Female Directors Pay Less for Companies in Mergers and Acquisitions: Study

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When taking over companies, female executives get a better purchase price than their male counterparts, according to researchers at the Sauder School of Business at the University of British Columbia.

Their findings suggest that within the arena of mergers and acquisitions, a greater risk aversion among women directors means they require higher expected returns – something that is achieved by paying a lower price for the same asset.

The Sauder study reviewed more than 400 acquisition attempts in the U.S. between 1997 and 2007, studying the effects of gender in leading corporate roles.

“Our research shows that women in their capacity as board members have a significant and economically important influence,” says Prof. Maurice Levi, who teaches finance at Sauder.

His study coauthors are Prof. Kai Li and PhD student Feng Zhang. The researchers looked at whether women potentially influence deals by their degree of representation on boards of bidding and target companies. They found that the takeover price of a company was less when independent female directors were involved in the purchase.

In addition, they show that female independent directors on both the bidder and target boards are negatively associated with the likelihood of using a tender offer – the type of takeover bid in which the offer price includes a premium over the current market price.

“While women directors may earn less than their male counterparts, there is gathering evidence that representation of women as corporate directors has a distinct and strongly positive association with firm financial performance,” says Levi.

Levi is currently working on research that investigates a flipside of the role of women in mergers and acquisition. The study explores whether corporate deals are more likely to fall apart when younger, testosterone-fuelled male directors are involved.

Provided by University of British Columbia

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