

CEO Leadership Styles and the Implementation of Organizational Diversity Practices: Moderating Effects of Social Values and Age

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Abstract Drawing on strategic choice theory, we investigate the influence of CEO leadership styles and personal attributes on the implementation of organizational diversity management practices. Specifically, we examined CEO transformational and transactional leadership in relation to organizational diversity practices and whether CEO social values and age may moderate these relationships. Our results suggest that transformational leadership is most strongly associated with the implementation of diversity practices. Transactional leadership is also related to the implementation of diversity management practices when either CEO social values or age are relatively high. These findings extend previous work examining predictors of diversity management in organizations and highlight the central role that organizational leaders may play in the successful implementation of these practices.

Keywords CEOs · Leadership styles · Values · Organizational diversity practices

Introduction

Research on workplace diversity has largely examined environmental factors (e.g., legal mandates and resource

dependency) as predictors of organizations' decisions to adopt diversity management practices. For example, when Equal Employment Opportunity and Affirmative Action (EEO/AA) requirements were first introduced, many employers implemented diversity programs to ensure compliance with the law (Dobbin et al. 2006; Holzer and Neumark 2000; Kalev et al. 2006) and to avoid the potential threat of lawsuits and negative publicity stemming from charges of discrimination (Hirsh and Kornrich 2008; James and Wooten 2006). Firms also manage diversity because of the “business case” for diversity—it may assist in forging a competitive advantage and improving a firm's innovative capabilities and overall performance (Cox and Blake 1991; Kelly and Dobbins 1998; Kochan et al. 2003; Richard 2000).

Despite the potential advantages of diversity management (Cox and Blake 1991), little attention has been cast on organizational leaders and how they respond to environmental and economic pressures that encourage the implementation of these practices (DiTomaso and Hooijberg 1996; Milliken et al. 1998). Likewise, Ng (2008) has called for research examining the role of organizational leaders in the adoption and implementation of organizational diversity practices. Ng and others (e.g., Mighty 1996) argue that although institutional and environmental factors may pressure firms into managing diversity, organizational leaders ultimately exercise strategic choice on whether and how to manage diversity. According to the strategic choice perspective, organizational leaders make decisions that influence organizational outcomes and performance (Child 1972; Hrebiniak and Joyce 1985; Oliver 1991). Organizational structures and responses are fashioned after the people in power (Astley and Van de Ven 1983) and organizational leaders possess the discretion to act on their own free-will, making key strategic decisions

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that shape the organization (Finkelstein and Hambrick 1996). The implementation of diversity management practices provides an example of this form of strategic choice.

In response to calls for research in this area, we examine key characteristics of CEOs that may influence their decisions to implement organizational diversity practices. Following from Hambrick and Mason (1984), who propose that organizations are a reflection of their leaders, we investigate the effects of three sets of CEO characteristics: (1) CEO leadership styles (transformational and transactional leadership), (2) value orientation, and (3) age on the implementation of diversity practices. Specifically, we examine the premise that CEO leadership styles will significantly influence the implementation of diversity practices; however, these relationships may be partly contingent on the social values and age of the CEO.

This study contributes to the existing literature on diversity management in four primary ways. First, we examine the role of strategic choice, as opposed to environmental determinism, in explaining a firm's response to workplace diversity. To date, the bulk of research in this area has focused on environmental determinants of workplace diversity (e.g., legislation) and very few studies have explored the influence of organizational leaders on the attainment of organizational diversity outcomes (see Buttner et al. 2009; Hood 2003 as exceptions). Second, the dependent variable in this study is an organization's level of implementation of diversity management practices, which is a measure of actual firm behavior as opposed to an attitudinal outcome measure which has been more prevalent in past research (e.g., Buttner et al. 2009; Rynes and Rosen 1995). The implementation of organizational diversity practices has been shown to be linked to a number of positive diversity outcomes, such as higher levels of career advancement for women and minorities (Konrad 2007; Konrad and Linnehan 1995; Ng and Sears 2010) while attitudinal measures are a more distal proxy for actual firm behavior (Meyer and Herscovitch 2001). Third, previous studies investigating organizational diversity initiatives have primarily sampled human resource managers (e.g., Konrad and Linnehan 1995; Linnehan et al. 2006; Milliken et al. 1998; Pfeffer et al. 1995). The sample in this study consists of CEOs, who are a firm's top executive and decision-maker, and in this respect, may be deemed to exercise a greater amount of strategic choice in a firm's final decision to implement diversity practices (Hambrick and Finkelstein 1987). Finally, we examine both CEO surface-level (observable demographic characteristics, i.e., age) and deep-level diversity characteristics (e.g., leadership style and value orientation; Harrison et al. 1998) in explaining firm behavior. Several scholars (e.g., Finkelstein and Hambrick 1996; Lawrence 1997) have argued that a

“black box” problem has emerged in prior research on CEOs as a result of an exclusive focus on demographic and background variables. The “black box” problem has also been raised as a significant limitation in prior work on organizational demography and workplace diversity (Harrison et al. 1998, 2002). In this study, we investigate both surface and deep-level CEO characteristics, and their interplay, to help in addressing the “black box” problem and assist in identifying key behavioral mechanisms that influence workplace diversity.

