

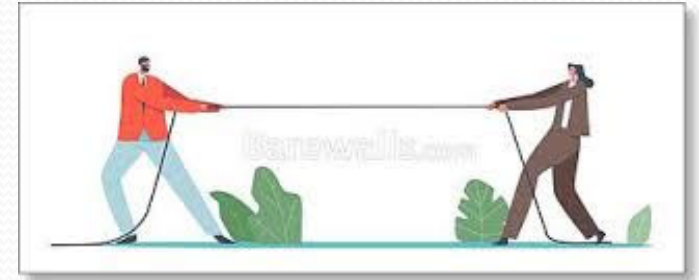
# Gender, Competition, and Performance: International Evidence

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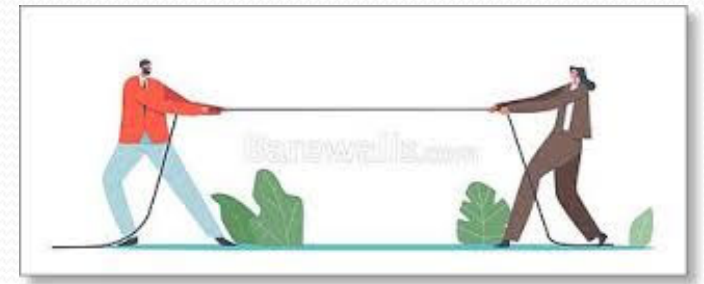
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# Background



- An important phenomenon: “Glass ceiling”
  - Despite decades of progress, women remain underrepresented in the upper part of the earnings distribution
  - 2017 census of Fortune 500 companies, women hold
    - 19.9% corporate board membership
    - 5.8% CEO
  - Europe, women account for 45% labor force, but
    - 23% board membership
    - 5.1% CEO
  - Phenomenon extends much beyond the corporate sector

# Background



- (Non-exclusive) explanations
  - Bertrand (2017 Coase Lecture)
  - Discrimination in the labor markets
    - Gender discrimination, sexism at workplace
  - Differences in education
    - Women less likely to choose educational tracks associated with top incomes
  - Challengers women may face in the labor market
    - e.g. work-family tradeoff
  - Culture norms, gender stereotypes
  - Difference in psychological attributes
    - Lab experiments: women more risk averse and systematic underperform in competitive environments
    - Criticisms: quantitative importance debatable, fragile roles of these attributes

# This paper

- The paper studies the important question of gender differences under competition
- Focus: a stylized fact
  - Gender difference in the propensities to engage in competitive activities
  - Men compete more often than women, even in tasks where women are more able
- Research question
  - Does competition hurt female performance?
  - Does cross-sectional differences in individualism mediate the competition-performance relation?
- Setting:
  - The highly competitive financial analyst industry
  - International sample with heterogeneous culture scores (e.g., individualism)

# Key findings

- Female analysts have worse forecast accuracy than male for countries with low individualism
- Among high individualistic countries, no significant gender effect for accuracy
  - Female produce more alternative forecasts, make more frequent EPS forecasts
  - Higher turnover-to-performance sensitivities
- Explanations
  - Women are averse to competition
  - Individualistic societies
    - Encourage independent opinions
    - Only those with beliefs that they can excel choose to enter competitive profession
  - =>Individualism attenuates the negative competition-performance relation for female

# Overall comments

- Very important topic
- Unique hand-collected international sample over 42 countries
- Careful and extensive analysis
- Potential to offer very important insights

## Comments 1. Exposition

- The paper offers an explanation that relies on gender differences in the innate inclinations for competition
  - *“Niederle and Vesterlund (2011) argue that beliefs about one’s relative performance may play an important role in women’s entry to competition and call for more research. Our global sample of analysts serves as a natural setting to explore the extent to which individualism foster freer expression of women’s beliefs about their abilities, with implications for their on-the-job performance relative to men’s across countries.”*
- Figure 1 shows a negative association between individualism and female participation in the financial analyst industry
  - Explanation:
    - Better matching of preferences in individualistic cultures and self-selection
  - Questions:
    - Is there a corresponding positive association between individualism and participation in other white-collar jobs?
    - How is the matching associated with gender pay gaps? (more later)

