Gender & Finance Literature Review Series

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About the paper :
Motivation

• Why should you care?

Sources: http://fortune.com/most-powerful-women/ and http://time.com/tag/sheryl-sandberg/
Literature Review

• What do we already know?

1. Shareholders react more negatively to the announcement of the appointment of female CEOs in comparison to male CEOs (Lee and James, 2007).

2. Media reports may influence the perceptions of investors (Deephouse, 2000).

3. The press can reinforce stereotypes about female CEOs (Daily and Dalton, 2000).

4. Women have made many advances in entering the labor force and attaining management roles, but there hasn’t been much advancement in top management positions (Daily, Certo and Dalton, 1999).
Research and policy questions

- What do they want to learn?

Primarily, Dixon Fowler et al. (2007) focus on the impact that the appointment of a female CEO has on the performance of a particular company and on the performance of other companies with female CEOs.

Example, Jill Barad was the CEO of Mattel from 1997 to 2000. She resigned in 2000 due to pressure from investors on low earnings. What was the impact of these events on other companies?
Research and policy questions

• What is the impact on the legitimacy of existing female CEOs following the appointment of a new female CEO? Is it perceived in a positive light by the investors and the public in general?

• What is the impact on the legitimacy of existing female CEOs following the dismissal of an existing CEO? Does it lead to the perception of poor performance for all female CEOs in general?
Theory

• **Theory of legitimation in task groups**: This is a theory in psychology which studies how the perceptions of informal hierarchy depend on beliefs of people. Subsequently, women are usually associated with low level positions whereas males are associated with high level positions.

• **Guilt by association or contagion effect**: A firm appointing a female CEO and the portfolio of firms with female CEOs experience negative market reactions (Lee and James, 2007).

• **Perceived Group Entitativity**: High group entitativity means that the members of the group are considered to be interchangeable (Pickett and Perrott, 2004). Media plays an important role in the perception of female CEOs as a whole. If there is a negative announcement about a particular female CEO, there is usually a tendency to generalize about all female CEOs as a whole, whereas male CEOs are treated as individuals by the media.
Hypotheses of the research paper

1. Firms with existing female CEOs experience positive/negative stock market reactions when there is a succession event resulting in the appointment of a female CEO at another firm.

2. Media reports of CEO appointment announcements are more likely to link female CEOs as an entititative group based on gender compared to male CEO counterparts.

3. Firms with existing female CEOs will experience negative stock market reactions when there is a succession event resulting in an announcement of a female CEO dismissal at another firm.
Methodology – How did they do it?

• The sample consist of 369 firms in the portfolio of appointment events and 90 firms in the portfolio of dismissal events for female led firms, and 424 in the portfolio of appointment events for male led firms.

• To test hypotheses 1 and 3, they use the event study methodology (with the CRSP (1991-2006) equally-weighted index as a proxy for market returns).

• They conduct a text analysis on the male and female appointments to test hypothesis 2.
Results

- About Hypothesis 1: female led firms experience statistically significant negative cumulative returns.
- In the analysis of Hypothesis 2 it was found that 55% of female CEO announcements referred to other female CEOs whereas no male CEO announcements referred to other male CEOs.
- Hypothesis 3 was found not to be statistically significant.
References


Policy recommendations

• In reporting of female CEOs in mainstream media, reporters should focus more on the professional achievements of the appointed female CEOs instead of their personal lives.

• In-house communication and marketing teams of companies should make efforts to show women at the top management level in positive light and as distinct entities from one another.
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Thank you!