

# Shaped by Public Attention: Gender Equality, Female Executives and Product Market Performance

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## Abstract

We analyze the effects of public attention to social issues on product market performance. Specifically, we focus on public attention to gender equality and find that firms with a greater industry-adjusted female executive presence in the top management team experience significantly stronger product market performance only if the public attention to gender equality is particularly high. We find evidence more consistent with a social identity channel that suggests external (pull) rather than internal (push) factors underlying our findings, which become more significant for firms with corporate principal customers. We use the #MeToo movement as an exogenous shock to public attention of gender equality and find consistent results. Our study provides new insights on the role of public attention in shaping the relation between corporate female-friendly culture and industry dynamics.

## Introduction

Prior research in sociology argues that public attention rather than objective societal conditions drives the relative importance of some social issues compared to others (Hilgartner and Bosk, 1988). Business is an open and flexible system made up of diverse stakeholders and has increasingly become more exposed to public opinion and more vulnerable to public attention to social issues. However, it has not been determined whether such collective sentiments in public arenas have a real impact on private sector firms' operating outcomes.

Gender equality has for a long time been a focus of public attention. Despite recent advances in attaining prominent corporate positions over the last few decades. Women's representation in top management positions of corporate America still remains scarce: women comprise only 7% of top executives at Fortune 100 companies and hold only 10% of top management positions in all S&P 1500 companies.

Since females are known to be especially under-represented in top managerial positions in firms due to the "glass ceiling" blocking of women's progress to the highest corporate levels (Matsa and Miller, 2011; Flabbi, Macis, Moro, and Schivardi, 2019), a greater presence of women in top management might signal a generally positive view on women empowerment and female-friendly culture.

## Hypothesis Development

1. The goal of this paper is to shed some light on this issue by focusing on the implications of public attention to gender equity issues for the product market competitiveness of firms with varying degrees of perceived support for women empowerment.
2. In this paper, we analyze as a potential mechanism, the fact that public attention to gender issues may be a factor behind incorporating gender awareness in purchasing decisions.
3. We hypothesize that, when the public pays more attention to gender equity issues, firms that appear to be supportive of women empowerment in top management teams should see significantly stronger market share growth.

## Empirical Set-up

- Identifying the state of public attention

To more accurately and comprehensively capture public attention to gender equality, we utilize the "topic" feature provided by Google Trends to count all related searches for a specific topic. We include both "Gender equality" and "Gender inequality" as topics related to gender fairness, as illustrated by the blue solid line in Figure 1.