# Comments 1. Exposition

- How culture may mediate the gender gap when facing competition is an important question
  - The paper can benefit from a more balanced discussion without heavily relying on the innate preference channel
- There is no consensus on the innate inclinations channel
  - Bertrand (2017): *“it would be a mistake to view these traits as hardwired. Nurture rather than nature may be responsible for women’s lower willingness to compete as well as lower willingness to take risk”*
    - Nurture enables the expression of nature (Turkheimer 1998, 2003, Ridley 2003)
    - Nature and nurture co-evolve (Boyd and Richerson 1985, 2005)
- Evidence against innate preference
  - Croson and Gneezy (JEL 2009)
  - Social/gender norm
    - William, et al (2002): gender difference in competitive behavior is absent for young children and only appear later
    - Underperformance is due to “Backlash”: female job candidates with assertive negotiation behavior are punished more than male candidates (Bowles et al 2007)



# Culture experiment

## Matrilineal: Khasi (India)

- “We are sick of playing the roles of breeding bulls and baby-sitters.”
  - A Khasi man (Ahmed (1994))



## Patriarchal: Maasai (Tanzania)

- “Men treat us like donkeys.”
  - A Maasai woman (Hodgson (2001))



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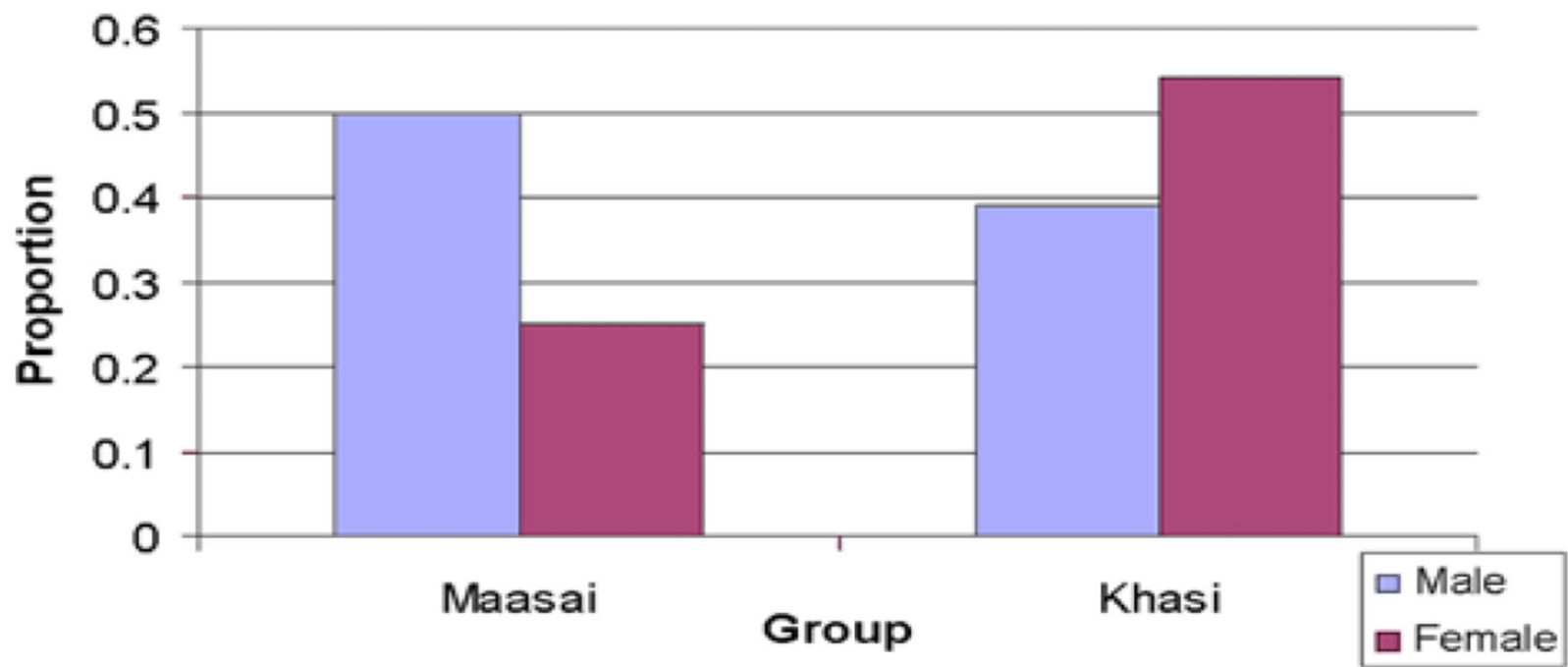


