



The Influence of Female Executives on Corporate Value

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Abstract. With the improvement of social concepts and the change of educational ideas, the role of women in society has changed, and they have played an important role in corporate governance. This article mainly discusses the definition of female executives, related theories, personal traits, and how to shape corporate value, and clarifies the specific ways in which female executives contribute to the creation of corporate value. What's more, this article plays a role in understanding the role of female executives in companies and related academic theories and increases social attention and recognition of women.

Keywords: Firm value, corporate governance, Female executives, Female characteristics

1 Introduction

In recent years, the role of women in corporate governance has gradually become a global focus of attention. Gender diversity can bring a broader perspective and innovative thinking, thereby enhancing the competitiveness and performance of firm. With the progress of society and the enhancement of gender equality awareness, more and more research and discussions have focused on how to break through traditional gender stereotypes and create more opportunities for women to participate in corporate decision-making.

Globally, some countries and organizations are currently striving to formulate and implement policies aimed at enhancing the status of women in the business world. Within small geographical areas, the proportion of women has also increased.

However, this growth rate is still relatively slow in some regions, especially at the top management level, where the proportion of women remains low. For example, although the proportion of female white-collar workers in the United States is slightly higher than 50%, they only account for 4.6% of the executive level.¹ This means that although women have a relatively high overall participation rate in some workplaces, they still face significant obstacles in the top decision-making layer.

These data indicate that although the proportion of female executives is still relatively low in some regions, female executives have gradually gained recognition and acceptance. More and more enterprises recognize the importance of gender diversity and realize the impact of female executives on corporate governance. This article will

deeply analyze how female executives influence corporate governance and their specific contributions to it.

2 Definition

First, the definition of female executives can be divided into broad and narrow. In the broad sense, C-suite, Board Members, Division General Manager, Vice President. Terjesen and other researchers defined female executives as "female members who hold management positions on the board of directors or in the executive level."² In a narrow sense, it can be divided into C-suite members (CEO/CFO/COO, etc., Chairman, Executive Commprofit responsibility).

2.1 Method

In the research on female executives, the methods of dummy variable, proportion, and quantity allocation are commonly employed. The dummy variable is a method to convert categorical variables into numerical ones. They usually take values of 0 or 1, indicating whether a certain category exists.³ The proportion method can be defined as using the proportion of females in the executive team as the core indicator. In existing academic papers, many articles have provided clear and specific explanations regarding the proportion of female executives.⁴ The Quantitative Distribution Method is a technique that converts abstract attributes, categories or unstructured information into quantifiable data through numerical means. Many studies have adopted this method, making the data more precise and specific, and facilitating comparison and analysis.⁵

2.2 Female Characteristics

2.2.1 Risk Aversion.

Risk aversion, in economics and finance, describes the behavioural trait of individuals or institutions that, when confronted with uncertainty, tend to avoid risks and prefer certain outcomes. In various aspects of daily life, women are often less involved in risky or aggressive behaviours and are more inclined to adopt risk-averse strategies. The extent of this behavioural difference varies across different societies, but in all kinds of environments and social structures, women generally demonstrate a stronger tendency towards risk aversion.⁶

Meanwhile, Women are good at processing information and are more cautious and men are selective. According to the selective model, males often do not engage in comprehensive processing of all available information as a basis for judgement but instead are selective.⁷

2.2.2 More Approachable.

On the plus side, this kind of personality helps women become good leaders. many studies have shown that female leaders often excel in communication skills, teamwork, and long-term strategic planning. At the same time, women are more connected to the

humane environment of the business and have the ability to put the well-being of others above their own, unlike most men who only think about themselves.⁸ Their unique advantages can bring more stability and sustainable development to firms.

However, women's pro-social and selfless nature may make them hesitant when faced with conflicts or difficult decisions. For example, when it comes to sensitive issues such as resource allocation or performance evaluation, they may be more cautious and avoid hurting anyone's feelings. This attitude may reflect respect and care for employees, but it may also lead the firm to miss some key opportunities in the competitive market environment.

2.2.3 Not Excessive Self-confidence.

Not Excessive self-confidence and lack of self-confidence are different from each other. The research finds that even if female students perform as well or better than male students in their studies, they tend to underestimate themselves.⁹ But the actual situation is not like this. This is when women make reasonable evaluations of their own abilities or judgments. When making choices or taking actions, they base their decisions on objective facts rather than subjective judgments. Besides, the typical perception of women's lack of confidence, rather than men's overconfidence, may be the result of comparing prospective general confidence rather than retrospective and task or item-specific confidence.¹⁰

3 Theoretical Background

3.1 Personal Perspective

3.1.1 Upper Echelons Theory.

The Upper Echelons Theory is an important theory in management science. It was proposed by Donald Hambrick and Phyllis Mason in 1984. This theory mainly focuses on how the personal characteristics of top-level managers in an organization influence corporate strategic decisions and performance. However, this theory has its prerequisite conditions. Previous studies have correctly controlled the background conditions (including year, industry and company), which logically replaced any influence of the CEO.¹¹ Based on this theory, for female executives, they have different thinking patterns, educational levels and personality traits from men, which will lead to changes in the top management team of the enterprise and different development of the firm.