Leadership Styles and Organizational Diversity Practices

In his seminal research on political leadership, Burns (1978) first introduced the concepts of *transforming* and *transactional* leadership. Building on this work, Bass (1985) subsequently applied these concepts to the study of formal organizations and began exploring the psychological mechanisms underlying both “transformational” (renamed from “transforming”) and transactional leadership. A number of scholars (e.g., Alimo-Metcalfe and Alban-Metcalfe 2001; Avolio et al. 1999; Podsakoff et al. 1990) have since validated and refined Bass' conceptualization of these two leadership styles (see Sashkin 2004, for review).

Transactional leadership is based on exercising bureaucratic authority and legitimate power in the firm, and these leaders emphasize task assignments, work standards, and employee compliance. Transactional leaders rely on rewards and punishment to influence employee behavior (Bass 1985; Sashkin 2004). Transformational leaders, on the other hand, motivate followers by appealing to higher ideals and moral values. They define and articulate a vision for the firm, and inspire followers to carry it out (e.g., Bass 1985; House and Shamir 1993; Sashkin 2004). Research has shown that transformational leadership embodies four primary dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Avolio et al. 1999; Sashkin 2004). These leader characteristics are important because they invoke strong responses from followers, such as performance beyond expectations (e.g., Judge and Piccolo 2004; Rowold and Heinitz 2007), changes in the fundamental values held by followers and devotion to the leader (House and Shamir 1993; Kark and Shamir 2002; Sashkin 2004), and also a willingness on the part of subordinates to sacrifice their personal interests for the collective good (Finkelstein and Hambrick 1996; Kark and Shamir 2002, 2003; Howell and Shamir 2005).

Both transactional and transformational leadership styles may be associated with a leader's moral and ethical orientation. Transformational leaders tend to be fundamentally concerned with doing what is “morally right” and

protecting the rights and dignity of individuals; transactional leaders also share an interest in protecting the rights of others but tend to be more concerned with utility maximization (Aronson 2001; Kanungo 2001; Groves 2010). Consistent with this perspective, transformational leaders have been shown to demonstrate higher perceived integrity (Aronson 2004; Parry and Proctor-Thomson 2002), greater moral development (Bass and Steidlmeier 1999; Turner et al. 2002), and more ethical behavior (Aronson 2004; Brown and Trevino 2006; Kanungo 2001). Given the link between moral development and diversity (see Demuijnck 2009; DiTomaso and Hooijberg 1996; Wilson 2009), we anticipate that transformational leaders will take actions more consistent with the spirit of inclusivity and social responsibility (Nishii and Mayer 2009). Transformational leaders may also be better able to convince followers that managing diversity is an important moral obligation and not simply an issue of legal compliance with a government mandate (Gilbert et al. 1999; Leonard and Grebler 2006).

Tatum and colleagues (Tatum et al. 2003, Eberlin and Tatum 2008) have asserted that leadership styles may be linked to patterns of strategic decision-making and a leader's emphasis on different types of justice. Specifically, transformational leaders tend to be more concerned with social justice, while transactional leaders tend to be more concerned with structural or procedural justice. Transformational leaders are inclined to place a strong emphasis on protecting the welfare of individuals in society and ensuring the fair treatment of all people in their actions (Hood 2003; Tatum et al. 2003). In this regard, transformational leaders may be drawn to managing diversity because it will enhance the well-being of the organization and its members (Kearney and Gebert 2009). Transactional leaders, on the other hand, tend to place a strong emphasis on following the rules and therefore may be more inclined to manage diversity to avoid punishment for non-compliance with legal standards (Hood 2003).

Given that workplace diversity is both a social justice and a compliance issue, we expect that both transformational and transactional leadership will predict a firm's level of implementation of diversity practices. Transformational leaders will be motivated to manage diversity because it is morally the right thing to do, while transactional leaders may be more motivated to comply with existing environmental pressures such as EEO/AA legislation, or because it is good for business. In the absence of these external pressures, however, the motivation for transactional leaders to implement diversity practices will likely diminish. Therefore, we predict the following:

Hypothesis 1a Transformational leadership will be positively related to organizational diversity practices.

