Do Women “Cook” in Boardrooms?

Evidence from Equity Offerings

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**Abstract**

This study examines the impact of board diversity of Initial Public Offering (IPO) and primary Seasoned Equity Offering (SEO) firms on underpricing of these issues. Using hand-collected board composition data of U.S. firms that have participated in both IPO and primary SEO markets between 1997 and 2013, we show that gender and quality of top management teams (executive and non-executive directors) influence underpricing. Previous research display mixed results when it links board diversity with short- and long-term underperformances of IPOs but little has been documented for the underpricing anomaly. This paper contributes to existing literature by tracking these IPO firms to their primary SEO to observe if board dynamics evolve after an IPO. We find evidence to suggest that, before and at IPO, gender diversity and educational background of the top management team (TMT) members influences underpricing. In particular, firms consisting of a larger proportion of female directors who are highly educated experience lesser “money left on the table”. Also, our empirical results demonstrate that having female TMT presence in boardrooms induces the extent of underpricing, with the notion of attracting more investors. However, board diversity and the education level of TMT members in the SEO markets do not appear to have such impacts. Results offer evidence that information asymmetry lessens when firms mature into the capital market.

JEL classification: G02, G14, G32, G34

Keywords: board composition, female directors, gender diversity, initial public offering, seasoned equity offering

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