

WHETHER TO FOLLOW THE MARKET? BOARD GENDER DIVERSITY ON INVESTMENT-TO-Q SENSITIVITY

Wenjing Ouyang, Eberhardt School of Business, University of the Pacific, 3601 Pacific Ave, Stockton, CA 95211, 209-946-3910, wouyang@pacific.edu

Jeff Miles, Eberhardt School of Business, University of the Pacific, 3601 Pacific Ave, Stockton, CA 95211, 209-946-2641, wouyang@pacific.edu

Samuel Szewczyk, LeBow College of Business, Drexel University, 3141 Chestnut St, Philadelphia, PA 19104, 215-895-1746, sszewczyk@drexel.edu

ABSTRACT

This study examines the effect of gender diversity of boards of directors on the firm's response of investment making to cues in the market. Prior studies suggest that man and women process information differently when making financial decisions. We find that female diversity on boards decreases investment sensitivity to Q. However, this reduced sensitivity is found when the firm is likely to be overvalued. As overvalued equity can lead to overinvestment and loss of firm value (Jensen 2004), our results indicate female directors on boards positively affect the firm's investment decisions.

Keywords: board gender diversity, investment

Copy has not been submitted for inclusion in the proceedings.