Do investors value gender diversity in firms?

Evidence from the field and lab

David Daniels, Jennifer Dannals*,
Thomas Lys & Margaret Neale

SJDM 2019

Evidence from the field: Event studies in tech and finance

59 announcements of gender diversity from technology and finance firms

Evidence from the field: Event studies in tech and finance

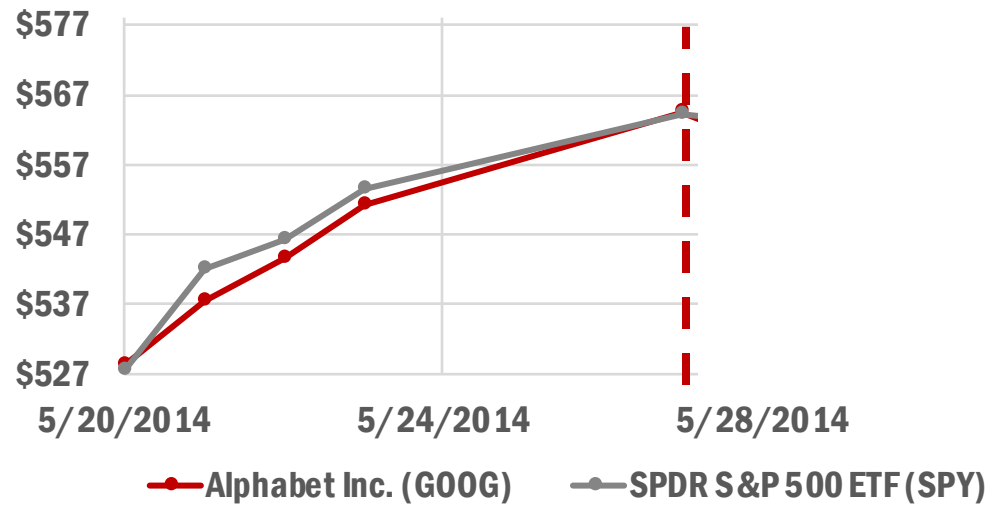**59 announcements of gender diversity from technology and finance firms**