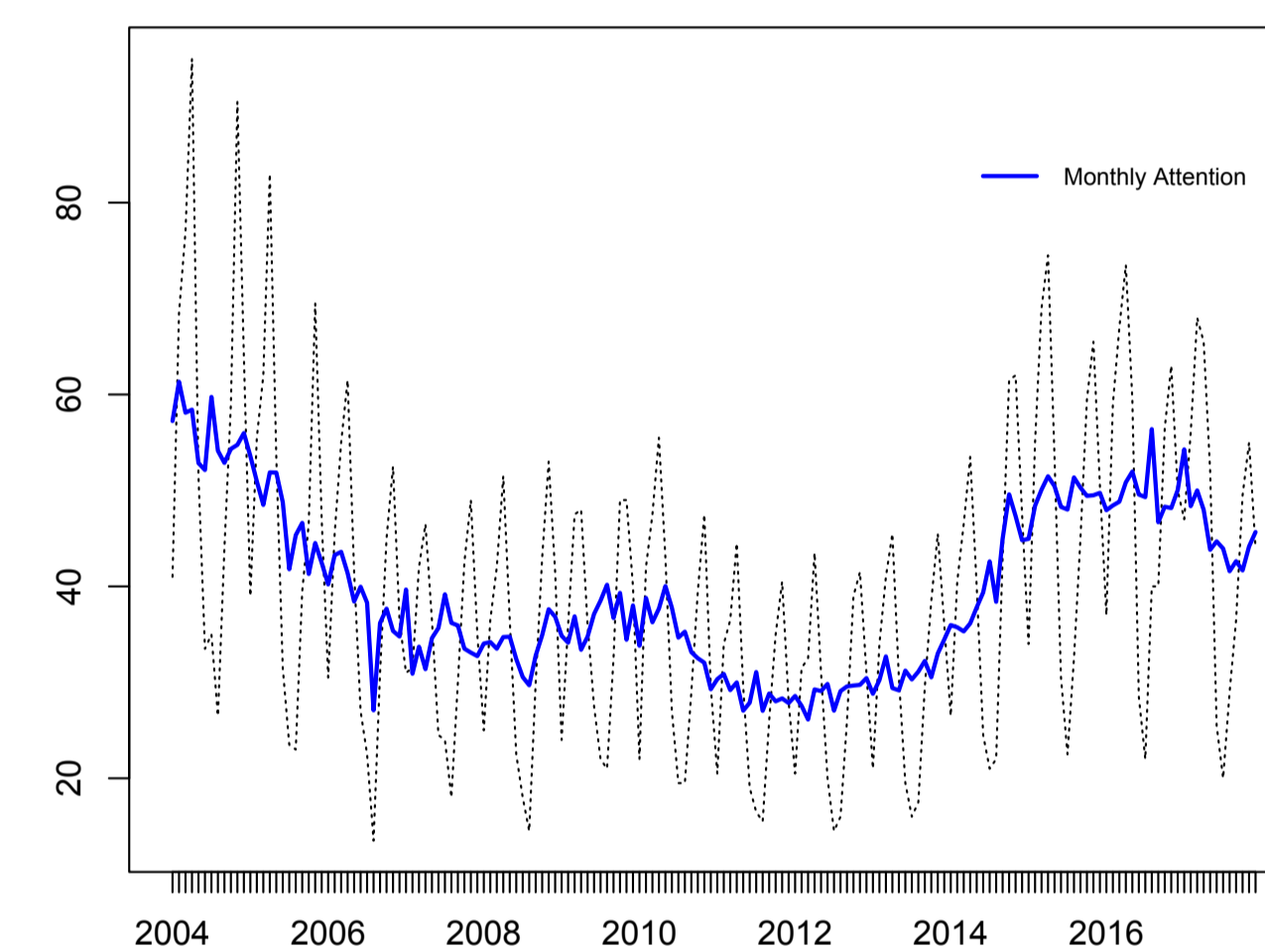


Figure 1: Public Attention to Gender Equality

- Women empowerment in top management

Our primary measure of the managerial level gender diversity is the industry-adjusted ratio of females among the top five paid executives (*FER*).

- Product market performance

As with Campello (2006), Fresard (2010) and Billett, Garfinkel, and Yu (2017) and others, we primarily use industry-adjusted market share growth (*Market Share Growth*) as a measure of product market performance.

- Baseline model

$$\text{Market Share Growth}_t = \alpha + \beta_1 \text{Hi\_Attention}_{t-1} \times \text{FER}_{t-1} + \beta_2 \text{FER}_{t-1} + \beta_3 \text{Hi\_Attention}_{t-1} + \gamma X_{t-1} + \text{Firm FE} + \text{Year FE} + \epsilon \quad (1)$$

## Results

### Baseline results

We present the estimation results of regression model (1) in Table 1.

	Market Share Growth			
	(1)	(2)	(3)	(4)
Hi_Attention <sub>t-1</sub> × FER <sub>t-1</sub>			0.1287*** (0.0454)	0.1306*** (0.0440)
FER <sub>t-1</sub>	0.0456 (0.0287)	0.0436 (0.0282)	0.0125 (0.0314)	0.0100 (0.0308)
Hi_Attention <sub>t-1</sub>			0.0071 (0.0170)	0.0059 (0.0168)
Controls	No	Yes	No	Yes
Observations	14945	14945	14945	14945
Adjusted R-squared	0.1127	0.1321	0.1130	0.1325
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes

Table 1: Public Attention to Gender Equality and Product Market Outcomes

These results suggest that firms with higher *FER* experience substantially more future net sales growth relative to peers *only if* the public attention to gender equality is particularly high.

While we find no similar effect for other operating performance measures, we show that our main results mostly concentrate among firms with a customer base involving corporate buyers. Furthermore, our results hold up to a battery of robustness tests.