Hypothesis 1b Transactional leadership will also be positively related to organizational diversity practices, but less strongly than for transformational leadership.

Leadership and Values

Values may be defined as general beliefs about the importance of normatively desirable behaviors or end-states (Edwards and Cable 2009). Values guide an individual's social attitudes and ideologies, as well as their decisions and actions. Thus, knowing a leader's values can enable stronger prediction of how a leader will behave in various real-life situations. In his seminal research on personal values, Rokeach (1973) found that a subset of values labeled *social values* may predict an individual's appreciation and support for social justice and diversity. These social values reflect one's preference for qualities such as "freedom," "equality," and "world peace," and were found to be strongly associated with behavior such as involvement in a civil-rights organization, active participation in civil-rights demonstrations, and comfort interacting with persons from another race (Rokeach 1973). More recently, Agle et al. (1999) found executives' social values to be related to "other-regarding" in organizations, or a tendency to demonstrate a genuine compassion and concern for the welfare and interests of other employees and stakeholders (as opposed to protecting one's own self-interest). Given that transformational leaders tend to exhibit a greater concern for others and we expect a strong main effect for transformational leadership (Hypothesis 1a), we do not anticipate that CEO social values will moderate the influence of transformational leadership on organizational diversity practices. We do anticipate, however, that the influence of CEO transactional leadership on the implementation of organizational diversity practices will be moderated by social values. Transactional leaders may be less likely to implement diversity management out of societal concerns; thus, social values should augment the effects of transactional leadership in the implementation of organizational diversity practices.¹ Accordingly, we predict the following:

Hypothesis 2 Social values will moderate the relationship between transactional leadership and organizational diversity practices, such that transactional leaders will have a more positive impact on organizational diversity practices when their social values are high rather than low.

¹ In this sense, while we are not proposing that transformational leadership is synonymous with social values, we suggest that social values will significantly heighten the awareness of transactional leaders more than transformational leaders regarding the importance of diversity management.

Leadership and Age

According to George and Yancey (2004), an individual's age may partly influence their attitudes toward diversity. For example, younger managers may be more inclined to hold positive attitudes toward diversity due to their socialization in an era that is more tolerant of diversity than in previous generations (Ng and Wiesner 2007; Sawyerr et al. 2005; Schwartz 1992). By the same token, however, previous research has also documented how a leader's attitudes and behaviors may change over time, and individuals may become sensitized to issues of diversity through greater exposure and opportunities to interact with individuals from other cultures (e.g., Avolio and Bass 1995; Bluedorn and Jaussi 2008; Crowne 2008). For example, Hess and Auman (2001) have reported that age is positively related to the development of *social expertise* (i.e., age-related accumulation of social experience), and older individuals are more likely to pay attention to ethical conduct in organizations. Likewise, recent studies have linked age and life experience to the cultural intelligence of an individual (e.g., Ang et al. 2006; Shannon and Begley 2008). Older individuals may be more conversant with other cultures and familiar with the business case for diversity (Earley and Ang 2003; Shannon and Begley 2008).

Leaders are also cognizant of how they will be judged after they have departed, and they derive their self-worth in part from their contributions to their organization and their overall records of accomplishment (Sonnenfeld 1986). In this regard, many senior managers also wish to be identified with a key plan or policy they have instituted that will assist them in leaving a positive legacy (Dobel 2005). Legacies often reflect a leader's personal search for higher meaning (e.g., "making the world a better place") and are accompanied by the use of less controlling and more supportive styles of leadership (Dobel 2005). Indeed, socioemotional selectivity theory (Carstensen 2006; Carstensen et al. 1999) proposes that as individuals' time horizons shrink (i.e., they become older), they are more inclined to pursue emotionally meaningful goals and develop a stronger sense of social awareness and emotional intimacy. Consistent with this perspective, McCuddy and Cavin (2009) reported that age is positively related to servant leadership (empathy, foresight, persuasion, and stewardship), and those who are older have a stronger motivation to "give back" to their communities.

Given that we anticipate a strong main effect of CEO transformational leadership on the implementation of organizational diversity practices due in part to the higher levels of moral reasoning (Turner et al. 2002), idealized influence, and individualized consideration of these individuals (Avolio et al. 1999; Sashkin 2004; see Hypothesis 1a), we postulate that CEO age will exert a stronger moderating effect on the relationship between CEO transactional leadership and the implementation of organizational

diversity practices than for transformational leadership (also see Kearney and Gebert 2009). Specifically, we posit that, in light of their motivation to leave a positive legacy, their accumulation of "social expertise," and their generally higher levels of cultural intelligence, older CEOs exhibiting high transactional leadership will be more inclined to implement diversity practices than CEOs who are younger. Thus, we hypothesize the following:

Hypothesis 3 Age will moderate the relationship between transactional leadership and organizational diversity practices, such that transactional leaders will have a more positive impact on organizational diversity practices when they are older than when they are younger.

