

## **CEO Gender and Responses to Shareholder Activism**

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July 2023

We thank Scott Asay, Ed deHaan, Jeremy Douthit, Michael Durney, Brian Gale, Steph Grant, Jeff Hales, Max Hewitt, Cory Hinds, Steve Kachelmeier, Lisa Koonce, Tamara Lambert, Cassie Mongold, Marietta Peytcheva, Samantha Seto (Discussant), Ben Van Landuyt, Brian White, Amanda Winn (Discussant), anonymous reviewers from the 2021 Accounting, Behavior, and Organizations Research Conference, and the 2022 Financial Accounting and Reporting Section Conference, and workshop participants at the 2021 BYU Accounting Research Symposium, Northeastern University, The University of Arizona, The University of Chicago, The University of Texas at Austin, The University of Washington-Seattle, and Villanova University for comments on earlier versions of this paper.

## **CEO Gender and Responses to Shareholder Activism**

**Abstract:** Recent literature finds that firms led by female CEOs are more likely to be targeted by activist shareholders, and that female CEOs are more likely to cooperate with activist shareholders' requests. Our study complements this literature by using two controlled experiments and a series of semi-structured interviews with CEOs and CFOs to investigate how a CEO's response to shareholder activism influences investors' reactions, and whether these reactions differ depending on the gender of the CEO, or on how their response is framed. In the first experiment, we find that investors evaluate a firm as less attractive when a female CEO uses an uncooperative response rather than a cooperative response to shareholder activism. Alternatively, investors evaluate a firm as less attractive when a male CEO uses a cooperative response rather than an uncooperative response. In the second experiment, we find that investors react less negatively to a female CEO's uncooperative response when the explanation for the response is framed more communally (versus agentically). Our interviews with CEOs and CFOs provide insights into how the gender of firms' leadership may play a role when firms are targeted by activist shareholders. Our results collectively suggest that investors rely on gender stereotypes when evaluating the responses of male and female executives to shareholder activism, and that these evaluations affect their investment judgments. Our results also suggest a potential alternative explanation for the finding that female CEOs are more likely to cooperate with activist shareholders than male CEOs. Rather than inherent differences in the management style of male and female CEOs, responses to activist shareholders may be driven, at least in part, by managers anticipating that they will be penalized by investors for deviating from gender-stereotypical behavior.

**Key words:** shareholder activism; CEO gender; investor engagement

## 1. INTRODUCTION

Activist shareholders use their leverage as partial owners to push for changes within a firm. With the rise in shareholder activism, a large empirical literature on the determinants and consequences has emerged (see Brav, Jiang, and Kim [2015] for a review), with recent papers finding that firms with female CEOs are more likely to be targeted by activists (Gupta et al. [2018], Francis, Hasan, Shen, and Wu [2021]), and that investors respond differently when male and female CEOs are targeted by activists (Jackson [2021]). While these studies largely focus on the initiation of activism, little research examines how managers respond to activists, and how those responses influence investors. When confronted with activism, management can adopt a more cooperative stance and engage directly with activists (Levit [2019], Bebchuk, Brav, Jiang, and Keusch [2020]) or adopt a less cooperative stance and resist their demands (Lipton [2019], Bebchuk et al. [2020]). In this study, we examine how these different strategies affect investors' judgments, and whether the effects differ depending on the gender of the targeted company's CEO, or on how the response is framed.

Drawing on research in psychology, we predict that investors will rely on descriptive norms about men and women when evaluating managers' responses to shareholder activism. Prior literature finds that descriptive norms for men are largely associated with "agentic" behavior, such as aggressiveness, persistence, and dominance, whereas descriptive norms for women are largely associated with "communal" behavior, such as kindness and cooperativeness. These descriptive norms form the basis for stereotypes about male versus female behaviors. Further, prior literature finds that these gender stereotypes play a greater role in evaluations in settings where the appropriate behavior is ambiguous (Heilman [2012]).

