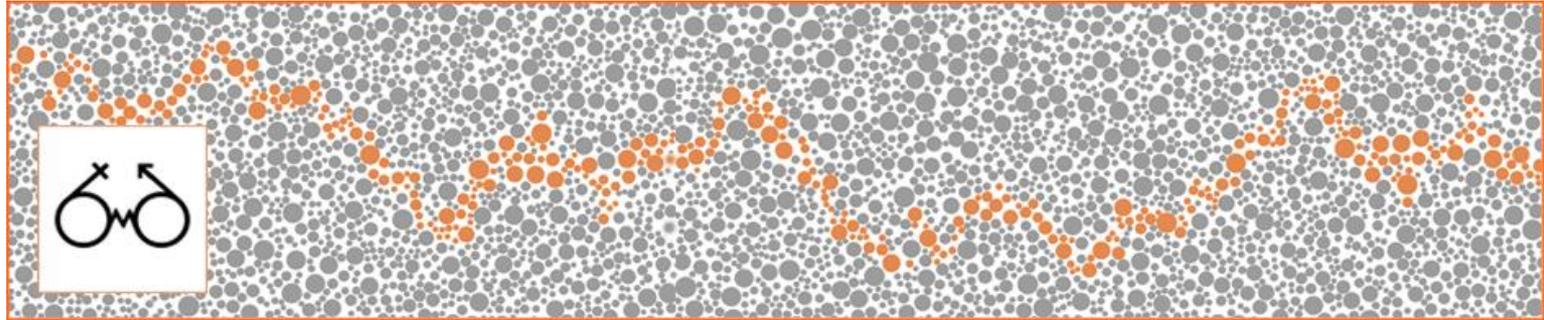


Gender & Finance Literature Review Series # 6



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ESSEC Business School
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Gender & Finance Literature Review Series

Research presentation #6

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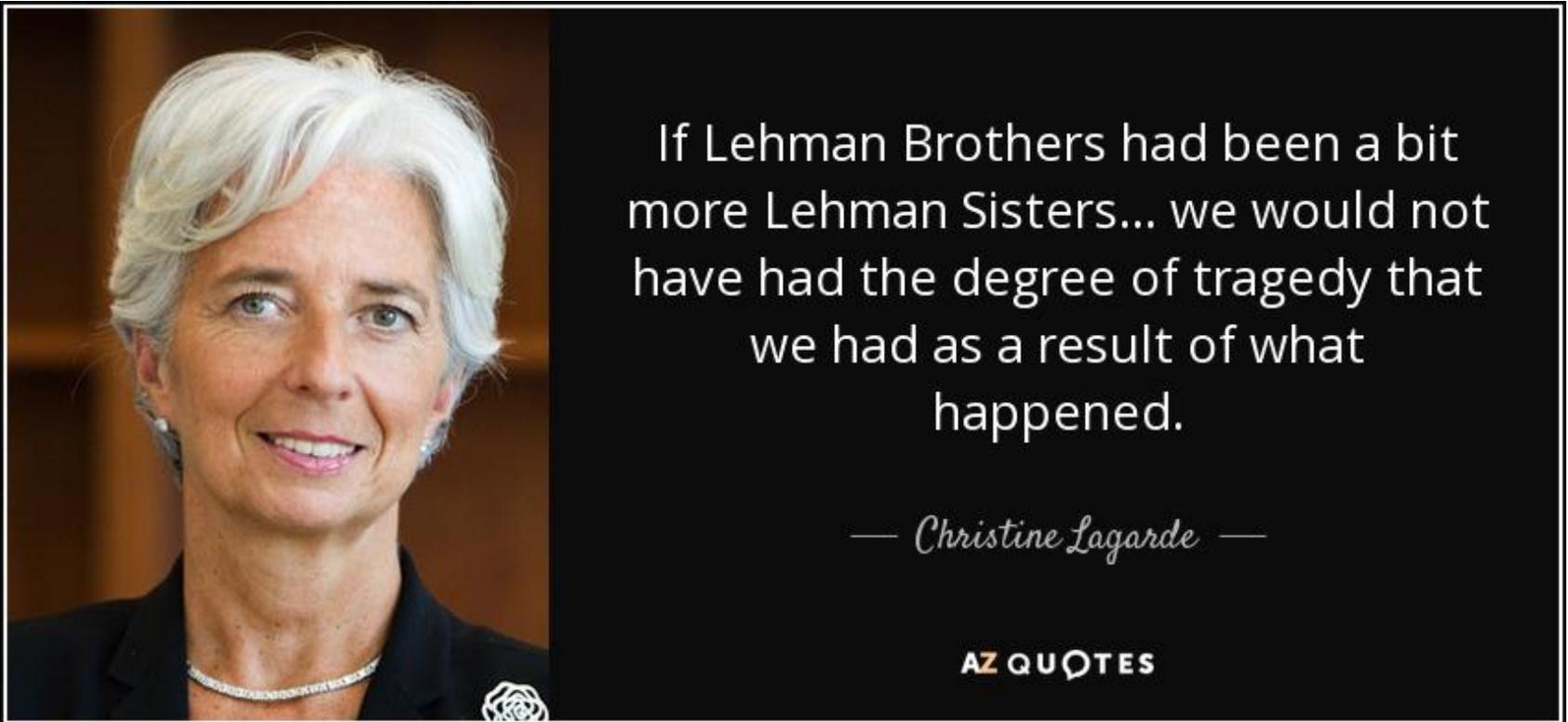
About the paper :

