

NEW DIRECTIONS FOR LEADERSHIP RESEARCH (NDLR)
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Paper

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Paper title:

Women don't mean business? Gender penalty in board appointments

Abstract:

Using data from two panel studies on U.S. firms and an experiment, we examine investor reactions to increases in board diversity. Contrary to conventional wisdom, we find that appointing female directors has no impact on profitability, but does lead to a systematic decrease in market value. Drawing on signaling theory, we argue that the gender penalty in board appointments results at least in part from inferences investors make about the firm. The appointment of a female director is interpreted as a diversity measure, and as a result we find that it signals that the firm cares about social goals, to the detriment of shareholder value maximization. This mechanism operates even in the absence of investor bias against women, and even when the appointment is not framed in terms of diversity. We discuss the implications of our findings for understanding gender inequality in leadership.