Method

Sample and Procedure

Two separate questionnaires were mailed out to the CEOs and the Vice-Presidents of Human Resources (or the most senior manager responsible for human resources) of 1,283 companies in Canada. The first questionnaire was sent to CEOs to gather information on each CEO's values, age, and other demographic information. The second questionnaire was sent to each organization's Vice-President of Human Resources to collect information on the CEO's leadership style and the level of implementation of a range of organizational diversity practices. The sampling frame for the survey included 500 of the largest corporations in Canada (obtained from the Financial Post 500 list of companies), and firms having to comply with federal employment equity (EEO/AA) legislation (list of companies obtained from Labour Canada). To ensure the highest response rate possible, three mailings with follow-up phone calls were made over a period of 22 weeks. In total, questionnaires were returned by 286 organizations (i.e., 572 matched CEO and HR executive questionnaires), yielding an overall response rate of 22.3%. In the final sample, over 92% of CEOs were male, 98% were Caucasian, and 90% possessed an undergraduate or graduate university degree. The average age of CEOs was 53 years and their average tenure with the organization was 14.5 years. Over 54% of the HR executives were female, 95% were Caucasian, and their average age was 45.8 years.

Measures

CEO Transformational and Transactional Leadership

HR executives were asked to rate their CEO's transformational and transactional leadership using the 10-item

Multifactor Leadership Questionnaire (MLQ) Form 5X (short form) developed by Bass and colleagues (Bass 1985; Bass and Avolio 2000). Respondents indicated the frequency with which specific leader behaviors have been demonstrated by the CEO using a 5-point Likert scale. Sample items included: “reinforces link between achieving goals and obtaining rewards,” “communicates high expectations,” and “transmits a sense of mission.” Cronbach’s α coefficients for the transformational (5 items) and transactional leadership (5 items) scales were 0.81 and 0.78, respectively.

CEO Social Values

CEO social values were assessed using Rokeach’s (1973) values instrument, which is a well-accepted measure for assessing managerial values (Agle et al. 1999). The four-item social values scale contained items such as: “freedom,” “equality,” and “world peace.” CEOs were asked to indicate the relative importance of each item using a 6-point Likert scale. The Cronbach’s α coefficient for this scale was 0.67, and is somewhat higher than previously reported (e.g., Hood 2003).

CEO Age

CEO age was measured by asking CEOs to report this information in overall years of age.

Implementation of Organizational Diversity Practices

Konrad and Linnehan’s (1995) identity-conscious survey was used to measure each firm’s diversity-related practices in the areas of diversity policies, recruitment, training and development, compensation, accountability. Respondents were asked to rate the extent which 36 statements measuring practices in these areas applied to their organization. For the 10-item diversity policy section, respondents indicated whether their organization had formal policies or not (1 = yes, 0 = no); the items on each of the other sections were rated on a 3-point scale (1 = never, 2 = sometimes, 3 = always). Sample items included: “there is a specific position designated to handle diversity issues (diversity policies),” “managers are trained in their employment equity/diversity responsibilities (training),” and “managers’ compensation is linked to employment equity/diversity statistics (accountability).” Cronbach’s α coefficients for these scales ranged from 0.68 for training to 0.87 for the compensation scale. Consistent with past studies measuring HR practices (e.g., Delery 1998; Konrad and Linnehan 1995), a mean score across these scales was computed to form an overall index of each organization’s diversity management practices.

Control Variables

In order to account for key factors in the external and institutional environment that may influence the implementation of diversity management practices, we controlled for two focal variables: 1. whether firms are covered by EEO/AA legislation and 2. the overall size of the firm. These variables have been shown to be significantly associated with the implementation of diversity management practices in a number of previous studies (e.g., Fields et al. 2005; Konrad and Linnehan 1995). To measure these variables, HR executives were asked to indicate whether their firm is required by law to comply with EEO/AA legislation (1 = yes, 0 = no) and to report the overall number of employees in the organization.

Results

The means, standard deviations, and zero-order correlations for all study variables are reported in Table 1. As displayed in the table, CEO transformational leadership yielded a significant positive correlation with the implementation of organizational diversity practices ($r = 0.25$, $p < 0.01$). Likewise, CEO transactional leadership was positively correlated with diversity practices, but less strongly than for transformational leadership ($r = 0.19$, $p < 0.05$). Neither CEO social values ($r = 0.13$, $p > 0.05$) nor age ($r = 0.02$, $p > 0.05$) were significantly associated with the implementation of diversity practices.