3.1.2 Resource Dependence Theory.

The Resource Dependence Theory was proposed by management scholars Jeffrey Pfeffer and Gerald Salancik in 1978. This theory emphasizes that organizations cannot be self-sufficient and must obtain key resources from outside. This dependence directly affects the behaviour and structure of the organization. Then, women can simultaneously provide and obtain resources for the firm. In the field of human resource management, women tend to adopt a more democratic and participative leadership style, as opposed to the more autocratic and directive approach often seen in male leaders.¹²

They can provide more care for employees and offer resources such as emotional value encouragement to employees. On the external side, Women may have a better understanding of certain markets and consumers than men.¹³ For instance, in the fashion industry and the health care sector, women usually hold the dominant position as the main consumer group. Therefore, they are better able to accurately grasp the trends and preferences of these markets, thereby assisting firms in their development.

3.1.3 Role Incongruity Theory.

The Role Incongruity Theory was proposed by Alice Eagly and Steven Karau, social psychologists, in 2002. This theory explains why women (or other minority groups) encounter many biases and obstacles when striving for or holding positions that are inconsistent with traditional social role. This phenomenon exists worldwide. In 1988, a major study of 45,000 German enterprises revealed that women accounted for only 5.9% of top management and 7.8% of the next lower level of management.¹⁴

3.1.4 Signal Theory.

Signal Theory was first proposed by economist Michael Spence in 1973. It is mainly used to explain how individuals convey information in the context of information asymmetry through specific behaviors (signals). In terms of application in firms, enterprises can convey information through their own behaviors. Employing women by enterprises can indicate their care and recognition for women, thereby enhancing their reputation. Research indicates that the proportion of female directors can have an impact on a firm's reputation. Institutional investors will put pressure on firms to enhance gender diversity on their boards and tend to support those firms that have taken actions in this regard.¹⁵

3.2 Team Interaction Perspective

3.2.1 Social Identity Theory.

The Social Identity Theory was developed by social psychologists Tajfel and Turner in 1979. This theory suggests that an individual's self-identity is partially shaped by the social classification of the group they are associated with. Female top managers, due to their shared group identity with female employees, may establish closer workplace relationships with them through in-group favoritism,¹⁶ and pay more attention to and assist female employees in their career advancement. At the same time, female CEOs can reverse statistical discrimination, pay women wages closer to their actual productivity, and match them with jobs that are more in line with their skills,¹ indicating that female executives will give more attention to female employees and promote their career advancement.

3.2.2 Gender Role Theory.

The Gender Role Theory was proposed by social psychologist Eagly in 1987. Its labour division, thereby forming gender-differentiated behavioural patterns. In corporate governance, employees tend to categorize female executives as those who are more

caring and friendly because women are generally perceived as being more family-oriented. Meanwhile, female executives are adept at establishing connections with managers and employees to improve the hierarchical system and cultivate leadership throughout the organization, which also reflects their caring ability.¹⁷

4 The Influence of Female Executives on the Value of the Company

4.1 Corporate Strategic Decisions

4.1.1 Risk-Oriented Decision-Making.

Risk-oriented decision-making usually involves matters such as mergers, acquisitions, and large-scale investments. It has a profound impact on various aspects such as strategy, finance, organization, and culture. From the previous information, we know that female executives have a lower risk preference and a smaller risk-taking capacity. This will have a significant influence on the risk-oriented decisions of the firm. On the positive side, when transitioning from a male CEO to a female CEO, the risk-taking of specific firms such as private enterprises tends to decrease.¹⁸ In unstable environments, such as during the pandemic, firms can develop more stably and resist the financial shocks brought by the environment. However, in stable environments, firms should seek breakthrough development because actual corporate acquisitions may bring positive returns. However, in firms with female chief financial officers, the tendency to make acquisitions is lower. This will cause the firm to miss the opportunity window, thereby reducing the returns.¹⁹

4.1.2 Innovative Strategy.

In today's rapidly changing business environment, if firms want to cope with increasingly fierce market competition and constantly upgrading consumer demands, they must implement innovative strategies. On the positive side, although women have an influence in the firm's innovative strategies. For instance, the proportion of female representatives in the top management team has a positive impact on the firm's performance, which is reflected in the firm's innovation intensity.²⁰ If a firm regards innovation as one of its development concepts, female executives can make positive contributions to the formulation and implementation of the firm's innovative strategies. However, due to the risk-averse characteristics of women, they usually adopt more conservative strategies. The overall impact of female executives on innovative strategies is generally more detrimental than beneficial. Firstly, if the number of female executives is small, due to stereotypes and other reasons, their ideas may be ignored by other male directors or even not presented at all, thus not aligning with the majority's views. Secondly, female executives may reduce the level of innovation investment. The research demonstrated that female executives tend to make the board's decisions more risk-neutral, thereby reducing innovation investment.²¹

