

## More female executives may lead to fewer lawsuits

(July 22, 2015) - Companies with more women in high positions than rivals face fewer corporate lawsuits, according to a new study.

Researchers at two universities performed a statistical analysis of the country's largest 1,500 companies, looking back 15 years for a correlation between lawsuits and female CEOs, chief financial officers and other executives.

The draft study issued this month, titled "Do Women Stay Out of Trouble? Evidence from Corporate Litigation," argues that there was no statistically significant correlation for a female CEO or CFO, but a statistically significant correlation exists when a company employs "other female executives." Firms with greater proportions of women in top management especially faced fewer lawsuits over product liability, environment, medical liability, labor and contracts.

"This might be a valuable benefit of female leadership for firms which are more susceptible to lawsuits," said Anup Agrawal, a professor of finance at the University of Alabama, in an email interview response he wrote with fellow researchers Binay K. Adhikari, a PhD candidate at the University of Alabama and James Malm, assistant professor of finance at College of Charleston.

"Lawsuits are clearly a very important concern for corporations," the researchers wrote in the email, quoting other studies that calculated the direct costs of litigation at \$210 billion for Fortune 500 companies in 2006. Besides direct litigation cost, harm to a firm's reputation and loss of significant market value can result from these suits, they said. The authors expressed surprise that little research had been done to identify the determinants of various types of lawsuits against firms.

The study cited other research that women tend to be more risk-averse and law-abiding, and less overconfident, than men.

"Motivated by well-known behavioral differences between men and women executives, we decided to examine whether the presence of women in top management matters for lawsuits against companies," they wrote.

The research team hand-collected data on various federal and state lawsuits against each company in the Standard & Poor's 1500 Index from 1996 to 2010, covering issues including labor or pensions, contracts, product liability, medical liability, securities and the environment.

The researchers have no specific plans for follow-up studies, but said their study "opens up avenues for further research on the topic."

By Amy Lee Rosen, CQ Roll Call

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