Four multiple hierarchical moderated regression analyses were conducted to test our main effect and interaction hypotheses (see Tables 2, 3, 4, 5). In each of these regressions, the two control variables (i.e., firm size and coverage by EEO/AA legislation) were entered in the first block, followed by the main effect terms (CEO leadership style and social values or age) in the second block, and the interaction terms in the final block.² In all cases, variables were mean-centered prior to entry into each regression (Aiken and West 1991).

Hypothesis 1a predicted that CEO transformational leadership will be positively associated with organizational diversity practices. As can be seen in Tables 2 and 3, transformational leadership was significantly positively related to the use of organizational diversity practices ($\beta = 0.29$, $p < 0.01$), demonstrating incremental validity ($\Delta R^2 = 0.08$) beyond the two control variables (coverage

² This data analytic approach (i.e., separate moderated regression analyses) was used to minimize possible bias from predictor multicollinearity on parameter estimates (e.g., see Rank et al. 2009 for similar data analytic procedure).

Table 1 Descriptive statistics and zero-order correlations for all variables

Variable	Mean	SD	1	2	3	4	5	6
1. Organization size	2813.28	7629.28	–					
2. EEO/AA legislation	0.68	0.47	–0.04	–				
3. Transformational	18.48	3.74	0.20*	–0.08	–			
4. Transactional	21.68	3.05	0.09	0.01	0.56**	–		
5. Social values	18.17	3.07	0.07	0.02	0.07	0.05	–	
6. Age	52.68	7.68	0.08	0.05	–0.01	0.01	0.29**	–
7. Org diversity practices	45.88	10.57	0.26*	0.33**	0.25**	0.19*	0.13	0.02

** $p < 0.01$, * $p < 0.05$

Table 2 Results from moderated hierarchical regression of organizational implementation of diversity practices on CEO transformational leadership and social values

Hierarchical block variables	ΔR^2	β
Block 1	0.11*	
Controls		
Organization size		0.23*
EEO/AA legislation		0.22*
Block 2	0.10*	
Transformational leadership		0.29**
Social values		0.15*
Block 3	0.01	
Interaction		
Transformational \times social		0.09
Total R^2	0.22	

** $p < 0.01$, * $p < 0.05$

Table 3 Results from moderated hierarchical regression of organizational implementation of diversity practices on CEO transformational leadership and age

Hierarchical block variables	ΔR^2	β
Block 1	0.10*	
Controls		
Organization size		0.22*
EEO/AA legislation		0.22*
Block 2	0.08*	
Transformational leadership		0.29*
Age		0.02
Block 3	0.01	
Interaction		
Transformational \times age		0.11
Total R^2	0.19	

** $p < 0.01$, * $p < 0.05$

by EEO/AA legislation and firm size). Furthermore, neither social values nor age were found to moderate the relationship of transformational leadership and organizational

Table 4 Results from moderated hierarchical regression of organizational implementation of diversity practices on CEO transactional leadership and social values

Hierarchical block variables	ΔR^2	β
Block 1	0.11*	
Controls		
Organization size		0.23*
EEO/AA legislation		0.22*
Block 2	0.05*	
Transactional leadership		0.19
Social values		0.15
Block 3	0.05*	
Interaction		
Transactional \times social		0.23*
Total R^2	0.21	

** $p < 0.01$, * $p < 0.05$

Table 5 Results from moderated hierarchical regression of organizational implementation of diversity practices on CEO transactional leadership and age

Hierarchical block variables	ΔR^2	β
Block 1	0.12*	
Controls		
Organization size		0.23*
EEO/AA legislation		0.22*
Block 2	0.03	
Transactional leadership		0.16
Age		0.03
Block 3	0.06*	
Interaction		
Transactional \times age		0.25*
Total R^2	0.20	

** $p < 0.01$, * $p < 0.05$

diversity practices. Overall, these results are consistent with Hypothesis 1a and suggest that transformational leadership is significantly directly associated with the level

of implementation of diversity management practices in organizations.

Hypothesis 1b specified that CEO transactional leadership will be positively associated with organizational diversity practices, but at a lower magnitude than transformational leadership. While transactional leadership demonstrates a significant positive zero-order correlation with organizational diversity practices (see Table 1), results from our regression analyses (see Tables 4, 5) indicate that transactional leadership is not significantly associated with the implementation of diversity practices ($\beta = 0.19$ and 0.16 , $p > 0.05$) when controlling for our two focal control variables. This finding provides partial support for Hypothesis 1b. These results signal that transactional leadership is less strongly associated with implementation of organizational diversity practices than transformational leadership. Indeed, unlike transformational leadership, the strength of the association between transactional leadership and diversity practices appears to significantly diminish when accounting for key environmental and structural conditions (e.g., coverage by EEO/AA legislation and firm size).

