CHALLENGING THE GLASS CLIFF: A SURVIVAL ANALYSIS OF BOARD MEMBER TENURE IN THE POLISH CAPITAL MARKET

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Abstract:
The study analyses the glass cliff phenomenon in the Polish capital market, which suggests that poor financial performance increases the risk of departure of female board members. The research sample includes 355 companies listed on the Warsaw Stock Exchange as of the end of 2023, which gives 11,223 individual observations. Our results show that women in financially stronger companies tend to have shorter board tenure than their male counterparts. It contradicts the glass cliff phenomenon. Moreover, the research gives evidence that other factors, such as regulations, company size, and ownership affect the tenure on corporate boards.

***Keywords*:** glass cliff, women on boards, tenure, two-tier model, financial standing.

INTRODUCTION

Women's appointment to management positions attracts the attention of many researchers (Ciappei, Liberatore, & Manetti, 2023; Sun & Bhuiyan, 2020). Some analyze factors increasing the likelihood of female directors' inclusion on boards. The glass cliff is a phenomenon used to explain under which circumstances companies are more likely to diversify their boards in terms of gender. It posits that financial misconduct and risky situations increase the willingness to appoint women to leadership positions (e.g., Ryan & Haslam, 2007). The glass cliff phenomenon also explains the earlier exit of female directors (Elsaid & Ursel, 2018). Precarious situations and financial losses lead to the removal of female directors, resulting in shorter tenures compared to their male counterparts.

The literature presents two contrasting explanations for the tenure of women in management positions (Hill, Upadhyay & Beekun, 2015; Elsaid & Ursel, 2018; Buchwald & Hottenrott, 2019; Saeed & Riaz, 2023). The first approach, known as the susceptibility perspective, suggests that female leaders have a higher turnover likelihood than their male counterparts, based on role congruity theory (Eagly and Karau, 2002). The second approach, supported by resource dependence theory and the immunity perspective (Saeed & Riaz, 2023), argues that minorities like female directors receive more favorable treatment, resulting in longer tenures. This perspective is also rooted in institutional theory (DiMaggio and Powell, 1983), where companies seek legitimacy by addressing societal pressures to reduce gender inequalities. Removing women from management positions risks social dissatisfaction, negative publicity, and loss of legitimacy (Saeed & Riaz, 2023).

Previous research on female director turnover yields inconclusive results. Hill, Upadhyay, and Beekun (2015) and Elsaid and Ursel (2018) support the resource-based arguments, showing negative effects of female CEOs on job exit likelihood and lower turnover risk among female CEOs in North American companies, respectively. Conversely, Gayle, Golan, and Miller (2016) find higher exit rates for women on S&P boards, while research on Chinese firms implicated in financial misrepresentation during 2011-2019 shows higher turnover rates for female directors, supporting the susceptibility perspective (Saeed & Riaz, 2023).

This study aims to examine the glass cliff phenomenon in the Polish capital market, suggesting that poor financial performance increases the risk of departure for female board members. Using survival analysis on a sample of 355 Polish public companies with 11,223 observations, we find no support for the glass cliff. Instead, our results indicate that women in financially stronger companies tend to have shorter board tenures than their male counterparts, aligning with the immunity perspective.

This research contributes to corporate governance and gender dynamics literature by offering empirical evidence from the Polish capital market's two-tier system. It examines both management and supervisory boards comprehensively, rather than focusing solely on CEOs and supervisory board chairs. By employing survival analysis techniques, this study provides insights into how financial performance differentially impacts the tenures of female and male board members. Conducted on a unique dataset from the Warsaw Stock Exchange, it broadens the geographical scope of corporate governance research and offers valuable insights for policymakers, corporate leaders, and scholars interested in gender diversity and board dynamics.

METHODOLOGY

The research sample consisted of 355 companies listed on the main market of the Warsaw Stock Exchange as of the end of 2023, which is the leading public stock market in Central and Eastern Europe. Both current and historical compositions of management and supervisory boards of these companies, up to December 31, 2023, were analyzed. The dataset included 11,223 individual observations, encompassing 3,639 management board members and 7,584 supervisory board members. Men constituted 86.05% of board members, while women made up 13.95%.

The primary research method employed in this study is survival analysis, a set of statistical procedures originally developed in biological and medical sciences and now applied in corporate governance research. Survival analysis enables the estimation of lifespan distributions within specific populations and examines the dependence of survival functions on explanatory variables. In this study, the focus is on the duration of tenure, specifically the number of days served on management and supervisory boards by each individual. The analysis incorporates truncated observations, encompassing individuals who have completed their tenure (8,198 observations) and those currently in office (3,025 observations), making it a more robust approach compared to traditional regression analysis.

Data on the dates of appointment and departure of board members were collected through comprehensive analysis of current and historical board compositions of the studied companies. Tenure length was determined as the primary explanatory variable. The Cox proportional hazards model was utilized to analyze the impact of selected characteristics on tenure duration. Specifically, the study examined variables such as gender, company financial standing (using the Altman model), and their interactions. Control variables included ownership structure, company size, and business type.

FINDINGS

Survival Survival analysis using the Cox proportional hazards model revealed significant factors influencing the tenure length of management and supervisory board members. The results suggest that tenure on corporate boards is mainly influenced by institutional and structural factors such as regulations, ownership structure, and company size, and to a lesser extent by individual characteristics of board members. Family-owned companies tend to have shorter board memberships. In contrast, the presence of the Treasury as a shareholder significantly increases board tenure. Conversely, the introduction of the Corporate Code in 2016 had the opposite effect, significantly shortening tenure. Company size also affects tenure, with larger companies having shorter periods of service on boards.

Regarding service length on management boards of publicly listed companies, the gender of board members is not statistically significant on its own, suggesting gender has no significant effect on tenure length without accounting for interactions. However, the Altman index individually has a marginal positive effect on tenure. The negative and statistically significant interaction coefficient suggests gender's effect on board term length varies with the Altman index. Specifically, an increase in the Altman index is associated with shorter tenure for women compared to men, and vice versa. This interaction is statistically significant, meaning differences in tenure between men and women are modified by the Altman index. In practice, this

may mean women in companies with a lower Altman index (i.e., worse financial condition) have longer board terms than men under the same conditions.
Similar interactions are observed for tenure length on supervisory boards. The analysis confirmed the statistical significance of the interaction between gender and the company's financial standing, as measured by the Altman index. The negative value of the interaction coefficient suggests an increase in the Altman index results in shorter tenure for women on supervisory boards compared to men. Like the management board, gender alone does not show a significant effect on term length, while the Altman index has a slightly positive effect. These results indicate the company's financial condition affects women's board tenure length. Practically, women in financially stronger companies tend to have shorter board tenures than men in the same companies.

CONCLUSIONS

This paper presents empirical evidence on the factors influencing the tenure of corporate board members in Poland. Our results indicate that women in financially stronger companies tend to have shorter board tenures than their male counterparts, contradicting the glass cliff hypothesis. However, our study identifies other significant factors influencing board tenure, such as regulations, company size, and shareholder ownership. These findings suggest that while the glass cliff phenomenon may not be present in the Polish capital market, the dynamics of board member tenure are complex and influenced by a variety of factors, necessitating further research to understand these mechanisms.
The research is not without limitations. Our sample comprises observations solely from Polish companies. Factors such as board culture, leadership style, and interpersonal relationships, which can significantly impact tenure, are not explored. Moreover, our study does not provide insights into the circumstances under which board members depart from governing bodies. Additionally, the departure of a board member may serve as a signal of the company’s financial standing.

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