Although shareholder activism is rising, it is still a relatively infrequent and idiosyncratic occurrence. Because of this, the appropriate response to shareholder activism is often ambiguous,

increasing the likelihood that gender stereotypes influence investors' evaluations of a CEO's response. In particular, we expect that investors will view a firm as a less attractive investment when the response to shareholder activism conflicts with stereotypes associated with a manager's gender. Specifically, we predict that investors will evaluate female managers more negatively when they use an uncooperative response, which is consistent with stereotypically male characteristics, than when they use a cooperative response. Conversely, we predict that investors will evaluate male managers more negatively when they use a cooperative response, which is consistent with stereotypically female characteristics, than when they use an uncooperative response. Additionally, we predict that investor reactions will be less negative when the *explanation* for an uncooperative response from a female CEO is framed as more communal rather than agentic.

We test our predictions using two controlled 2×2 between-participants experiments, where investors evaluate a company targeted by an activist. In our first experiment, we manipulate the gender of the CEO (*Male* versus *Female*) and the nature of the CEO's response to shareholder activism (*Cooperative* versus *Uncooperative*). Participants acting as investors indicate how the CEO's response affects the attractiveness of a potential investment in the targeted company. To provide additional context to our findings, participants also indicate the extent to which the CEO possesses characteristics stereotypically associated with men ("agency") and women ("communality"), as well as perceptions of the credibility and likability of the manager.

The results of our first experiment support our predictions. Specifically, we find evidence of a significant interaction between *CEO Gender* and *Response*. For female CEOs, investors evaluate the firm as less attractive when the CEO uses an uncooperative response to shareholder

activism than when the CEO uses a cooperative response. We further find that investors view female CEOs who use an uncooperative response as lower in communal characteristics stereotypically associated with women, and rate them as less likable. These findings are consistent with the “implied communality deficit” documented in prior research (Heilman and Okimoto [2007]).

In contrast, investors evaluate firms run by a male CEO as less attractive investments when he uses a cooperative response rather than an uncooperative response. We also find that male CEOs who use a cooperative response are perceived as lower in agentic characteristics stereotypically associated with men, and are rated as less credible. These results are consistent with research showing that men who violate descriptive gender norms are perceived as ineffectual, and are less-respected (Heilman and Wallen [2010]). Our findings collectively suggest that investors rely on gender stereotypes to evaluate the responses of male and female managers to shareholder activism, and that these evaluations affect investment judgments.

In our second experiment, we investigate whether investors’ reactions change depending on how firms frame the explanation for their response to activist shareholders in a disclosure. Specifically, we focus on evaluations of female CEOs, and manipulate the nature of the CEO’s response to shareholder activism (*Cooperative* versus *Uncooperative*) as well as the framing of that response (*Communal* versus *Agentic*) in a firm disclosure. We find that investors rate the investment as more attractive when the female CEO uses a communal frame to explain her uncooperative response, relative to an agentic frame. This finding is consistent with the idea that an uncooperative response from a female CEO is viewed more favorably when the aggressive action (i.e., not cooperating) is framed with a communal explanation (e.g., it was done in order to take care of investors). We find no significant effect of framing on investment perceptions when

the CEO's response to activist shareholders is cooperative, and therefore consistent with stereotypical gender expectations for female CEOs.

We complement the findings from our experiments with a series of semi-structured interviews with five Chief Executive and Chief Financial Officers (three female and two male). We ask them to share personal experiences dealing with shareholder activism, and gather insights into their propensity towards pushing back on a shareholder proposal. We further ask the managers whether they believe investors hold different expectations for male and female CEOs, and whether they would expect negative backlash for responding to activism in a way that is counter to stereotypical gender expectations. Executives describe a number of challenges they face when responding to activists, and appear to anticipate the negative reactions from investors documented in our first experiment. Respondents also describe hostile interactions between investors and female CEOs, and note the importance of messaging in these circumstances, consistent with the focus of our second experiment.

This study contributes to the literature on shareholder activism. While a large literature focuses on the initiation and consequences of activism (Brav et al. [2015]), recent studies have begun to examine the engagement between activists and management during these campaigns. Analytical and archival research in this area focuses on the strategic behavior of the activist (Levit [2019], Appel, Gormley, and Keim [2019], Aiken and Lee [2020]) and the factors that influence management's response (Bebchuk et al. [2020], Wiersma, Ahn, and Zhang [2020], Francis et al. [2021]). Our study complements this research by demonstrating the effects of different management responses on investor judgments, illustrating potential consequences of adopting a more versus less cooperative stance with activists.