Hypothesis 2 predicted that the relationship between CEO transactional leadership and the implementation of organizational diversity practices will be moderated by the CEO's social values, such that the relationship will be stronger when the CEO espouses higher social values. Consistent with this prediction, Table 4 indicates that the interaction term of transactional leadership \times social values explained a significant amount of variance in organizational diversity practices beyond the main effect terms and control variables ($\beta = 0.23$, $p < 0.05$, $\Delta R^2 = 0.05$).

To ascertain the nature of this interaction, we used procedures outlined by Aiken and West (1991) to examine the simple effect of CEO transactional leadership at high and low levels of CEO social values. High and low levels of CEO social values were chosen at 1 standard deviation above and below the mean, respectively. The nature of this interaction is depicted in Fig. 1. As hypothesized, this analysis revealed that firms with CEOs high in transactional leadership were significantly more likely to implement organizational diversity practices when they espoused high social values ($\beta = 0.52$, $p < 0.05$). Overall, these findings support Hypothesis 2. CEO transactional leadership was found to be more strongly associated with the implementation of organizational diversity practices when the CEO also espouses higher social values.

Finally, Hypothesis 3 predicted a stronger positive relationship between CEO transactional leadership and organizational diversity practices for CEOs who are older. As expected, our moderated regression analysis (see Table 5) yielded a significant interaction term ($\beta = 0.25$, $p < 0.05$, $\Delta R^2 = 0.06$). Follow-up simple effect analyses

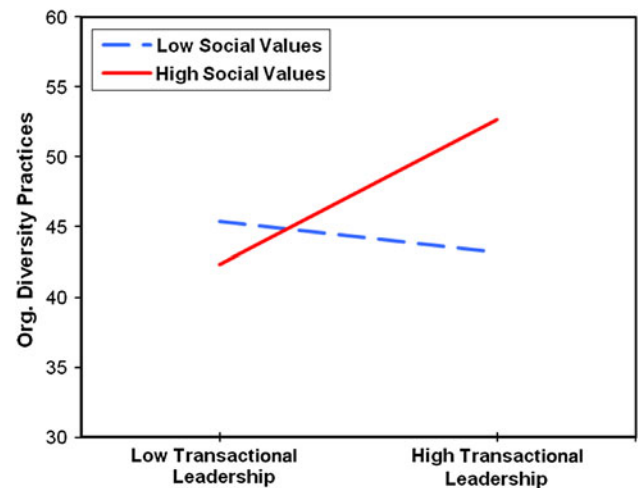


Fig. 1 Plot of the interaction of CEO transactional leadership \times social values on organizational implementation of diversity practices

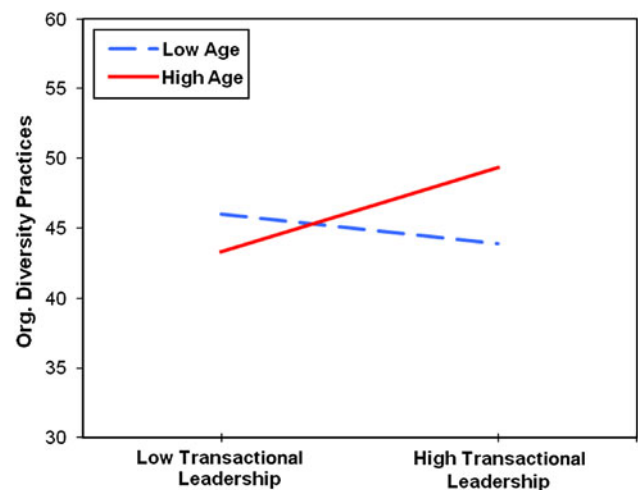


Fig. 2 Plot of the interaction of CEO transactional leadership \times age on organizational implementation of diversity practices

(see Fig. 2) indicated that firms with CEOs high in transactional leadership were significantly more likely to implement organizational diversity practices when their CEO was older ($\beta = 0.30$, $p < 0.05$). This pattern of results also supports Hypothesis 3.

Discussion

Consistent with strategic choice theory (e.g., Child 1972; Hrebiniak and Joyce 1985; Oliver 1991) and the premise that CEO leadership plays a pivotal role in the adoption of organizational diversity practices (e.g., Ng 2008; Mighty 1996), results from this study suggest that both CEO transformational and transactional leadership influence the extent to which organizational diversity practices are

implemented in organizations. Specifically, transformational leadership was found to be directly positively associated with the implementation of organizational diversity practices, while the influence of transactional leadership on organizational diversity practices was moderated by the social values and age of the CEO. Particularly notable was that these effects emerged above and beyond the influence of key environmental and institutional factors (coverage by EEO legislation, firm size), highlighting the importance of CEO characteristics in determining firm behavior related to diversity management.