Google's Diversity Announcement – 31% Women –
Unusually Low Diversity

Evidence from the field: Event studies in tech and finance

59 announcements of gender diversity from technology and finance firms

Google's Diversity Announcement – 31% Women –
Unusually Low Diversity

Evidence from the field: Event studies in tech and finance

59 announcements of gender diversity from technology and finance firms
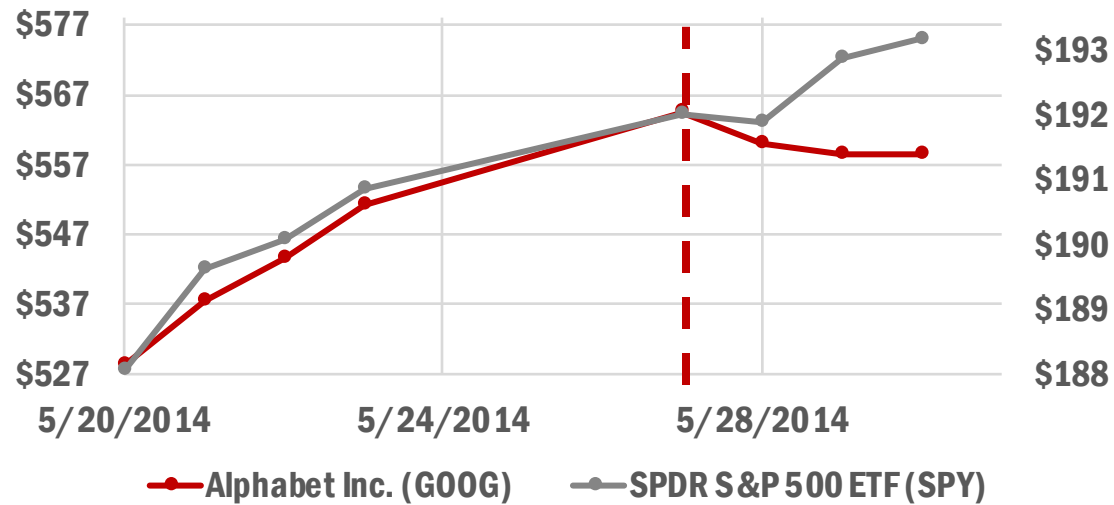
Google's Diversity Announcement – 31% Women –
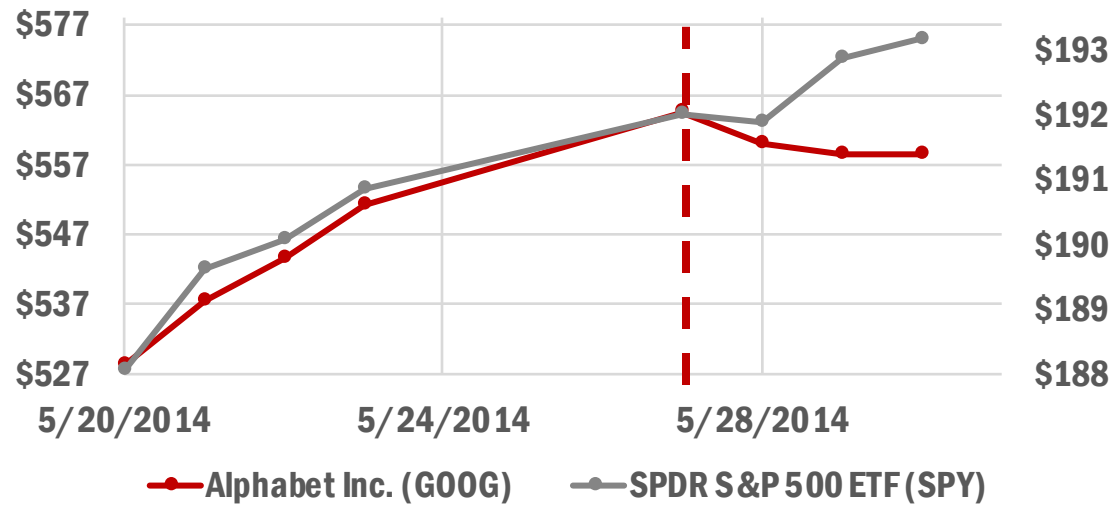**Unusually Low Diversity**

Evidence from the field: Event studies in tech and finance

59 announcements of gender diversity from technology and finance firms

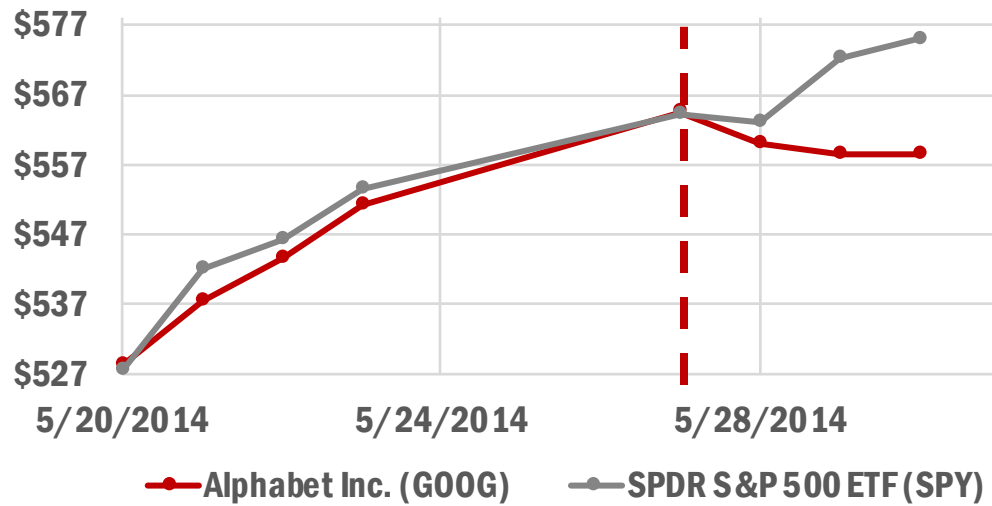Google's Diversity Announcement – 31% Women –
Unusually Low Diversity