We also contribute to research on gender in accounting settings (Fanning, Williams, and Williamson [2021], Bloomfield, Rennekamp, Steenhoven, and Stewart [2020], Jackson [2021], Friedman [2020]) and the growing literature on the role of manager gender in shareholder activism. Concurrent research finds that due to the ambiguous nature of shareholder activism, nonprofessional investors may rely on CEO gender to inform their investment decisions, showing increased investment willingness when the nature of the activism is congruent with the CEO's stereotypical gender expectations (Jackson [2021]). We complement this research by focusing on how gender interacts with a firm's *response* to shareholder activism to influence investor perceptions, rather than by focusing on the nature of the activism campaign itself. Additionally, we find that a female CEO can potentially avoid the negative investor reaction by providing a reason for their decision that is congruent with gendered expectations for communal behavior. Our results suggest that firms can mitigate biased responses from investors by thinking carefully about how to craft their disclosures, particularly in light of investors' gender expectations of firm leadership. Although we do not directly test it in our second experiment, our results suggest that investors' more negative responses to male CEOs who respond cooperatively to activist shareholders might be mitigated by explaining the CEOs' action using a more agentic frame. For example, a firm might disclose that the male CEO is cooperating, but is doing so in order to fight for shareholders and lead the discussions with the activist.

Although several archival studies find that female CEOs are more likely to be targeted by activists, there is disagreement as to whether this is due to a "glass cliff" gender bias against female leaders, where women receive greater scrutiny for achieving the same level of performance as men (Gupta et al. [2018]), or whether this is instead driven by gender differences in management styles making female CEOs more likely to cooperate and implement activist

proposals (Francis et al. [2021]). Rather than inherent gender differences, the results of our study suggest that female CEOs may be more likely to cooperate with activists if they anticipate being penalized by investors for adopting a more uncooperative stance. Indeed, the findings from our semi-structured interviews suggest that female executives anticipate these reactions and use a variety of tactics to limit their effects.

## **2. BACKGROUND AND THEORETICAL FRAMEWORK**

Shareholder activism takes place when a shareholder attempts to use their rights as a partial owner to bring about change within a company. Activist hedge funds are one of the largest asset classes worldwide, with more than \$200 billion in assets (Slawotsky [2015]). Shareholder activism differs from a hostile takeover bid in that activists typically do not buy up controlling interest in a company, but rather prefer to maintain between 1 and 5 percent of outstanding shares (Brav, Jiang, Portnoy, and Thomas [2008]). Thus, they expand their influence through other channels, using financial media coverage and relying on their influence as large institutional investors to pressure management into accomplishing the activists' goals. These goals may be financial (e.g., cost-cutting, mergers and acquisitions) or non-financial (e.g., adoption of socially- or environmentally-friendly business practices) in nature. Given that the channels shareholder activists use to pressure a company are often the same channels through which nonprofessional investors gather much of their information about potential investments (Solomon, Soltes, and Sosyura [2014]), shareholder activism has the potential to impact these types of investors in the financial market (Jackson [2021]).

Between 2017 and 2020, shareholder activists initiated over 2,800 campaigns worldwide, with 20 percent either being successful or ending in a settlement with the targeted company (Mahabier and Atteh [2020]). Responding to concerns from regulators about the rise in hedge



fund activism and its impact on financial markets and corporate governance (Jackson [2018], Bogle [2018]), a large literature has studied the initiation and consequences of these activities. Early research on hedge fund activism documented common objectives, ranging from general attempts to maximize shareholder value to more specific efforts to affect the firm's capital structure, strategic operations, or governance (Brav et al. [2008]). Recent activism trends show a shift from a traditional short-term profit-driven focus to a more long-term focus on sustainability and/or profitability, as a large number of activist campaigns have centered around environmental and social issues (Mohammed [2018], Dimson, Karakas, and Li [2015], Jackson [2021]). Subsequent studies have examined the characteristics of firms targeted by activists, finding that these firms tend to be smaller, undervalued, and less-profitable, (Brav et al. [2015]), and news of an activist campaign typically results in a positive short-term market response (Brav et al. [2008], Klein and Zur [2009], Bebchuk, Brav, and Jiang [2015]). However, some interventions are not successful, and can cause company performance to decline (Surowiecki [2013]).

