

Women on company boards face stockmarket prejudice

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London's Canary Wharf.

(PhysOrg.com) -- Companies with female board members fare worse on the stock market, despite performing as well on all other measures as those with all-male boards. This is the finding of a new study by the University of Exeter, published today (13 August 2009) in the *British Journal of Management*.

The research suggests that shareholders respond negatively to women being appointed to their boards, causing share values to decline. This is consistent with other recent research that has examined responses to the appointment of female CEOs in the United States.

The team from the University of Exeter's School of Psychology and Business School conducted a comprehensive analysis of performance data from all FTSE 100 companies between 2001 and 2005. This found

that companies with all-male boards had a market valuation equivalent to 166% of their book value, while companies with at least one female board member had a market value equal to just 121% of book value.

However, the research also showed that appointing a woman to a company board does not compromise objective measures of financial performance, specifically, Return on [Assets](#) and Return on Equity. In fact, within the data set as a whole there was evidence that companies with women on their board were a far better investment than those without.

This suggests that shareholders systematically over-value companies with all-male boards, while being unenthusiastic about the appointment of women to senior positions. This is despite there being no evidence that women's appointment has an adverse impact on company's performance.

The findings also fit with previous research from the University of Exeter which has shown that women are appointed to leadership positions when a company is in crisis. Dubbed the 'glass cliff' phenomenon, this trend involves women being placed in precarious positions when there is a high risk of failure. This has led to women being associated with weak performance.

Lead author Professor Alex Haslam, a psychologist at the University of Exeter who developed the 'glass cliff' theory with his Exeter colleague Professor Michelle Ryan, said: "Our study shows very clearly that shareholders tend to devalue companies with women board members and to chronically over-value those with all-male boards. What is not clear is whether this is because shareholders feel that women perform less well on boards than men or whether they see a woman's appointment as a signal that the company is in crisis. Whatever the reason, it is clear that this response is unwarranted, because there is no objective evidence that having female board members damages a company's performance. If

anything, the opposite is true."

Source: University of Exeter ([news](#) : [web](#))

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