Ebay's Diversity Announcement - 42% Women –
Unusually High Diversity

Evidence from the field: Event studies in tech and finance

59 announcements of gender diversity from technology and finance firms

Google's Diversity Announcement – 31% Women –
Unusually Low Diversity

Legend: Alphabet Inc. (GOOG) — SPDR S&P 500 ETF (SPY)

Ebay's Diversity Announcement - 42% Women –
Unusually High Diversity
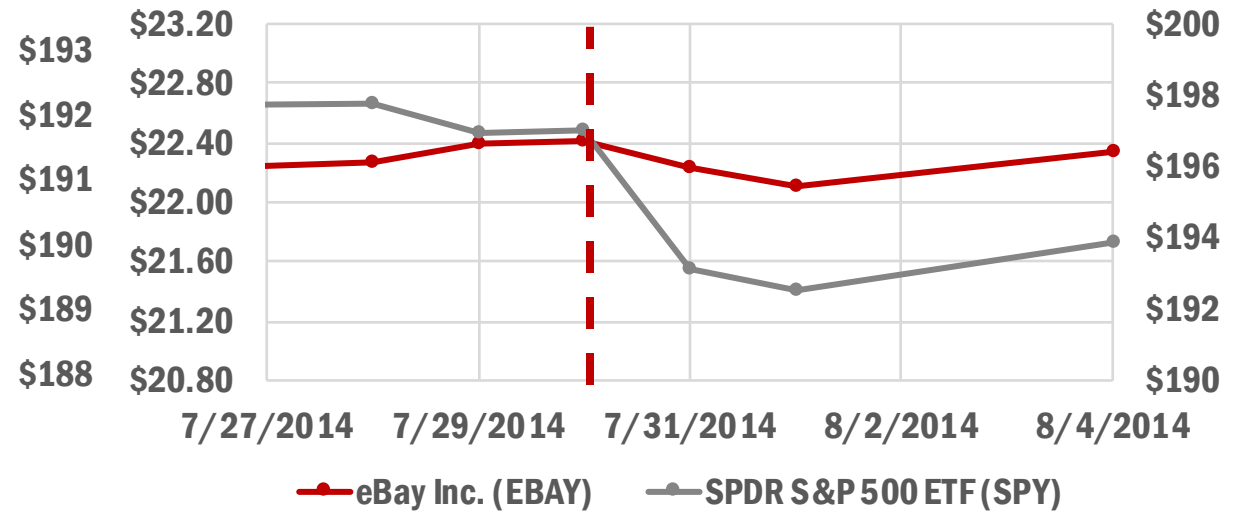

Legend: eBay Inc. (EBAY) — SPDR S&P 500 ETF (SPY)

