

New CEO's gender may affect company performance, study finds

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A CEO succession with a gender change may amplify the disruption of the CEO succession process and thus adversely affect company performance, according to a new study by strategic management experts at Rice University and the Central University of Finance and Economics in Beijing. This dynamic will increase the likelihood of the new CEO's early departure, the study found.

Using data from 3,320 CEO successions in companies listed on China's Shanghai and Shenzhen stock exchanges from 1997 to 2010, the study's authors found that companies with male-to-female [succession](#) tend to have lower postsuccession performance than those with same-gender succession. They also found that both male-to-female succession and female-to-male succession increase the likelihood of the successor's early departure.

"Our findings demonstrate the disruptive impact of CEO succession with gender change, particularly in the case of male-to-female succession," said the study's lead author Yan "Anthea" Zhang, the Fayeze Sarofim Vanguard Professor of Strategic Management at Rice University's Jones Graduate School of Business. "Our focus on the gender

difference between a predecessor and a successor may offer novel insights into some of the social psychological processes surrounding the CEO succession event. While the empirical context is Chinese, the issue should be of interest to companies in the U.S."

The study was co-authored by Hongyan Qu, an assistant professor at the Central University of Finance and Economics in Beijing, and will be published in the *Academy of Management Journal*.

The number of companies listed on China's Shanghai and Shenzhen stock exchanges increased from 720 in 1997 to 2,100 in 2010. The proportion of female CEOs in these firms was 4.6 percent in 1997 and rose to 5.6 percent in 2010, which is higher than the proportion of female CEOs in the publicly listed companies in the U.S.

"The relatively large number of female CEOs in the publicly listed firms in China allowed us to examine the role of gender and gender change in the CEO succession process," Zhang said. "The findings can also help us better understand CEO succession and women executive leadership in the world's second-largest economy." The market capitalization of the Shenzhen and Shanghai [stock exchanges](#) was 23 trillion yuan, about \$3.66 trillion, at the end of 2012.

The authors' study contributes to a better understanding of female leadership. "Our arguments on 'gender change effects' provide a novel insight into how gender matters in corporate leadership positions," Zhang said. "Different from previous studies that focus on executives' gender per se, we investigated the role of the successor's gender in relation to the predecessor's gender."

Because CEOs in most companies are men, if gender at the CEO post is to change, the change very likely will be male-to-female, Zhang said. "In order to avoid disruption associated with gender

change, companies tend to stick to the status quo—that is, they appoint a male successor," she said. "Therefore, companies' tendencies to avoid such a disruption at least partially contribute to the persistence in gender inequality in corporate leadership positions."

Zhang and Qu also identified some critical organizational contexts that may reduce the disruption associated with male-to-female succession. Having other female leaders on a firm's board of directors and top management team may diminish the negative impact of male-to-female succession on postsuccession performance, they said. It may also eliminate the positive impact of male-to-female succession on the likelihood of a successor's early departure. Moreover, the disruptive effect of male-to-female succession is lower in an internal succession than in an external succession, the authors found.

"These contextual factors all emphasize the importance of grooming female corporate leadership within companies," Zhang said. "Since these contextual factors can all be modified, they represent possible organizational solutions that help smooth the transition from a male predecessor to a female successor. In this sense, our findings also have important practical implications."

Zhang's areas of specialization include CEO succession and dismissal, foreign direct investment and technology entrepreneurship in emerging markets. Among her research projects has been a study of women in Chinese boardrooms, which highlighted the progress made by women in Chinese companies compared with Western companies and argues against legislative quotas.

Provided by Rice University

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