Transformational leaders aim to appeal to the core values and needs of subordinates and inspire followers to transcend their own self-interests and pursue collective goals (Bass 1985, Burns 1978; House and Shamir 1993; Kark and Shamir 2002, 2003; Sashkin 2004). They tend to demonstrate higher levels of moral development (Bass and Steidlmeier 1999; Turner et al. 2002) and ethical behavior (Aronson 2004; Brown and Trevino 2006; Kanungo 2001). Given these attributes and their capacity to invoke a stronger commitment from followers through their individualized consideration, idealized influence (e.g., subordinates internalizing the ideals modeled by the leader), and inspirational motivation (e.g., articulating a compelling vision to followers; Avolio et al. 1999; Sashkin 2004), transformational leaders may be particularly well-equipped to persuade organizational members of their moral responsibility to manage diversity in the organization.

In contrast to transformational leadership, transactional leadership is a form of leadership that focuses on assigning work tasks, clarifying work standards, and administering rewards in return for achieving desired levels of performance. In this respect, transactional leaders manage employees partly through the use of contingent rewards and punishments and an exchange process that encourages compliance with organizational objectives (Bass 1985). Given that transactional leaders tend to adopt a quid pro quo approach to management, favor a utility maximization approach in their decision-making, and are particularly concerned with following rules and regulations (Bass 1985; Groves 2010; Judge and Piccolo 2004), these leaders may mainly be inclined to manage diversity when legislation (e.g., “Employment Equity” legislation in Canada) is in place requiring that an organization act to improve minority group inclusivity and representation levels (Ng and Burke 2010). In the absence of this legislation, however, transactional leaders may have neither the personal motivation nor transformational leadership attributes (i.e., individualized consideration, idealized influence, and inspirational motivation) required to implement diversity management initiatives.

Consistent with this perspective, results from this study indicate that transactional leadership is most strongly

related to the implementation of diversity management practices when either CEO social values or age are also relatively high. Social values reflect the extent to which an individual prefers certain modes of conduct and end-states of existence, such as “freedom” and “equality” (Rokeach 1973). They relate to whether a person is compassionate and concerned with the well-being of others in addition to their own personal welfare (Agle et al. 1999). Similar to a transformational leader, transactional leaders espousing high social values (relative to low social values) may be successful in marshalling support from organizational members and implementing diversity practices in the firm. A transactional leader with high social values may therefore be more likely to actively promote and encourage the adoption of diversity practices in an organization. Moreover, in view of their strengths in areas such as goal-setting and contingent reinforcement (Vecchio et al. 2008), transactional leadership may play an important role in determining whether a CEO high in social values is able to effectively implement diversity practices in an organization.

While we found that social values moderate the influence of CEO transactional leadership on the implementation of diversity practices, it is interesting to note that transformational leadership was not directly associated with social values in this study ($r = 0.07$). This finding suggests that transformational leadership may be linked to the implementation of diversity practices largely through the unique leadership capabilities reflected in the construct (e.g., idealized influence and inspirational motivation) rather than necessarily reflecting a broader interest in the welfare of others. Indeed, several researchers have emphasized that this unique capacity to set a compelling vision, and motivate follows is the core defining characteristic of transformational leadership (e.g., House and Shamir 1993; Kark and Shamir 2002; Sashkin 2004). To advance our understanding of the process mechanisms linking transformational leadership to the adoption of diversity practices, we encourage future research to investigate the relative influence of different dimensions of CEO transformational leadership on diversity management, exploring both CEO and subordinate attitudes and behaviors that mediate this relationship.

Results from this study also indicate that CEO age may moderate the relationship between transactional leadership and the implementation of organizational diversity practices. Specifically, CEOs high in transactional leadership were more likely to implement diversity practices when they were older. A CEO’s age is related to the accumulation of social expertise (Hess and Auman 2001), the development of cultural intelligence (e.g., Ang et al. 2006; Shannon and Begley 2008), and the desire for leaders to leave a positive legacy after their departure from the

organization (Dobel 2005; Sonnenfeld 1986). In this respect, older CEOs with a transactional style of leadership likely possess both stronger intrinsic motivation and the management capabilities needed to promote and implement diversity practices in an organization. In the absence of either transactional leadership or the social experience and sensitivity accumulated with age, CEOs may be less inclined to introduce diversity management initiatives and set up accountability mechanisms that support successful implementation in the organization (e.g., Kalev et al. 2006).