Evidence from the field: Event studies in tech and finance

59 announcements of gender diversity from technology and finance firms

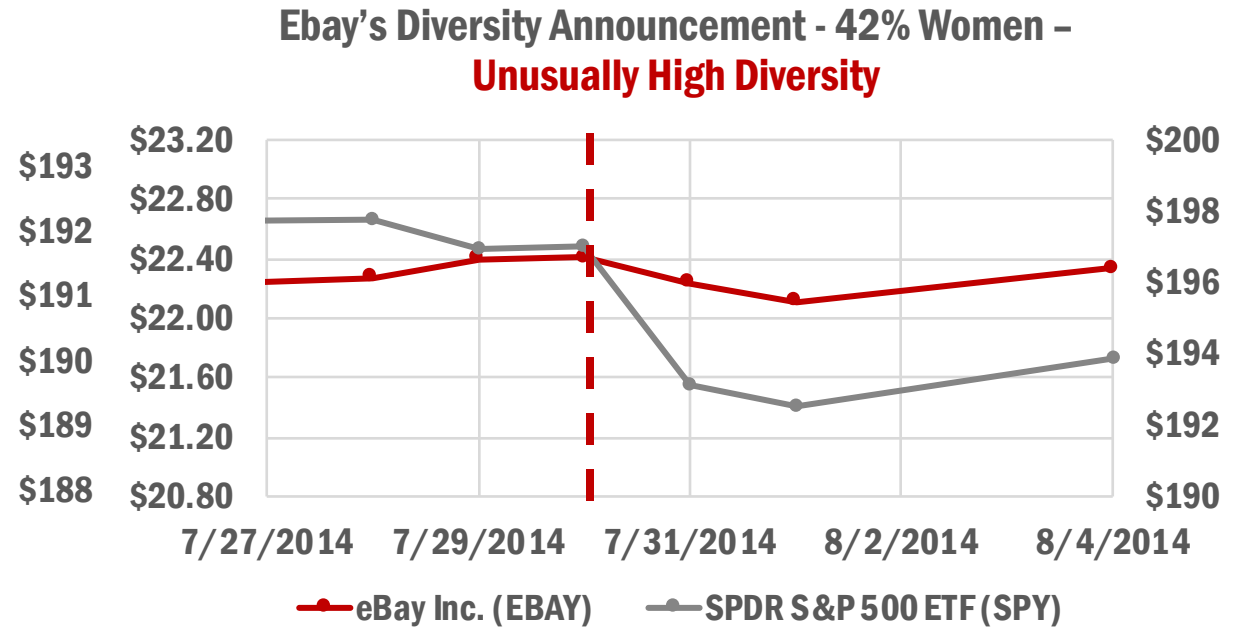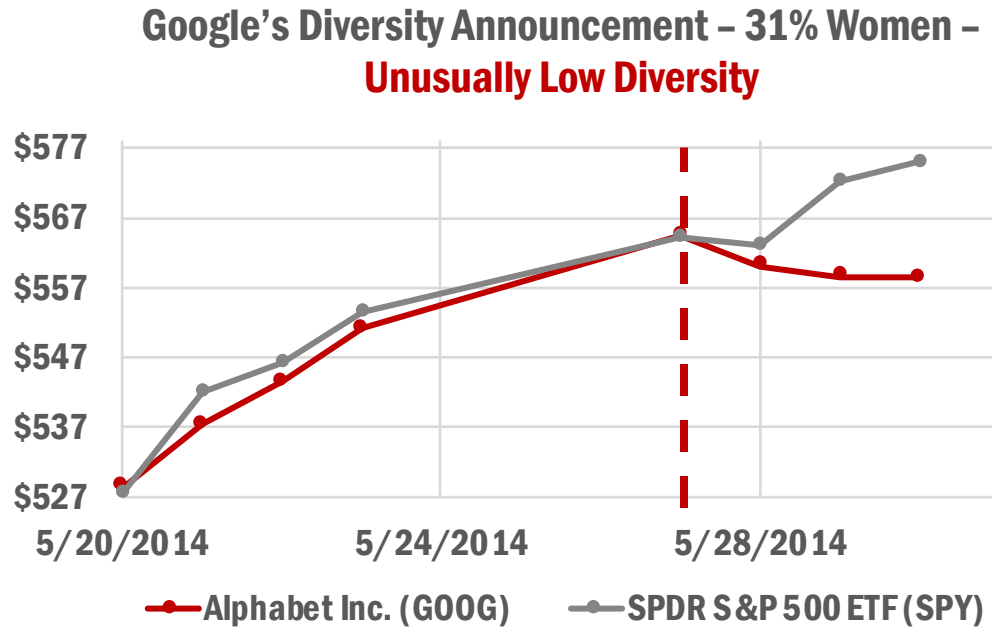Google's Diversity Announcement – 31% Women – **Unusually Low Diversity**

Alphabet Inc. (GOOG) — SPDR S&P 500 ETF (SPY)

Ebay's Diversity Announcement - 42% Women – **Unusually High Diversity**

eBay Inc. (EBAY) — SPDR S&P 500 ETF (SPY)

OLS regression w/1 day event window, firm fixed effects, clustered SEs by date, interaction terms to test hypotheses.

