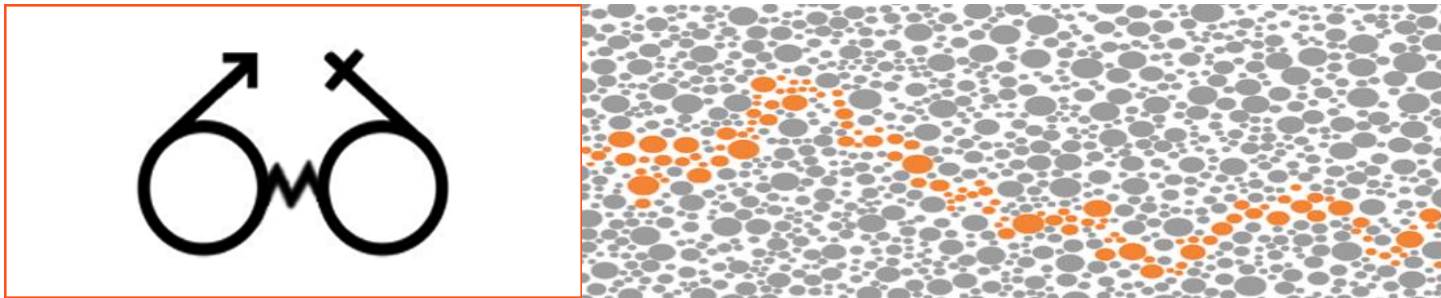


# Gender & Finance



**Prof. François Longin and Prof. Estefania Santacreu-Vasut**

**ESSEC Business School**

September 2017

# **CEO Nomination, Gender and Trading Behavior: Evidence from Lab Experimental Simulations**

**By François Longin and Prof. Estefania Santacreu-Vasut**

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# Motivation

*why should you care?*

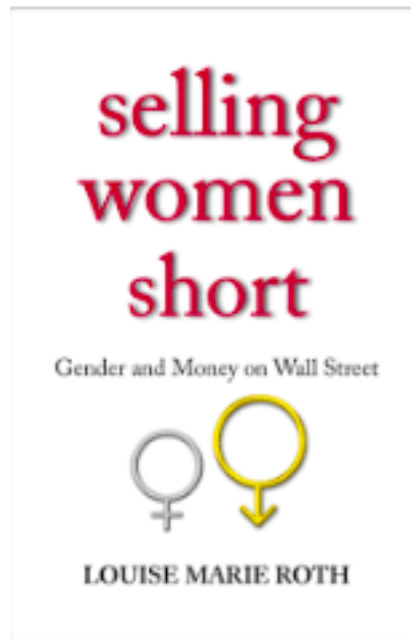


A. Butterly (16 April 2015) BBC article.

# Literature

*what do we already know?*

- Financial markets:
  - Male-dominated industry (Roth, 2006)



# Literature

## *what do we already know?*

- Within the literature on CEO nominations a few papers focusing on gender, like Lee and James (2007). They study:
  - Stock market price fluctuations following the appointment of a male or female CEO in large US corporations.
  - They find that the market reacts more negatively following the appointment of a female CEO than following that of a male CEO.

# Research and Policy questions

*what do we want to learn?*



- How do investors react to a new CEO's gender when the firm announces his/her nomination (like Sheryl Sandberg)?
- Challenge: there are few CEOs and we do not observe investor's individual reactions

# Methodology

## *how do we do it?*

- We answer our question by adopting a two-sided approach:
  - CEO gender and investor gender
- Using experimental simulations in a controlled environment to:
  - Balance the proportion of male/female CEOs
  - Balance the proportion of male/female participants

# Results (*what do we find?*)

- Evidence of gender homophily

**Table 1. Trading activity of participants following CEO nomination announcement**

	Female CEO	Male CEO
Female participants	<p><b>Buy: 55%</b> Duration: 25 min <u>Quantity: 50 assets</u> <u>Market orders: 91%</u></p> <p><b>Sell: 45%</b> Duration: 23 min Quantity: 53 assets Market orders: 56%</p>	<p><b>Buy: 33%</b> Duration: 27 min <u>Quantity: 30 assets</u> <u>Market orders: 100%</u></p> <p><b>Sell: 67%</b> Duration: 26 min Quantity: 42 assets Market orders: 100%</p>
Male participants	<p><b>Buy: 27%</b> Duration: 30 min <u>Quantity: 40 assets</u> <u>Market orders: 100%</u></p> <p><b>Sell: 73%</b> Duration: 31 min Quantity: 71 assets Market orders: 100%</p>	<p><b>Buy: 63%</b> Duration: 23 min <u>Quantity: 73 assets</u> <u>Market orders: 92%</u></p> <p><b>Sell: 37%</b> Duration: 37 min Quantity: 40 assets Market orders: 86%</p>



# Policy Implications (*so what?*)

- Gender equality concerns **not only**
  - Corporations to nominate more female CEOs
- **But also**
  - Male professional investors to change their stereotypes.

# Limitations and future work

## *what is next?*

- Run **new experiments** with incoming classes of ESSEC students.
- **Extend our current framework** in two directions:
  - Use a survey at the end of simulation to estimate the level of participants risk aversion, preferences for competition, and attitudes towards gender and their motivation.
  - Enrich the descriptions of CEO candidates to include personal and professional characteristics (age, marital status, and work availability, educational background, work experience, and insider/outsider status).
- Think of **gender as a social construct** (de Beauvoir, 1949).

# References

*do you want to learn more?*

- A. Butterly (April 16th 2015) BBC article « Google image search for CEO has Barbie as first female result »
- De Beauvoir Simone (1949) “Le Deuxième Sexe”, *Gallimard Editions*.
- Lee Peggy M. and Erika H. James (2007) “She-E-Os: Gender Effects and Investor reactions to the Announcements of Top Executive Appointments” *Strategic Management Journal*, 28, 227-241.
- Roth Louise M. (2006) “Selling Women Short: Gender Inequality on Wall Street” *Princeton University Press*.

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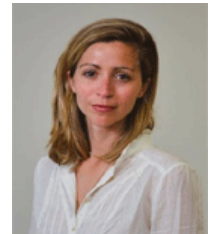
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Thank you!