THE EFFECTS OF UNDERCONFIDENCE: A CEO GENDER BIAS PRECEPTIVE

Kelley M. Duncanson, Morehouse College, Atlanta, Georgia, U.S.A
Brigitte Major-Donaldson, University of the Bahamas, Freeport Grand Bahama, Bahamas
Jason Styles, University of the Bahamas, Freeport Grand Bahama, Bahamas
Brendira Braynen, University of the Bahamas, Freeport Grand Bahama, Bahamas

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ABSTRACT

This paper examines whether underconfidence in the stock market exists when a female CEO takes the role. Data was gathered around when a public announcement was made of a woman named CEO. The stock trading behavior was then analyzed for the following hypotheses: H1: opening and closing prices, H2: high and low prices, H3: closing and adjusted closing prices, and H4: percentage change in trading volumes. The study determined that gender prejudice was not found in the four hypotheses. After conducting various statistical tests, the researchers found that trading behavior, regardless of gender, was viewed equally. The researchers recommend that the study be replicated to examine trading behavior by markets in countries that demonstrate fewer masculinity traits than the US.

Keywords: *CEOs, gender, investing behavior, investor confidence, trading behavior*

1. INTRODUCTION

Historically, business leadership has been predominantly male, with women sometimes encountering obstacles to progression. A 2021 analysis by McKinsey & Company indicates that women occupy merely 8% of CEO roles in Fortune 500 businesses. This underrepresentation does not merely indicate a deficiency in suitable candidates; instead, it arises from systemic biases and stereotypes that influence recruiting practices.

It is thought that certain genders are better at doing certain things. For example, some may say that women are better cooks than men. Others might say men are better drivers than women. However, statistically, it has been shown that women are better drivers than men (Bakalaru, 2020). What can be said about women who run Fortune 500 companies? That they do it better? Does the stock market react differently when a female is announced as a new CEO? Does the frantic buying and selling of stock occur? Is the trading volume higher than usual, and does the stock price drop?

The emergence of female leaders in corporate environments has garnered considerable attention in recent years; nonetheless, gender bias remains a widespread problem in recruiting female Chief Executive Officers (CEOs). Notwithstanding advancements in gender diversity across multiple management tiers, women remain inadequately represented in senior executive roles.

This study not only investigates the determinants of gender prejudice in CEO recruitment and analyzes its repercussions on businesses but also underscores the urgent need to foster gender parity in corporate leadership for a more equitable society.

Gender bias in stock trading is a significant and intricate issue that impacts the investment landscape. Despite women's growing involvement in financial markets, research reveals enduring inequalities in trading behavior, risk tolerance, and overall investment performance between genders.

The primary purpose of this paper is to examine if investors trade differently in the market when women are announced as CEOs compared to men. A thorough literature review will be done to explore the above-mentioned financial behaviors.