Investors react positively to diversity announcements that reveal more gender diversity.
+1.65 pp. stock price (finance) or +0.10 pp. stock price (tech) for each +1 pp. more women the firm reveals.

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

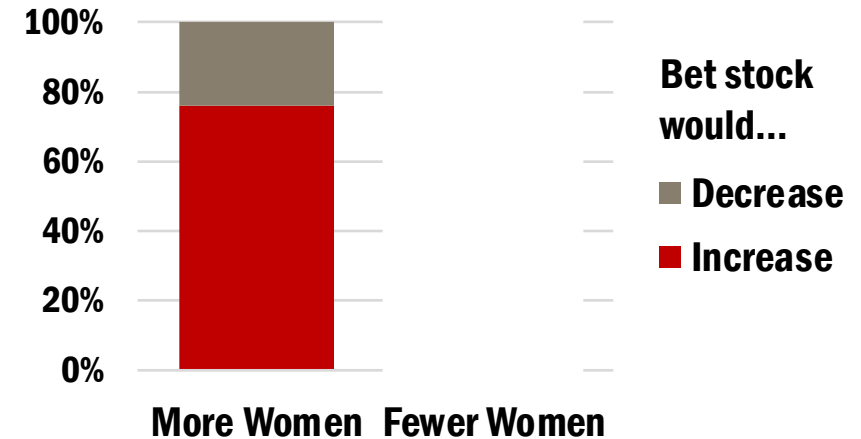*Gamma Corporation* announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result of this announcement.

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result of this announcement.

Bet stock would...
- ■ Decrease
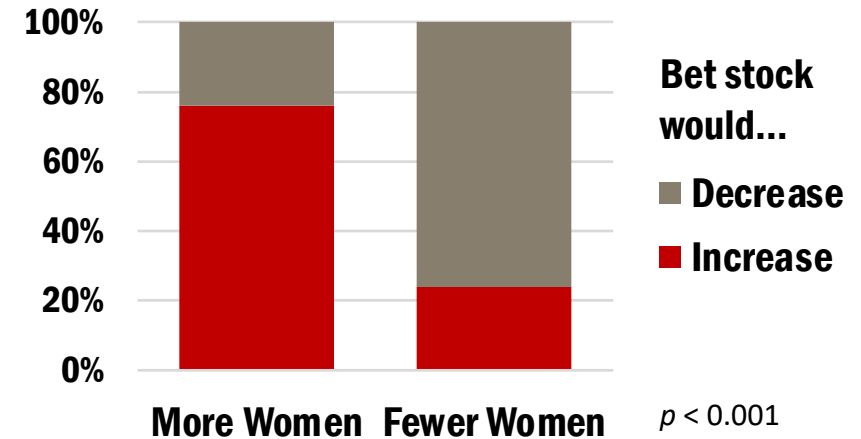- ■ Increase

More Women Fewer Women

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result of this announcement.

Bet stock would...

