

Women on corporate boards increase company buyout value, finds study

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If you own stock in a company targeted for acquisition, the behavior and

makeup of the company's board of directors—particularly whether it includes women—could be worth a lot of money for you.

A study co-authored by UC Riverside business professor Jerayr "John" Haleblian found boards that meet more often and have women and minority members capture more value when [company](#) buyout deals close.

"When they meet more frequently, they get a better price when they cash out," said Haleblian. "But there's nuance to that. It wasn't just frequency that mattered. It was also kind of the makeup of the board."

The presence of women [board members](#) also increased buyout value, the study found. Women appear to spur more robust analysis and discussions of pertinent but complex information leading up to a buyout, Haleblian said.

"Female directors offer a [different perspective](#). And when you have more perspectives, you tend to get better discussion, more thorough, and a more complete discussion."

Additionally, boards with members who served on several other corporate boards—known as "overboarded" directors—tended to capture less value.

Haleblian said this is because those serving on many boards simply can't put in as much time, attention, and effort to process the complex information, which compromises their ability to contribute constructively.

"You want people who are paying attention," Haleblian said. "So, overboarded directors signaled a lack of attention."

The analysis was based on public data of 470 boards of companies targeted for buyout between 2002 and 2014. Entitled, "When Do Boards of Directors Contribute to Shareholder Value in Firms Targeted For Acquisition? A Group Information-Processing Perspective," it was published in the journal *Organization Science*. The other authors are Stevo Pavićević, an assistant professor at the Frankfurt School of Finance & Management, and Thomas Keil, a professor at the International Management at the University of Zurich.

Board performance could be measured by calculating the ratio of the buyout premium paid by the purchasing company over the total stock value of the company sold. The finding about women directors was particularly compelling.

When boards of targeted companies had two or more [female directors](#), the selling price of the firm increased by greater than 5% compared to boards with no women, the study found.

"We found that if you have one female on the board you get a benefit," Haleblian said. "But if you have two or more, you get even more benefits. So, it's kind of a linear relationship."

"Males," he added, "tend to be a little bit more risk-seeking, and females will temper that and say, "Hey, well, let's calm down here, and let's look at the numbers carefully."

He said all-male boards are also more likely to engage in groupthink, with individuals suppressing concerns to get along with other board members and to move forward. These boards also tend to accept the information from top executives with less questioning.

"If you have all men on the board, it's possible that they'll think in one way," Haleblian said. "If you bring in minority members, they might

offer a fresh perspective."

The data did not allow for an analysis of how boards comprised of all women may operate.

"Unfortunately, even in our sample, there's not an overwhelming amount of women on boards," he said. "We did have boards without women, and when boards did have [women](#), it wasn't like they ever reached a majority."

The study found that 31% of boards had one or more female directors. Only 14% had two or more.

The study also found that the quality of board meetings makes more a difference in diversified acquisitions, such as when a business is purchased by company from a different industry. The target company's board will need to answer questions like, "what our value to them?" And, "how will they use us?"

"It's a more complex decision-making environment," Haleblian said. "So as the complexity of the information environment gets higher, then the meetings make more of a difference."

More information: Stevo Pavićević, Jerayr (John) Haleblian and Thomas Keil, When Do Boards of Directors Contribute to Shareholder Value in Firms Targeted for Acquisition? A Group Information-Processing Perspective, *Organization Science* (2023). [DOI: 10.1287/orsc.2022.1643](https://doi.org/10.1287/orsc.2022.1643). pubsonline.informs.org/doi/abs/10.1287/orsc.2022.1643?journalCode=orsc

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