FIGURE 1.—A summary of competitive choices across gender in the two societies.



# Comments 1. Exposition

- Different interpretations imply very different policy prescriptions
  - Differences in the jobs that men and women choose are now the single largest cause of the gender pay gap, accounting for more than half
  - Blau & Kahn (2016)
- If the difference in reaction to competition is based on **nature**
  - Some may advocate reducing the competitiveness of the education system and labor markets to provide women with more chances to succeed
- If the difference is (at least partially) based on **nurture**
  - The public policy to target socialization and education at early ages as well as later in life to eliminate this asymmetric treatment
  - STEM mothers increase the girl's rate of becoming a CFA member (Adams, Barber, Odean FAJ 2017)
- Different implications on disclosure policies
  - The Nasdaq's new diversity rules impose board diversity disclosure requirements for the listed companies

## Comments 2. Alternative explanations

- Female analysis do not match societal norms of gender stereotypes may elicit strong negative reactions, especially in collectivistic countries
  - Evidence on face impressions
    - Oh, Buck, and Todorov (2019), Oh et al. (2020)
    - Female analysis with dominant-looking faces are penalized in the labor market (Peng Teoh Wang Yan 2022 JAR)
- Women may face less obstacles in countries with high individualism
  - Better access to information
  - More gender equality on work-family balance
  - Produce more accurate forecast, more frequently
  - Better able to produce alternative forecast
  - Higher performance-turnover sensitivity

## Comments 3. Identification

- Individualism-competition-performance relation may be driven by omitted factors
  - Individualism may be associated with many factors
    - The level of economic development, the quality of national political institutions, the gender gap in education, financial market regulation, transparency of disclosure, legal framework, etc.
- Possible exogenous variations
  - Shocks to financial regulation that level playing field and improve the fairness of competitions (e.g. RegFD)
  - Within country differences in individualism
    - Davis (2016) finds a negative relation between rainfall variation and contemporary levels of individualism
    - Climate shocks increase the return to collectivist risk-sharing agreements in preindustrial societies; the resulting social values persist to the present day
  - Transitional countries with changing cultures
    - Before/after transition, within country differences between regions during transition

## Comments 4. Empirical analysis

- Previous studies find that US female analysts issue **more** accurate forecasts
  - Kumar (2010 JAR), Peng Teoh Wang Yan (2022 JAR)
  - US ranks one of the highest on individualism
- The paper finds that
  - female analysts are less accurate in countries with collectivistic culture and equally accurate in countries with high individualism
  - A discussion of the differences with previous studies would be useful

# Comments 5. Empirical analysis

- Improve turnover-performance sensitivity measures
  - Differentiate promotions/demotions
- Robustness checks
  - Argentina has a huge gender difference in forecast errors
    - Average (EPS forecast – actual) is 7.5 times stock price! Outliers?
  - Exclude some countries with less than 5 female
    - Argentina, Finland, Hungary, Israel, New Zealand

# Summary

- An interesting paper on a very important topic
- Impressive hand-collected international sample over 42 countries
- Careful and extensive analysis
- The potential to generate important insights and policy recommendations
  
- Suggestions
  - More balanced discussion of channels
  - Discuss alternative explanations
  - Discuss policy implications
  - Utilize exogenous variations to provide identification