms such as Bud Light and Target, the discourse surrounding diversity has undergone significant shifts, reflecting changing societal norms and stakeholder expectations.

The concept of discursive diversity strategy, as proposed in the first article, highlights the importance of word choices and messaging by top leadership in signaling a firm's commitment to diversity and inclusion. However, as evidenced by recent backlash incidents, firms must carefully consider the implications of their discursive strategies on stakeholder perceptions and firm value. This underscores the need for strategic alignment between discursive diversity strategies and organizational values to foster a positive diversity climate and mitigate potential negative repercussions.

Building on this foundation, the second article emphasizes the importance of employee perceptions of diversity climate in shaping organizational outcomes. By validating a diversity scale for employee perceptions and examining its interaction with discursive diversity strategy, the study provides valuable insights into the moderating effect of word choices on the relationship between employee perceptions and firm value.

Overall, these articles underscore the interconnectedness of discursive diversity strategy, employee perceptions of diversity climate, and firm value. Moving forward, future research and organizational practices should continue to explore and leverage the power of language and communication in fostering inclusive environments and driving positive organizational outcomes.

## APPENDIX

**Chapter 1: TABLE1(a): Positioning Discursive Diversity Strategy in the Discursive Strategy Literature**

Positioning Discursive Diversity Strategy in the Discursive Strategy Literature			
		Conceptualizing a Discursive Strategy for Diversity (Article #1)	Discursive Diversity Strategy and Information Asymmetry (Article #2)
		Discursive Strategies and the Feedback Loop (Article #3)	
Theoretical Domains of Strategizing (Balogun, et al., 2014)	1.Sociomateriality 2.Sensemaking 3.Power	1.allows a stronger elaboration of how discursive practices are linked with other sociomaterial practices and objects. 2.allows us to understand linkages between the linguistic and cognitive, the language and the mind, from a process perspective 3.highlight the various political and power implications of strategy discourse, including the agency of social actors	
Realms of Strategy-as-Practice (Johnson, et al., 2007; Vara 2010)	1.Institutional realm of analysis 2.Organizational realm of analysis 3.Episodic realm of analysis	1.concerned with the institutionalized field practices or routines of strategizing (e.g. strategic planning, SWOT). 2.adheres to organizational actions (e.g. strategic change); 3.focuses on actual activities (or praxis) of organizational actors (e.g. strategy workshops)	
Discursive Features of Strategic Plans (Vara, et al., 2010)	1.self-authorization 2.special terminology 3.discursive innovation 4.forced consensus 5.deonticity	1.This focus on authoritative sources for the de-construction of diversity discourses often emphasizes top management perspectives as a coherent signal, while obscuring the role of minoritized employees (Putnam & Cooren, 2004; Zanoni & Janssens, 2007) 2.the shared and specified lexicon known by strategy specialists as a special discursive community (Swales, 1990) 3.statements that crystallize key ideas about new priorities for strategic decision-making 4.the need to reach some degree of unanimity or alignment such that the final text serves as formal closure of the discussion. 5.the deontic orientation of the final document involves a reference to a future state and is connected with intention.	

<p>Discursive Perspectives</p> <ol style="list-style-type: none"> <li>1. Knights and Morgan (1991)</li> <li>2. Hardy et al. (2000)</li> <li>3. Barry and Elmes (1997a)</li> <li>4. Golden-Biddle and Locke (1993)</li> <li>5. Samra-Fredericks (2003)</li> <li>6. Palmer and Dunford (1996)</li> </ol>	<ol style="list-style-type: none"> <li>1. poststructuralist discourse analysis</li> <li>2. critical discourse analysis (CDA)</li> <li>3. Narrative</li> <li>4. Rhetoric</li> <li>5. conversation analysis</li> <li>6. metaphor analysis</li> </ol>	<ol style="list-style-type: none"> <li>1. emphasizes the central role of discourse as a basis of knowledge and power, and strategy as a body of knowledge</li> <li>2. examines how discourses are mobilized as strategic resources within organizations by focusing on linguistic details of texts</li> <li>3. explores the use of narrative in organizational processes of strategy development, change, and its future state</li> <li>4. focuses on forms of argumentation used to achieve particular ends, and discursive practices of persuasion</li> <li>5. analyzes conversations to understand the everyday interactions through which people make sense of their world and uphold social order.</li> <li>6. crucial drivers of sensemaking, framing, and legitimation processes that generates links in reasoning to effect strategic change</li> </ol>
<p>Role of ambiguity in strategy texts (Abdallah and Langley, 2013)</p>	<ol style="list-style-type: none"> <li>1. writing of strategy</li> <li>2. reading of strategy</li> <li>3. enactment of strategy</li> </ol>	<p>The role of ambiguity in strategy texts focuses on three themes:</p> <ol style="list-style-type: none"> <li>1. the ‘writing of strategy’ and the role of ambiguity in accommodating divergent perspectives.</li> <li>2. the ‘reading of strategy’ applies de Certeau’s notion of ‘consumption’ to the study of strategy discourse, considering strategic ambiguity as a ‘resource’ (Jarzabkowski et al., 2010).</li> <li>3. the ‘enactment of strategy’ considers how strategic ambiguity and its forms of consumption contribute to collective organizational action.</li> </ol>
<p>Strategies to facilitate a shared view (Kwon et al., 2013)</p>	<ol style="list-style-type: none"> <li>1. re/defining</li> <li>2. Simplifying</li> <li>3. Legitimizing</li> <li>4. Equalizing</li> <li>5. reconciling</li> </ol>	<ol style="list-style-type: none"> <li>1. encouraging participation by relaxing protocols and power structures to provide the space for other participants to come forward and express additional viewpoints.</li> <li>2. developing and expressing relevant new information and viewpoints on the issue (defining) for others to react to, and refining and adjusting existing viewpoints (redefining) so as to provide a platform for sensemaking.</li> <li>3. attempting to reduce the complexity of competing definitions by narrowing down understanding and making the issue ‘felt’ by participants at an emotional and visceral level.</li> <li>4. attempting to establish control by justifying underlying assumptions and building up the credibility of particular views.</li> <li>5. separating out individuals from issue positions to encourage task-oriented conflict and enable the perspectives of different speakers to be aligned around a shared view.</li> </ol>
<p>Organizational Outcomes (Balogun, et al., 2014)</p>	<ol style="list-style-type: none"> <li>1. radical change</li> <li>2. competitive advantage</li> <li>3. establishing and achieving collective goals.</li> </ol>	

