

Study suggests women CEOs face a 'green ceiling' in attracting IPO investors

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When it comes to a company's critical stock market debut, investors are less likely to trust their money to an enterprise led by a female CEO, a University of Utah researcher says.

“Bias against top-level female executives seems entrenched despite strides [women](#) generally have made in filling management positions within firms making their initial public offerings (IPO's),” says Lyda Bigelow, an assistant professor at the university's David Eccles School of Business.

In a paper entitled, “Skirting the Issues: Evidence of Gender Bias in IPO Prospectus Evaluations,” Bigelow (along with co-authors Robert Wuebker, a post-doctoral fellow at the David Eccles School ; Leif Lundmark, a doctoral candidate at the David Eccles School; and Judi McLean Parks, a professor of Organizational Behavior at Washington University's Olin Business School) concluded that the “lack of female-led IPOs suggests a potentially larger problem – a gender-based capital gap for new ventures.”

In 2009, for example, not one of 19 high-tech IPOs the researchers studied was led by female CEOs, though all but two of those firms had one or more lower-ranking female executives. That apparent reluctance to invest in IPOs spearheaded by women exists even though nearly half of all privately held businesses in the United States today are owned, or led by women. Statistics also indicate that between 1997 and 2007, women holding corporate officer positions grew from 10 percent to 55

percent.

However, in their research, Bigelow and her colleagues found that, “Despite identical personal qualifications and firm financials, female founders/CEOs were perceived as less capable than their male counterparts, and IPOs led by female founders/CEOs were considered less attractive investments.”

The study enlisted 222 second-year MBA candidates (45 of them females) – a sampling the researchers say were not far removed in their experience levels of the junior staffers usually assigned to assess real IPOs for [investors](#). Further, the IPO considered by the students, a fictitious cosmetic surgery firm, was modeled using financial data from a real company’s successful entry into the stock market.

Keeping the IPO’s financial and industry information identical, the researchers only varied the gender distribution of the bogus company’s top management team: first names were changed (from Matthew to Martha Evans, for example), along with executive photos, in “IPO pitch” materials the students reviewed.

“Like the glass ceiling of corporate America that has limited the advancement of female managers, female entrepreneurs face a ‘green ceiling’ when it comes to financing,” the researchers wrote. “Taken as a whole, our results suggest that gender stereotypes are alive and well and, moreover, that such stereotypes impact investment decisions. . . .”

More information: [doi: 10.2139/ssrn.1556449](https://doi.org/10.2139/ssrn.1556449)

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