While the literature on the determinants of activism largely focuses on firm characteristics, more recent research has begun to examine the role of management characteristics. Motivated by anecdotal evidence that activists target female CEOs (Sorkin [2015]), two recent studies find that, controlling for firm characteristics, firms led by female CEOs are roughly 50 percent more likely to be targeted by activists than firms with male CEOs (Gupta et al. [2018], Francis et al. [2021]). As this phenomenon does not appear to be explained by attributes of the firm, several alternative explanations have been suggested. Gupta et al. [2018] argues that it reflects a "glass cliff" gender bias, where female CEOs face greater scrutiny from activists because of a perceived mismatch between the characteristics of leaders and women (Eagly and Karau [2002]). In contrast, Francis et al. [2021] find that the market reaction

to announcements of activism for female-led firms is more positive than those of male-led firms, and interpret this as evidence that female CEOs are targeted for economic reasons, rather than gender biases. They further argue that gender differences in management styles, particularly how the manager responds to activists, may explain the targeting of female-led firms.

Activist hedge funds can employ a variety of tactics to enact their desired changes, ranging from regular communication with management to more aggressive actions like publicly criticizing the firm or launching proxy contests (Brav et al. [2008]), and prior research suggests that more combative tactics incur greater costs to the activist (Gantchev [2013]). Specifically, some of the more common forms of shareholder activism include:

- Shareholder resolutions: A formal proposal submitted on behalf of the activist for a vote at the annual shareholders meeting' (disclosed in a company's proxy statement).
- Proxy fights: The solicitation of other shareholders' proxy votes and to delegate their voting power to effect change in management (done when the shareholder is not willing/able to attend the annual shareholders' meeting).
- Publicity campaigns: The use of mass financial media to bring attention to a perceived problem/issue in a company, putting public pressure on management.
- Negotiation: Direct cooperative/collaborative communication with management, usually resulting in concessions from both parties.
- Litigation: The initiation of legal action against management (the most expensive option, and usually the least desirable option for both parties).

Because more combative firm tactics are more costly for an activist, the returns to activism depend on how management responds. Analytical and archival research has examined the factors that make management more likely to cooperate (Levit [2019], Wiersema, Ahn, and

Zhang [2020], Bebchuk et al. [2020]) and suggests that activists consider these factors when choosing which firms to target and how to engage with management (Aiken and Lee [2020], Johnson and Swem [2021]).

Recent research argues that hedge fund activists target female-led firms because female CEOs are more likely to cooperate, which decreases the cost of activism and increases the likelihood of success (Francis et al. [2021]). Consistent with this, Francis et al. [2021] find that female CEOs are more likely to cooperate with activists, and less likely to use aggressive responses like rebuttal letters or “poison pills” than male CEOs. Further, activists who target female-led firms are more likely to achieve their objectives without using more hostile strategies like proxy fights. While the authors attribute cooperation by female CEOs to innate differences in the managerial styles of men and women, another possibility is that female CEOs cooperate because they anticipate facing repercussions from investors for violating gender norms.

Research in psychology shows that gender stereotypes can influence how individuals evaluate the behavior of others. Whereas men are stereotypically associated with “agentic” characteristics like aggressiveness, achievement, and dominance, women are stereotypically associated with “communal” characteristics like kindness and cooperativeness, and a broad literature shows that individuals are penalized for exhibiting behavior inconsistent with gender stereotypes (Heilman [2001], Rudman and Fairchild [2004]). This research shows that women who violate gender norms through behaviors like self-promotion or success in traditionally male areas face “backlash” in the form of social and economic sanctions (Rudman [1998], Rudman and Glick [2001]). Specifically, women who violate gender norms are viewed as deficient in the communal characteristics associated with women, and are perceived as less likable as a result (Heilman and Okimoto [2007]).

Research on gender stereotypes shows that men also face backlash for exhibiting gender-inconsistent behavior, such as displaying modesty or agreeableness (Moss-Racusin, Phelan, and Rudman [2010], Judge, Livingston, and Hurst [2012]). Similar to how women who violate gender norms are perceived as deficient in communal characteristics, men who exhibit gender-inconsistent behavior are perceived as deficient in the agentic characteristics associated with men. Although men and women both experience backlash for violating gender stereotypes, these different perceived deficiencies result in different consequences. Whereas women are perceived as less warm and viewed as unlikable, men are perceived as less competent and less deserving of respect when they exhibit gender-inconsistent behavior (Heilman and Wallen [2010]).