Adams, R. and Rangunathan, V. **Lehman Sisters** (2015). FIRN Research Paper. Available at SSRN: <https://ssrn.com/abstract=2380036> or <http://dx.doi.org/10.2139/ssrn.2380036>



Motivation

Are women more risk averse than men?



<http://www.azquotes.com/quote/827315>



Literature Review: what do we know?

- In a sample of directors in Sweden, it was found that female directors are less risk averse than male directors (Adams and Funk, 2012)
- In a sample of MBA students from the University of Chicago, it was found that women are less likely than men to choose a risky career in finance (like investment banking or trading) (Sapienza, Zingales and Maestriperi, 2009)
- Women directors are more stakeholder oriented than male directors (Adams, Licht and Sagiv, 2011)
- Firms with higher CSR activities performed better during the crisis due to higher loyalty of the shareholders (Lins, Servaes and Tamayo, 2015)
- Firms with females in C-suite positions tend to make lower volume of acquisitions which can be attributed to the lower overconfidence (Huang and Kisgen, 2013)



Research question of Adams and Rangunathan (2015)

The paper by Adams and Rangunathan(2015) asks the following research question:

- Are women systematically more risk averse than men?

To answer this question they concentrate on the finance industry with focus on the banking sector:

- They analyse if the presence of women as top executives led banks to perform better during downturns



Towards a gender balanced recruitment in finance?



- There is an increasing focus on recruiting women in finance
- Banks and other financial institutions are increasingly interested in conducting gender diversity programs
- There has been no conclusive evidence yet that women exhibit lower degree of risk taking than men in the trading floor.

<https://www.israel21c.org/nyse-salutes-leading-israeli-women/>



Methodology of Adams and Rangunathan (2015)

Adams and Rangunathan (2015) analyse:

- whether more gender diverse boards behave differently, by considering the research done by Adams and Ferreira (2009)
- whether there is a difference between women who choose a career in finance and others who do not, especially with reference to their risk taking attitudes. In order to analyse this further, they draw upon the research done by Sapienza, Zingales and Maestripieri (2009)
- whether women presence in the board of financial firms in compared to the board of non-financial firms. They do this by drawing upon the research done by Adams and Kirchmaier (2015b)

1. 'Lehman Sisters' - Renée B. Adams and Vanitha Rangunathan, 2015



What are the findings of the paper?

Adams and Rangunathan (2015) find no conclusive evidence suggesting that boardroom gender diversity influences **risk taking** especially in the event of a crisis.

Regarding other differences, the authors find that:

- Absenteeism of male directors is reduced by the presence of women directors in the board
- In the cohort of MBA students, women are more risk averse than men
- Women who opt for a career in finance have lower risk aversion compared to women who opt for careers in other industries. This is not the case for the male students.
- There are fewer women were on the boards of financial firms as compared to industrial firms.



Based on Adams and Rangunathan (2015), we recommend:

The study of females working in the finance industry needs to take into account a selection bias:

- These women are not representative of the average female population
- Researchers and policy-makers should take this into account when drawing lessons from research about the effect of gender diversity in the financial industry

The intervention to encourage women to pursue careers in the financial industry should be made **early in life**:

- Programs informing women about career opportunities in finance should be encouraged
- Diversity programs by banks that aim at solving the gender balance issue in financial institutions should be developed



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Thank you !