Contributions

This study provides several contributions to the literature on both diversity management and leadership. First, this is one of the first studies to examine the influence of CEO personal characteristics and leadership behavior in relation to organizational diversity. While a number of previous studies have examined the characteristics and perceptions of human resource managers in relation to organizational diversity (e.g., Konrad and Linnehan 1995; Linnehan et al. 2006; Milliken et al. 1998; Pfeffer et al. 1995), very little research has examined the influence of CEO characteristics on the implementation of diversity practices. In this study, we aimed to contribute to this literature by focusing on two “deep-level” characteristics (i.e., leadership styles and value orientation) and one “surface-level” characteristic (i.e., age) most likely to influence a CEO's predisposition and capacity to implement diversity practices in the organization. Overall, our findings underscore the importance of examining both sets of characteristics, *and* the nature of their interplay, to develop a more complete portrait of how CEO attributes influence firm behavior.

Second, this study extends prior work on the strategic choice theory (Child 1972; Hrebiniak and Joyce 1985; Oliver 1991) by signaling that a CEO's characteristics play an important role in the implementation of organizational diversity practices above and beyond key environmental and institutional factors (e.g., legislation and organization size). These findings underline that diversity researchers may benefit by adopting a strategic choice perspective in investigating the predictors of diversity management in organizations. In this respect, we encourage researchers to examine the influence of *both* personal and environmental factors on the adoption and successful implementation of diversity management practices in organizations and continue to examine the role of organizational leaders in driving the strategic decision-making process in organizations.

Finally, this study extends prior work on transformational and transactional leadership by suggesting that *both* of these leadership styles may positively influence diversity

management in an organization. While transformational leadership appears to be directly linked to the implementation of organizational diversity practices, transactional leadership appears yield a similar effect when combined with a value system that supports an appreciation for diversity. Transformational leadership has been linked to a wide range of individual-level and group-level outcomes, ranging from leader effectiveness (DeGroot et al. 2000; Judge and Piccolo 2004) to follower satisfaction and performance (Conger et al. 2000; Judge and Piccolo 2004; Rowold and Heinitz 2007) and to group and organizational performance (Bass et al. 2003; Judge and Piccolo 2004; Waldman et al. 2004). Likewise, transactional leadership has been shown to be associated with various positive work outcomes, although results have generally been more mixed across studies (e.g., Judge and Piccolo 2004; Rowold and Heinitz 2007). Results from this study suggest that further work is needed investigating potential moderators of the relationship between transactional leadership and various employee and organization-level outcomes. In particular, our results suggest that both surface-level and deep-level characteristics should continue to be tested as potential moderators of the relationship between transformational and transactional leadership and the strategic decision-making process in organizations.

From a practical perspective, results from this study suggest that policy makers and diversity advocates should take into account the personal characteristics of CEOs and other key decision-makers (e.g., leadership style and expressed values, age) when presenting the business case for diversity to organizations. For example, results from our study suggest that it is particularly important to appeal to the social values of leaders when communicating the benefits of adopting diversity management practices. Indeed, transactional leaders may have many of the basic skills needed to manage employees and implement policy initiatives in an organization; however, the nature of their strategic decision-making and the policy initiatives they pursue may be contingent on a number of surface-level and deep-level characteristics. As indicated by this study, CEO social values and age appear to be two of these key moderating characteristics.

Limitations

There were certain limitations to this study that should be noted. First, while results from this study suggest that CEO leadership styles and characteristics are related to different rates of implementation of diversity practices in organizations, it is possible that CEOs who possess these attributes are also more attracted to organizations that implement diversity practices. Indeed, Hambrick and Mason (1984) surmised that executives are often selected

because they have the right background to implement the board's goals. In this respect, although consistent with strategic choice theory and prior studies establishing a relationship between top executive characteristics and the implementation of various organizational practices (e.g., Carpenter et al. 2004; Cho and Hambrick 2006; Egri and Herman 2000; Hood 2003; Jaw and Lin 2009; Thomas and Simerly 1995), future longitudinal or experimental research is needed to confirm the causal direction of the relationship examined in this study. Second, our response rate for the survey was somewhat low. Although comparable to that of other field studies involving surveys of senior executives (Judge and Dobbins 1995; Westphal 1999), our response rate indicates that results should be interpreted with caution. Finally, it is important to note that the sample consisted of CEOs from Canada. Thus, it is not clear the extent to which these findings will generalize to CEOs of firms in other countries having different or no legislation supporting equity and diversity. In this respect, we strongly encourage studies in other countries that explore the effects of CEO leader behavior and personal characteristics on workplace diversity. Research conducted in different cultural contexts and measuring the effects of CEO characteristics on both the adoption of diversity practices and the resulting outcomes (e.g., minority group representation levels) will be particularly valuable in advancing our understanding of *how* these practices may be best implemented to improve workplace diversity in various cultures.

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