These well-established findings show that gender-inconsistent behavior primarily influences perceptions of others on the dimensions that would typically be stereotyped as an individual's "strengths." For example, when women violate gender stereotypes and are less cooperative, evaluations of their likability and communality (i.e., some of the perceived stereotypical "strengths" of women) are likely to be affected, but perceptions of their agency and competence are unlikely to change. Likewise, when men act more cooperatively, evaluations of their agency and competence will be affected, but perceptions of their likability and communality are unlikely to change.

We predict that investors will rely on gender stereotypes when evaluating a manager's response to shareholder activism. Prior research suggests that individuals rely more on gender stereotypes when evaluating the behavior of others in settings where the best course of action is ambiguous (Heilman [2012]). In other words, when it is not clear what an individual should do in a given situation, observers simplify the task of forming an evaluation by relying to a greater extent on gender stereotypes. In our setting of interest, the idiosyncratic nature of shareholder

activism campaigns increases ambiguity about the appropriate response from CEOs, suggesting that gender stereotypes are likely to play a role in investors' evaluations (Heilman [2012]). Specifically, we predict that investors will evaluate a manager more negatively when their response violates gender stereotypes, and will view the company as a less attractive investment as a result. We formally state our hypotheses below.

***H1:** Investors will evaluate a firm as a less attractive investment when a female CEO uses an uncooperative response to an activist investor, relative to a cooperative response.*

***H2:** Investors will evaluate a firm as a less attractive investment when a male CEO uses a cooperative response to an activist investor, relative to an uncooperative response.*

Although we expect gender stereotypes to lead to different reactions from investors to the responses of female versus male CEOs to shareholder activism, it is also possible that investors will generally react positively to either an uncooperative or cooperative response to activists, regardless of CEO gender. On average, individuals associate leadership positions with stereotypically masculine behavior (Koenig, Eagly, Mitchell, and Ristikari [2011]). As a result, investors may expect an uncooperative response from CEOs to shareholder activism, and punish CEOs that respond cooperatively. On the other hand, leadership often requires collaboration and consensus-building, suggesting that investors may instead reward CEOs that respond cooperatively (Ibarra and Hansen [2011]).

### **3. EXPERIMENT ONE**

#### **3.1. Methodology**

##### **3.1.1. Participants**

We use MBA students to proxy for reasonably well-informed individual investors (Elliott, Hodge, Kennedy, and Pronk [2007]). One hundred twenty-eight MBA students at a large

public university in the United States participate in the experiment.<sup>1</sup> On average, participants have 17.7 years of professional work experience and have taken 3.0 accounting courses, 2.9 finance courses, and 2.9 economics courses. Ninety-one percent of participants report that they have previously purchased common stock or debt securities, while ninety-eight percent plan to do so in the future. Forty-three percent of participants are female.

### 3.1.2. Experimental Design

We test our predictions with a 2×2 between-participants experiment, where non-professional investors evaluate a company in the telecommunications industry.<sup>2</sup> An experiment with investor participants is an ideal setting to study the joint effect of CEO gender and the response tactic to shareholder activism for three main reasons: 1) while shareholder activism is on the rise, and tends to be a highly-publicized event, it remains a rare event overall, 2) male CEOs make up a disproportionate majority of total CEOs (as of May 2020, only 37 of the companies in the Fortune 500 are led by women), and 3) an experiment helps to isolate the effect of a cooperative/uncooperative response, while holding all else constant, which is not possible under traditional archival methods.

In this experiment, we manipulate *CEO Gender* at two levels (*Male* versus *Female*) and *Response* at two levels (*Cooperative* versus *Uncooperative*). We adapt the manipulation of *CEO Gender* from Jackson [2021], referring to the *Male* CEO using the pronouns “he/him/his” and

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<sup>1</sup> Both experiments, the semi-structured interviews, and all related pilot studies were approved by the Institutional Review Board for Human Participants (IRB) at the universities at which this study was administered and completed.