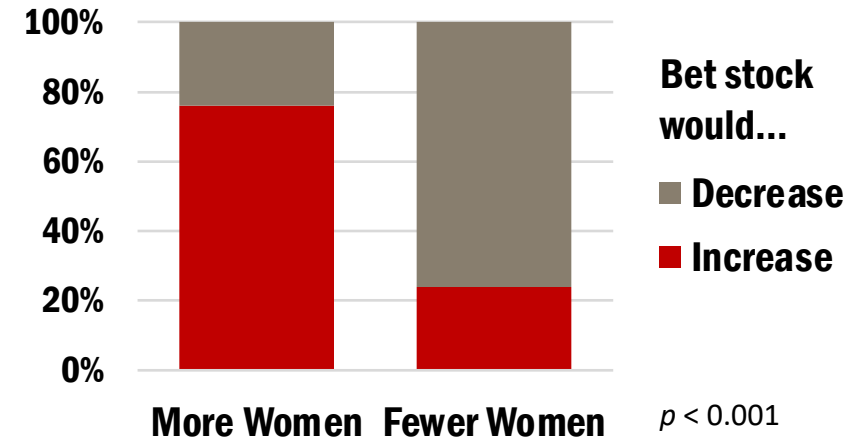■ **Decrease**

■ **Increase**

p < 0.001

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result this announcement.

Average Bet = *$0.54* out of *$1.00*

Bet stock would…
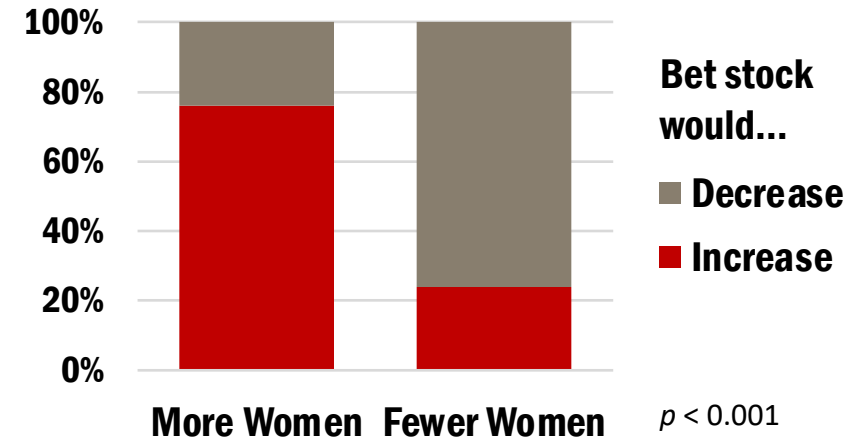- Decrease
- Increase

$p < 0.001$

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result this announcement.

Average Bet = *$0.54 out of $1.00*

Bet stock would...

■ Decrease
■ Increase

p < 0.001

More Women **Fewer Women**

Participants were more likely to predict a stock price increase when the company announced a higher % of women if they believed gender diversity is...
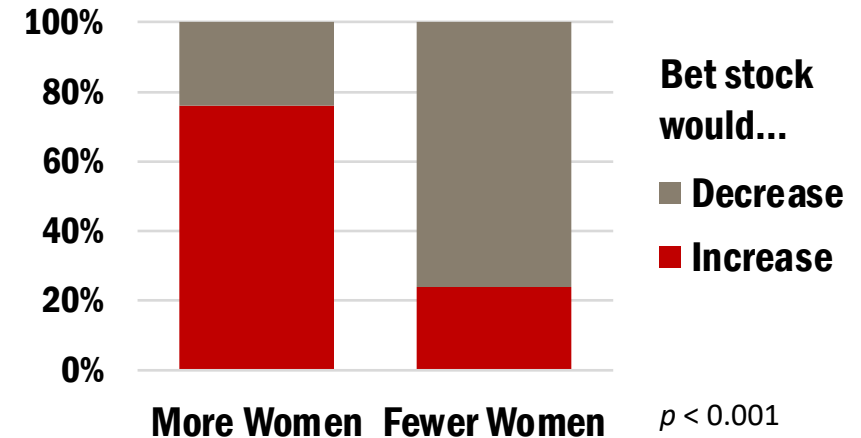
Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result this announcement.

