

Companies with LGBT-friendly policies perform better, new research suggests

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LGBTfriendly corporate policies enhance firm performance, according to new research from Aalto University School of Business and the University of Vaasa.

The research conducted by Jukka Sihvonen, Assistant Professor at Aalto University School of Business, and his co-authors from the University of Vaasa - Veda Fatmy, John Kihn, and Sami Vähämaa, examined the association between LGBTfriendly corporate policies and firm performance using data on 657 publicly traded US firms over the period 2003–2016, and found that LGBT-friendly policies may create value for the firm.

More specifically, the researchers found strong evidence that more LGBTfriendly firms have higher profitability and higher stock market valuations.

“Our empirical findings demonstrate that LGBTfriendly corporate policies pay off, and the documented positive relationship between LGBT friendliness and firm performance can be considered economically significant” says Sihvonen.

However, the findings did indicate that the positive effect of progressive LGBT policies on profitability and market valuation was more pronounced for firms located in more liberal states, while being weaker or nonexistent for firms located in more conservative states.

Nevertheless, the researchers did find that even for firms located in more socially conservative states, the effect of LGBT friendliness on firm performance is at worst neutral, suggesting that the adoption of LGBTfriendly policies does not generally have detrimental repercussions.

But why does LGBT friendliness influence firm performance? According to the researchers, there are various potential reasons why.

“Previous studies have documented that LGBTfriendly firms are associated with greater employee commitment, improved job satisfaction, increased employee productivity, and more altruistic workplace behaviour” says Sihvonen.

Furthermore, the researchers also express that LGBTfriendly policies may improve competitiveness in the job market by fostering the firm’s ability to attract, recruit and retain talented employees.

Ultimately, on a broader scale, these findings can be considered to support the view that socially progressive corporate policies and diversity management is worthwhile, and should be considered across the board.

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