<sup>2</sup> Due in large part to social media sites like Reddit and Twitter, retail investors are an increasingly influential constituency, and managers express concerns about how to communicate effectively with this group of investors (Broughton [2021]). However, CEOs likely consider the effects on *all* investors’ judgments when deciding how to respond to investor activism. The information asymmetries and ambiguity that exist in a shareholder activism scenario make it likely that even more experienced investors will rely to some extent on heuristics and gender stereotypes to form their evaluations, which would lead to at least directionally consistent effects with more sophisticated investors. Consistent with this idea, we find that investment experience does not significantly interact with our two main independent variables ( $p = 0.55$ ).

referring to the *Female* CEO using the pronouns “she/her/hers”. Similar to Jackson [2021], we also include a picture of the CEO in company background information and when describing the CEO’s response, to maximize any effect associated with *CEO Gender*.<sup>3</sup> The *Male* CEO was named “Michael” and the *Female* CEO was named “Lisa”. We chose these names to hold constant the perceived age of the CEO across conditions, as these two names were among the most common for people born in the 1960s.<sup>4</sup> *Response* was manipulated as either *Cooperative* or *Uncooperative*, based on whether there was substantial agreement or disagreement with the activists, leading to the withdrawal (or not) of the resolution.<sup>5</sup>

In this study, we focus on investors’ perceptions of investment attractiveness as our main dependent variable. This allows us to capture the general favorability of investors’ attitudes towards a firm in response to how the CEO deals with a an activism campaign. Specifically, we measure the impact of the CEO’s response on the attractiveness of the company as a potential investment (0 = “Much less attractive”, 5 = “No change”, 10 = “Much more attractive”). This dependent variable most closely aligns with our desired construct of interest (see Asay, Hales, Hinds, and Rugar [2021]), although we acknowledge that previous research using other measures of related constructs (e.g., valuation, investment attractiveness, investment willingness) finds that these measures are generally viewed as similar by investors, are often correlated, and load onto a single factor (see e.g., Elliott, Hobson, and Jackson [2011], Elliott, Rennekamp, and White [2015], Elliott, Grant, and Rennekamp [2017], Dong, Lui, Wong-on-Wing [2017]).

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<sup>3</sup> To reduce the plausibility of alternative explanations, these photos were pre-tested by Jackson [2021] to verify that perceptions of age, credibility, or attractiveness were not inadvertently manipulated. Specifically, Amazon MTurk participants (N=50) were presented with the picture of either the male or female CEO (absent any other information) and were asked to record the extent to which they felt the CEO was credible, attractive, or old. No significant differences on these measures were found (Jackson [2021]).

<sup>4</sup> See [www.ssa.gov/oact/babynames](http://www.ssa.gov/oact/babynames)

<sup>5</sup> See the Appendix for excerpts from our experimental manipulations.

### 3.1.3. Experimental Task

Our experimental materials were adapted from Jackson [2021], wherein participants assumed the role of an investor evaluating a company in the telecommunications industry. After reading background information about the company and the CEO, investors read a Wall Street Journal article reporting that shareholder activists have filed a resolution with the company's management, demanding certain operational changes. Specifically, the resolution calls on the firm to sell a division of the company focused on developing new products. We intentionally design the resolution so that it is uncertain whether it would increase shareholder value or not. Specifically, later in the article it is mentioned that Institutional Shareholder Services (ISS), a US investor advice firm, declined to opine on the resolution. Because gender stereotypes tend to have a greater influence on judgments in more ambiguous situations (Heilman [2012]), we expect investors to rely more on gender expectations when the merit of the proposal is unclear. This ambiguity is consistent with the inherent uncertainty in forward-looking activist proposals and helps to maximize and isolate effects related to the independent variables in our experiment.

Investors then read a press release from the shareholder activist fund, dated a few weeks after the initial WSJ article. In this press release, participants learn about the targeted firm's response to the shareholder activism as being either cooperative or uncooperative in nature. Specifically, in the *Cooperative (Uncooperative)* condition, shareholder activists disclose that the resolution has (not) been withdrawn, due to substantive agreement (disagreement) with the firm and its leadership.<sup>6</sup> After investors read the press release, we collect our main dependent

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<sup>6</sup> This is consistent with evidence showing that investors often learn about a firm's response to shareholder activism from the activists themselves, and that activists are typically vocal about their activities, using the media to influence firms and enact change (see, e.g., the Activist Investing 2021 Annual Review, available for download at: <https://www.activistinsight.com/aiar2021/>).



variable, as well as other perceptions of the CEO (e.g., communal/agentive traits, credibility, likability), followed by basic demographic information.

