Women directors better at mergers and acquisitions

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The more women there are on a corporate board the less a company pays for its acquisitions, according to a new study by researchers at UBC's Sauder School of Business.

The forthcoming *Journal of Corporate Finance* paper shows the cost of a successful acquisition is reduced by 15.4 per cent with each female director added on a board. It also reveals that each additional female director reduces the number of a company's attempted takeover bids by 7.6 per cent.

"Female board members play a significant role in mitigating the empire-building tendency of CEOs through the acquisition of other companies." says Sauder finance professor Kai Li, who co-authored the study. "On average, merger and acquisition transactions don't create shareholder value, so women are having a real impact in protecting shareholder investment and overall firm performance."

The researchers say their results suggest women are less interested in pursuing risky transactions and require the promise of a higher return on investment.

For the study, the researchers analyzed a large sample of acquisition bids made by S&P 1500 companies in the United States between 1997 and 2009.

To determine the cost of the acquisitions, the researchers looked at the bid premium – the difference between the final offer price and the stock price of the targeted firm before the deal was signed. These figures were then correlated with the number of women directors on the various boards.

"Our findings show that the prudence exhibited by women directors in negotiating mergers and acquisitions has had a substantial positive effect on maintaining firm value," say Professor Li. "This finding adds fire and force to recent calls to mandate a minimum number of women on the boards of publicly traded companies."

Provided by University of British Columbia