Chapter 1 Table 1(b): Positioning Discursive Diversity Strategy in the Discursive Strategy Literature

Positioning Discursive Diversity Strategy in the Discursive Strategy Literature				
		Conceptualizing a Discursive Diversity Strategy (Article #1)	Employee Perceptions of Diversity Climate (Article #2)	Backlash and the Feedback Loop (Article #3)
Theoretical Domains of Strategizing	1.Sociomateriality 2.Sensemaking 3.Power	Sociomateriality	Sensemaking	Power
Realms of Strategy-as-Practice	1.Institutional 2.Organizational 3.Episodic	Institutional	Organizational	Episodic
Discursive Features of Strategic Plans	1.self-authorization 2.special terminology 3.discursive innovation 4.forced consensus 5.deonticity	ALL	ALL	ALL
Discursive Perspectives	1.poststructuralist discourse analysis 2.critical discourse analysis (CDA) 3.Narrative 4.Rhetoric 5.conversation analysis 6.metaphor analysis	Poststructuralist discourse analysis	Critical discourse analysis	Conversation analysis
Role of ambiguity in strategy texts	1.writing of strategy 2.reading of strategy 3.enactment of strategy	Writing of strategy	Reading of strategy	Enactment of strategy
Strategies to facilitate a shared view	1.re/defining 2.Simplifying 3.Legitimizing 4.Equalizing 5.reconciling	ALL	ALL	ALL
Organizational Outcomes	1.radical change 2.competitive advantage 3.establishing and achieving collective goals.	Firm value	Firm value	Firm value

## Chapter 1: Table 2 - CATA Measures and Dictionaries

### Recommended Procedures to Enhance Construct Validity When Using CATA Deductive Content Validity

- A. Create working definition of construct of interest:
  - a. “Structured collections of texts, typically approved by the board of directors, top management team, and the Chief Executive Officer, that signal the firm’s intentions with regards to diversity-related issues.”
  - b. See the literature review.
- B. Initial assessment of construct dimensionality based on existing literature
  - a. Diversity discourse is being assessed as a unidimensional construct (Mackenzie & Podsakoff, 2011)
- C. Develop an exhaustive list of key words from the formal definition to capture the construct of interest. (If the construct is hypothesized to be multidimensional, multiple discrete word lists should be created for each sub-dimension)

Words (use)	Definitions (context)	DEI Keywords List (2012-2022)
Accountab* (49.0%)	responsibility, answerability, trustworthiness	accountability practice attention to diversity diversity intention executive attention social responsibility transparency
Advantage (5.6%)	benefit, welfare, preference, contribut*, achieve*	access resource class privilege disadvantage people employee resource group resource practice white privilege
Age (6.3%)	years, period, tenure, mature	Age bias age divers age inclusiv ageist agism aging population aging workforce mature workers mature workforce
Anti-discriminat* (39.1%)	fairness, justice, equity, health	anti discrimination anti discrimination practice class discriminat economic disparity equitable fairness health disparity health status historically oppressed historically black colleges hbcu institutionalized status marginalized groups mental health non discrimination practice racial disparity
Behavior (13.6%)	conduct, demeanor, deportment,	allyship diversity attitudes diversity engagement diversity perspectives employee engagement employee feedback ethnic microaggression hyper visibility impact diversity improving diversity invisibility macroaggression microaggression mutual respect respect diversity self care tokenism
Bias (24.5%)	preconception, prejudice, ascribe,	assess bias attention to bias bias assess implicit bias mitigate bias prejudice race bias reduce bias stereotype steroetype threat unconscious bias