## 3.2. Results

### 3.2.1. Manipulation Checks

We begin by checking whether participants are attentive to our manipulation of CEO gender and the CEO's response to the activists. For gender, we ask participants, "What was the gender of Zetha, Inc.'s CEO?" For the response manipulation, we ask, "Which statement most accurately describes the current status of Main Street's resolution with Zetha, Inc.?" with options that indicate that the resolution was either withdrawn (as in our *Cooperative* condition), or not withdrawn (as in our *Uncooperative* condition). Of our 128 participants, 97% (N=125) correctly report the gender of the CEO in their condition, and 87% (N=111) correctly report whether the CEO's response was cooperative or uncooperative. The proportion of correct responses to our manipulation check questions does not differ by condition (all  $p$ -values  $> 0.790$ , two-tailed), and we view our manipulations as successful.

### 3.2.2. Tests of Hypotheses

Our first hypothesis (H1) predicts that investors will evaluate a firm as a less attractive investment when a female CEO uses an uncooperative response to an activist investor, relative to a cooperative response. Our second hypothesis (H2) predicts that investors will evaluate a firm as a less attractive investment when a male CEO uses a cooperative response to an activist investor, relative to an uncooperative response. In combination, H1 and H2 suggest that we should observe a significant *CEO Gender* by *Response* interaction.

Panel A of Table 1 presents mean investment attractiveness judgments, by condition, and Panel B of Table 1 presents our analysis of variance. As expected, we observe a significant

interaction between the CEO's gender and their response to the activist shareholder ( $p = 0.002$ , one-tailed equivalent). Panel C of Table 1 presents tests of the simple main effects of response type, for both the female and male CEOs. Consistent with H1, investors report that an uncooperative response makes Zetha a less attractive potential investment than a cooperative response when the CEO is female (*Cooperative*: 6.85, *Uncooperative*: 5.28;  $p = 0.005$ , one-tailed). When the CEO is male, investors view Zetha as a less attractive investment when the CEO's response was cooperative rather than uncooperative, providing support for H2 (*Cooperative*: 4.33, *Uncooperative*: 5.33;  $p = 0.051$ , one-tailed). Figure 1 depicts these results graphically.<sup>7</sup>

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These results support our prediction that, when evaluating a manager's response to shareholder activism, investors tend to rely on gender stereotypes and evaluate a manager more negatively when their response violates stereotypical gender expectations.

As shown in Table 1, we also observe an unexpected significant main effect of CEO gender where the firm is, on average, judged more favorably when there is a female CEO ( $p=0.005$ , two-tailed). While we do not make any ex-ante directional predictions surrounding a main effect of CEO gender, this positive main effect could be driven by a number of things, including the female CEO being perceived as a better fit for the type of activist campaign in our

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<sup>7</sup> Consistent with prior literature, judgments do not differ by the gender of our participants. As discussed in the review by Heilman [2012], both men and women have similar expectations about how others behave (i.e., men and women have similar perceptions of the stereotypical behavior of others), and so violations of those expected behaviors, in general, are perceived similarly by both men and women when forming evaluations.

setting (Jackson 2021), or the female CEO being perceived more favorably based on her appearance, despite our pretesting of the photos used in our experimental materials. We are therefore cautious not to overinterpret this positive main effect as evidence that female CEOs are evaluated more favorably during shareholder activism campaigns. While we would expect our observed *interaction* between CEO gender and response style to generalize to other settings, we would not necessarily expect a similar positive main effect of gender if we were to change some of the design choices in our study (e.g., campaign type, CEO photos, etc.).<sup>8</sup>

Likewise, we are cautious not to interpret the similar reactions to the male versus female CEO in the uncooperative conditions as evidence that gender only matters when the CEO cooperates. As with the unexpected positive main effect of gender, the mean levels of participants' judgments may be a function of the setting we chose. Because of this, we focus on the simple main effects of a CEO's response within each gender, rather than the simple main effects of a CEO's gender within each response condition. In other words, while our theory always predicts that evaluations will be more favorable when a female CEO cooperates relative to when she does not cooperate, and that evaluations will more favorable when a male CEO does not cooperate rather than cooperates, the overall means for female vs. male CEOs may shift up or down depending on the contextual features of a given activist campaign (see e.g., Jackson [2021], where reactions may be influenced by the perceived fit between the features of an activist campaign and the gender of the CEO).