Average Bet = *$0.54 out of $1.00*

Bet stock would…
■ Decrease
■ Increase

p < 0.001

Participants were more likely to predict a stock price increase when the company announced a higher % of women if they believed gender diversity is…

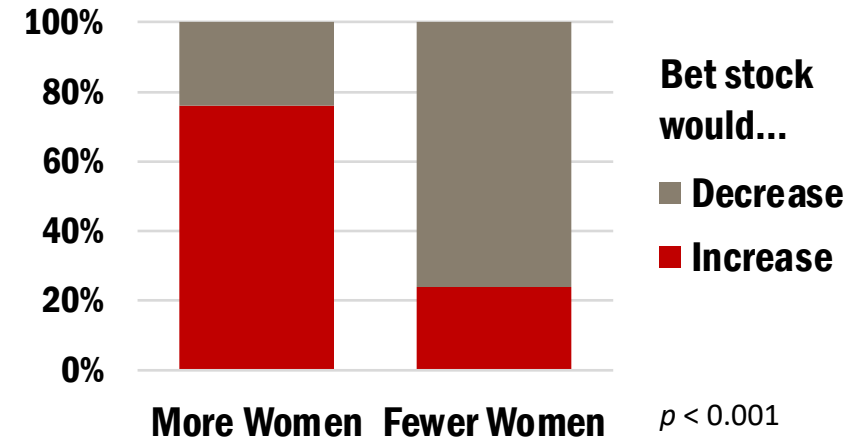…a moral and ethical good for firms.

B = 0.04

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result this announcement.

Average Bet = *$0.54* out of *$1.00*

Bet stock would…
- ▮ Decrease
- ▮ Increase

$p < 0.001$

Participants were more likely to predict a stock price increase when the company announced a higher % of women if they believed gender diversity is…

…a moral and ethical good for firms.

B = 0.04

…associated with less negative attention from regulators.
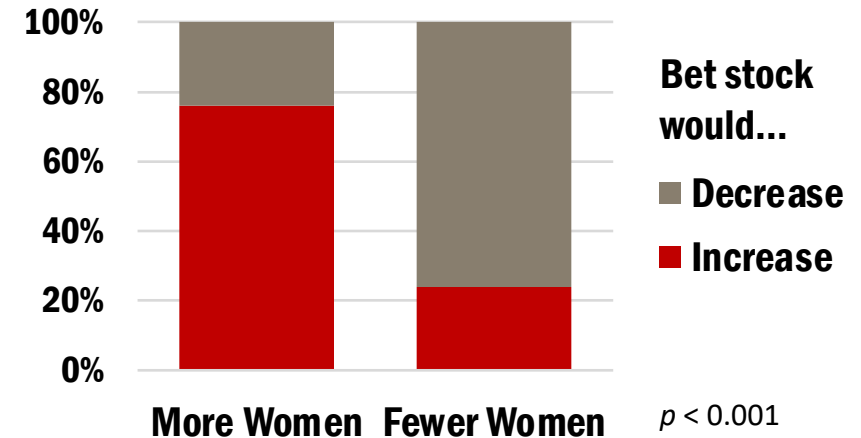
B = 0.11

Evidence from the lab: Investment betting game
384 Managers on Prolific read about a hypothetical company's diversity announcement

Gamma Corporation announced they had higher or lower % women than average within S&P 500 firms in their industry.

Participants made incentivized bets about whether stock price would increase or decrease as a result this announcement.

Average Bet = *$0.54 out of $1.00*

Bet stock would...

■ **Decrease**
■ **Increase**

p < 0.001

Participants were more likely to predict a stock price increase when the company announced a higher % of women if they believed gender diversity is...

...a moral and ethical good for firms.	...associated with less negative attention from regulators.	...associated with "outside the box" thinking in groups.
B = 0.04	*B* = 0.11	*B* = 0.10

Coefficients from a lasso regression, *p* < 0.001

Thank you!

Special thanks to my awesome collaborators:

David Daniels

Margaret Neale

Thomas Lys

Questions?

jdannals@dartmouth.edu   **ddaniels@ust.hk**