4.1.3 The Influence of Female Executives on Financial Performance.

4.1.3.1 Market performance.

Market performance here refers to aspects related to market performance, including stock price performance, investor returns, etc. From the perspective of investors, companies with female executives are more likely to make decisions that are beneficial to the interests of shareholders.¹⁹ Therefore, the recognition of external shareholders for the firm may increase, resulting in a positive impact. In terms of stock prices, female CFOs can reduce the risk of stock price collapse by limiting false reporting and improving the quality of financial statements,²² thereby enhancing the stability of stock prices and attracting more external investors, thereby improving the market performance of the firm.

4.1.3.2 Accounting Performance.

The core indicators of accounting performance include ROA, ROE, net profit, etc., which reflect the firm's operation and capability level. Firstly, female CFOs tend to adopt conservative accounting policies, making the long-term accounting performance more stable. However, excessive conservatism may undervalue the firm's performance. Subsequently, observing the core indicators of accounting performance, taking banks as an example, banks with female executives have higher ROA.²³ At the same time, firms with a higher proportion of women on the board of directors have higher earnings quality,²⁴ indicating that female executives will make the firm's net profit level more stable and the accounting policies adopted will be more consistent.

4.2 The Influence of Female Executives on Non-Financial Performance

4.2.1 Innovation Performance.

The innovativeness of entrepreneurs enables firms to continuously introduce new products and services, and to adapt to market demands, allowing the firms to quickly enter the market.²⁵ Female executives can influence the innovation performance of firms through various mechanisms, but there are some controversies regarding their influence. From a positive perspective, when a firm's strategy focuses on innovation, female executives can enhance the firm's performance and the intensity of innovation, indicating that female executives and company innovation are actually mutually reinforcing. However, female executives will face the "ceiling effect" and institutional barriers. In organizations with limited promotion channels or severe gender bias, female executives need to invest more energy to cope with external pressure. In such cases, the efficiency of women's innovation management will decline, resulting in women being unable to significantly increase the firm's innovation performance.

4.2.2 Corporate Reputation.

The influence of female executives on corporate reputation has been demonstrated by some studies as having positive contributions, while other literature has pointed out potential risks or limitations. Firstly, the move of allowing women to join the board of

directors indicates that the company does not have any discrimination issues, thereby establishing a positive image for the society. Besides, the number of women on the board is positively correlated with the intensity rating of firms' corporate social responsibility (CSR).²⁶ However, the negative impact of female executives on the company's reputation is mainly attributed to people's personality biases. Studies have shown that investors' reactions to announcements of female chief executive officers were significantly more negative than those of their male counterparts.²⁷ In conclusion, female executives have a dual impact on the reputation of the firm.

4.2.3 Human Resources.

Regarding human resources, the leadership styles of female managers have both advantages and disadvantages. Female leaders tend to adopt Transformational Leadership and Democratic Leadership, focusing on interaction with employees, listening to their needs and encouraging collaboration, providing conditional rewards and these traits help optimize organizational structures.²⁸ In terms of salary, in firms with female CEOs and/or female chairpersons of the board, women's income is higher than in companies where neither the CEO nor the chairperson is female.²⁹ However, female executives may also alienate female employees. They may suffer from the "queen bee syndrome", actively distancing themselves physically and psychologically from female employees rather than approaching them. This is because in the executive ranks, the proportion of women is usually relatively low. When female executives promote other female employees, they may feel their status being threatened.

5 Conclusion

This article mainly explores the impact of female executives on the value of the company, and through existing theories and literature, it deeply studies the role of women's unique personal traits in corporate governance.

Firstly, this article defines the scope of female executives from two dimensions: broad and narrow, and provides three commonly used research methods to determine whether female executives exist and their quantity. Subsequently, it analyzes the personalities of female executives, and the research shows that the traits and behavioral patterns of female executives may have a profound impact on firm operations, decision-making, and overall performance. Compared to men, women typically exhibit a lower risk propensity and may be more cautious when making strategic decisions, focusing more on long-term stable development rather than maximizing short-term benefits.

Subsequently, we approach from two directions: non-team perspective and team perspective, mainly mentioning six theories. This article attempts to combine these six theories with the role and impact of female executives to conduct in-depth analysis and understand the mechanism of female executives' role in moder firm.

At last, this article explores the impact of female executives on the value of the firm and provides corresponding ideas and theoretical basis, promoting a deeper understanding of the important role of women in enterprises by all sectors of society, and further enhancing attention and recognition of the female group. Future research can further

explore the specific impact mechanism of female executives from different cultural backgrounds on the value of the firm, as well as in which aspects female executives may influence the firm, such as management efficiency, in order to better understand the phenomenon of the impact of female executives on the company and provide guidance for firm practice.

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