### A quasi-natural experiment

To mitigate endogeneity concerns, we take advantage of the #MeToo movement as an exogenous shock to public attention regarding gender equity issues.



Figure 2: The #MeToo Moment

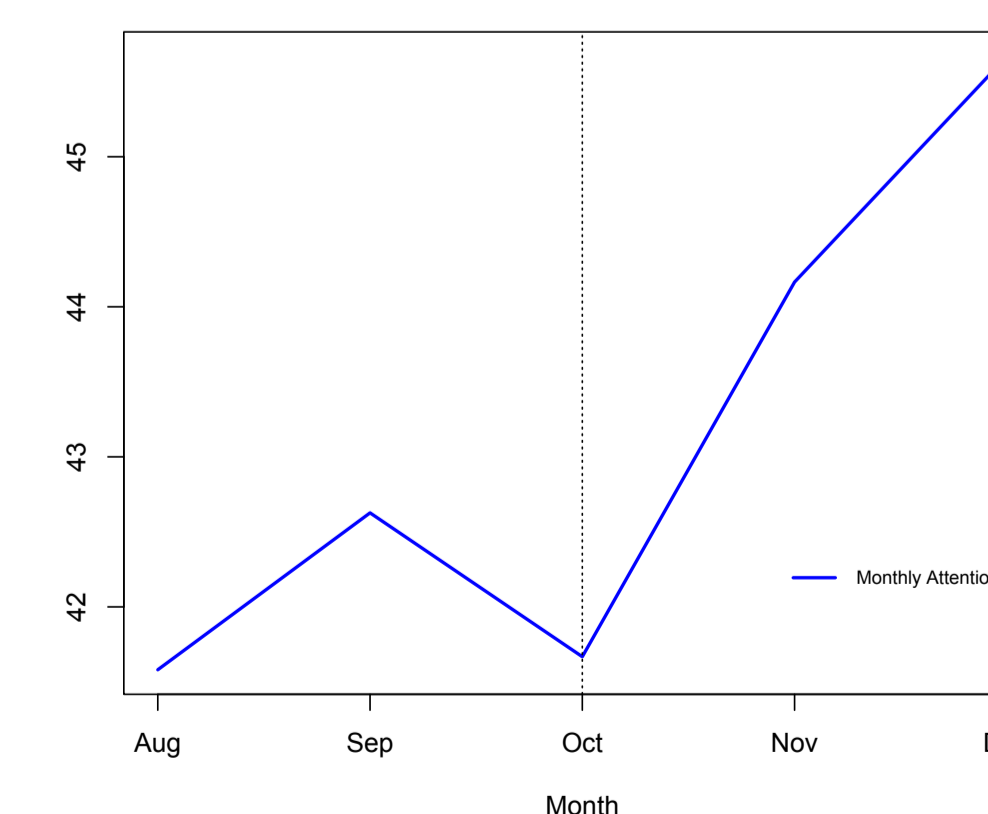


Figure 3: Public Attention around The #MeToo Moment

	Market Share Growth			
	(1)	(2)	(3)	(4)
Post #MeToo × Treat	0.0428** (0.0211)	0.0506** (0.0253)		
#MeToo <sup>-2</sup> × Treat			-0.0136 (0.0173)	-0.0152 (0.0170)
#MeToo <sup>0</sup> × Treat			0.0249 (0.0224)	0.0289 (0.0253)
#MeToo <sup>+1</sup> × Treat			0.0497** (0.0232)	0.0567** (0.0269)
Observations	4375	4375	4375	4375
Adjusted R-squared	0.4385	0.4151	0.4383	0.4149
Time FE	Yes	No	Yes	No
Firm FE	Yes	Yes	Yes	Yes
Industry-Time FE	No	Yes	No	Yes

Table 2: A Quasi Natural Experiment: The #MeToo Movement

## Conclusions

- Using panel data analysis controlling for both firm and year fixed effects, we find that firms with greater gender diversity in top management teams experience stronger market share growth when public attention to gender equity issues is relatively high.
- Furthermore, our results hold up to a battery of robustness tests including difference-in-differences analysis using the #MeToo movement as a quasi-natural experiment.
- Our paper provides some novel evidence suggesting the potential impact of public attention to social issues on corporate outcomes.

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