	stereotype, difference	
Body (4.5%)	Body, size, sizeism	obesity fat shaming body positivity overweight
Business climate (19.0%)	commerce, organization, fairness	best companies for diversity board composition board diversity business case colorblind diversity activism immigrant moral diversity organizational change openness to diversity organizing perceived morality social moral case virtue ethics
Disab* (99.2%)		ableism crip disability disability management disability rights advocate disabled person persons with disabilities neuro diver neuro typical
Discourse (0%)	Language, discourse, rhetoric, difficulty, negativity, positivity	diversity conflict diversity problem diversity challenge diversity positive diversity negative
Diversity (13.6%)		diversity polic diversity climate lack of diversity increase diversity diversity education diversity attention diversity signal diversity reputation diversity practice diversity inclusion diversity feedback diversity effort diversity perception perceptions of diversity diversity backlash diversity initiatives diversity implementation pro diversity diversity advocates diversity impact diversity intervention values diversity functional diversity advancing diversity diversity and inclusion diversity equity and inclusion diversity encompasses
Equality (52.5%)	sameness, status, position, accessibility, hiring practices	affirmative action disparities diversity consultant diversity hire employee retention equal access equality hiring inclusively human rights inequality justice pay gaps retain divers title ix
Ethnicity (14.6%)		ethnic minority ethnically diverse ethnicity hispanic latino latina latine latin x multi ethnic
Gender (8.4%)	Identity, orientation, violence	black women black men butch cisgender dual gender equal opportunit family work conflict feminized femme gender gender advocacy gender balance gender binary gender blind gender dialogue gender discriminat gender disparity gender divers gender equity gender expansive gender identity gender ideology gender neutral gender non conforming gender polic gender related gender relations gender specific gender solutions gender technolog glass ceiling image based exploitation intergroup bias intimate partner violence male privilege masculinized maternity merit based decision making non binary paternity power dynamics promoting gender sexual assault sexual harassment sexual identity sexual misconduct sexual violence social construct social integration stalking trans rights transgender white men white women women of color



Inclusion (19.8%)	belonging, happiness, dignity, integration	belonging climate for inclusion dignity inclusiveness inclusive management inclusive climate inclusive leadership inclusion sexual orientation inclusion transgender inclusivity global mindset inclusion and diversity inclusive environment intercultural awareness increase diversity marginalized promoting inclusion sense of belonging social exclusion social inclusion social avoidance workplace inclusion
Issue (0.7%)	matter, result, outcome	cross cultural issue diversity metrics diversity outcome diversity transform diversity turnover intention reduce prejudice reduce discriminat respect identit
Manage* (5.2%)	establishment, governance, administration	diversity management diversity strategy diversity hrm managing diversity diversity leadership promoting diversity human resource bundl management culture stereotype threats identity threats mega threats hr bundles leadership diversity chief diversity chief belonging
Org Culture (23.1%)		cultural diversity corporate culture culture change cultural competency organizational culture cultural identity minority culture cultural humility multicultural diversity celebrating culture cultural difference cultural norm cultural awareness diversity cooperation
Policy/ Legal (8.3%)	quality, ability, risk, foundation, tradition	empower diverse environmental polic institutional bias institutional change institutional racism institutional signal lgbtq polic organizational justice systemic racism trans affirmative polic
Practice (66.9%)	implementation, knowledge, use, training, cognition	diversity training preferential treatment targeted recruitment diversity statements targeted training diversity networking groups diversity mentoring programs diversity plans diversity performance evaluations diversity positions grievance systems justice oriented practice diversity practitioner diversity program celebrating diversity celebrate diversity workplaces for diversity diversity council multicultural programs diversity hub training diversity diversity work sensitivity
Race (29.1%)	racism, racial, racist	african american alaska native american indian anti blackness asian bi racial biracial black lives black people communities of color critical race theory enslaved persons historically underrepresented historically underserved intersectionality minoritized minority population minority status multiracial multi racial native hawaiian pacific islander people of color racial climate racial racial balance racism racist racial diversity racial inclusion slavery skin tone structural racism underrepresented minorit underrepresented groups whiteness
Relation* (10.5%)	trust, mentorship, willful*, participat*	affinity networks with empathy mentor mentorship mentor training race relations voluntary diversity voluntarism volunteer mentors
Social community (53.3%)	Activism/t, advocacy	childcare polic climate change elder care polic gay community global citizenship lesbian community lower class poor people social diversity social equity social identity social justice working class

Sexual orientation, Sexuality (13.0%)	individual group	asexual bisexual gay lesbian queer individual differences heterosexual lgb pink washing pride pride flags pansexual sexual orientation sexual preference
Workforce (15.0%)	personnel, employee	demographic diversity diverse candidate diverse work groups diverse workforce diversity of our workforce diversity recruitment mental well being talent pipeline work life balance team diversity workforce diversity workforce participation

For race, the OMB standards identify five minimum categories:

1. American Indian or Alaska Native
2. Asian
3. Black or African American
4. Native Hawaiian or Other Pacific Islander
5. White