

FEMALE BOARD REPRESENTATION REDUCES M&A ACTIVITY

Research that will appear in the *Strategic Management Journal* shows that female Board representation influences M&A activity. Specifically, increasing female representation on the Board of publicly traded companies results in the organization engaging in fewer acquisitions and the acquisitions that occur are focused on smaller targets.

Key Takeaways:

- Increased female representation on the Board of public companies leads to increased Board-level activism.
- Increased female representation on the Board of public companies is associated with reduced acquisitions.
- Increased female representation on the Board of public companies is associated with smaller target acquisition size.

Using data on 2,998 corporate acquisitions by S & P 1500 firms from 1998 to 2010, researchers found that firms with female Board members were less likely to engage in corporate acquisitions and the acquisitions that these companies did engage in were significantly smaller than companies with no

female Board members. Further, the more women on the Board, the stronger the results.

Females represented about 10% of the overall Board membership, and there was at least one female director on approximately 63% of the Boards investigated. Additionally, the authors found that ethnic diversity had a similar effect as female representativeness. Specifically, even accounting for female representativeness, ethnic diversity reduced the frequency and size of acquisition activity.

The analysis statistically controlled for whether the CEO was female, the amount of CEO ownership, the firm (like size and ROA, Tobin's Q), governance conditions (like board independence, board size, director ownership, and CEO duality), and the average age of the Board. The authors suggest that future research is needed to learn about what will occur as firms continue to increase female representation on Boards. Currently, while there is increasing female Board representation, it remains unclear how these results will hold in an environment where substantial female Board representation is the norm, rather than the exception.

Source: Chen, G., Crossland, C. & Huang, S. (2014). Female board representation and corporate acquisition intensity. *Strat. Mgmt. J.* doi: 10.1002/smj.2323.



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