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<sup>8</sup> In addition to our main dependent variable of investment attractiveness, we also collect investors' perceptions of the proposed resolution. Across all conditions we ask participants how the proposed resolution, if implemented, would impact earnings per share (-5 = "Greatly decrease EPS", 0 = "No change", +5 = "Greatly increase EPS"). We do not find any significant main effects with respect to *CEO Gender* or *Response* but do find a marginally significant interaction effect ( $p = 0.06$  two-tailed). However, when examining the simple main effects, we find no significant effects of *CEO Gender* within either type of *Response* (all  $p$ 's > 0.135). This offers further evidence that it is perceptions of the CEO and his/her *response* to the proposed resolution, and not the proposed resolution itself, that is driving the results under our main dependent variable.

### 3.2.3. Additional Analyses

In addition to measuring judgments about the attractiveness of the firm as an investment, we also capture participants' beliefs about the extent to which the manager possesses characteristics stereotypically associated with men ("agency") and women ("communality") using a scale adapted from prior research (Rosette and Tost [2010], Abele [2003], Fiske and Stevens [1993], Jackson [2021]). We also measure perceptions of the credibility and likability of the manager. All of these measures are captured on a single page, where we instruct participants as follows: "Based on the information you have been provided in this experiment, please rate your agreement with the following statements about Zetha, Inc. CEO [Lisa/Michael] Schmidt." To reinforce our gender manipulation we again present an image of the CEO, and participants rate their agreement with 14 different statements of the form, "I think that [Lisa/Michael] Schmidt is..." (1) warm, (2) good-natured, (3) friendly, (4) considerate, (5) caring, (6) understanding, (7) confident, (8) skillful, (9) competitive, (10) powerful, (11) capable, (12) competent, (13) trustworthy, and (14) likable. All items are presented to participants in randomized order and are measured on 7-point scales, with "1" labeled "Strongly Disagree", "4" labeled "Neither Agree nor Disagree", and "7" labeled "Strongly Agree".

To verify that items (1) through (11) load onto two separate constructs, we run a confirmatory factor analysis with varimax rotation.<sup>9</sup> The items load onto two distinct constructs, with traits (1) through (6) loading onto the first factor (Eigenvalue = 4.771), and traits (7) through (11) loading onto the second factor (Eigenvalue = 2.830), as predicted, and consistent with previous literature (Rosette and Tost [2010]). Together, these two factors explain 69% of the potential variance. Additionally, responses to (1) through (6) are all correlated and high in

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<sup>9</sup> Scale items (12) through (14) are not validated scale items for communality and agency (Rosette and Tost [2010]) and are therefore excluded from the confirmatory factory analysis for items (1) through (11).

interitem consistency (all Pearson Correlations  $\geq 0.510$ ,  $p < 0.001$ ; Cronbach's Alpha = 0.906). Therefore, we average these six items to form a single measure of perceptions of the “communality” of the CEO. Responses to (7) through (11) are also correlated and high in interitem consistency (all Pearson Correlations  $\geq 0.497$ ,  $p < 0.001$ ; Cronbach's Alpha = 0.881), so we average these five items to form a single measure of perceptions of the CEO's “agency”.

Responses to (12) and (13) are correlated and load onto the same factor, explaining 73 percent of the variance (Eigenvalue = 1.460; Pearson correlation = 0.460;  $p < 0.001$ ; Cronbach's Alpha = 0.630). As such, they are averaged to capture perceptions of the CEO's credibility, consistent with prior research (e.g., Mercer [2004]). Item (14) is a single item that captures investors' perceptions of the CEO's likability.

### 3.2.3.1. *Communality and Likability*

Prior research suggests that women who are successful in settings that are typically considered to be “male domains” are often viewed as less likable, and lacking in communal characteristics that are stereotypically female (e.g., sensitivity, nurturing, etc.) (Heilman and Okimoto [2007]). However, this implied “communality deficit” is mitigated when information is provided about a female's communal behavior. Consistent with this, and with our results for H1, we observe a significant *CEO Gender* by *Response* interaction on investors' perceptions of the CEO's communal characteristics ( $p = 0.049$ , one-tailed equivalent, as shown in Panel B of Table 2). Participants rate a female CEO as lower in communal characteristics when they use an uncooperative response to activist shareholders, relative to a cooperative response (*Cooperative*: 4.56, *Uncooperative*: 4.17;  $p = 0.025$ , one-tailed). At the same time, an uncooperative response from a male CEO does not reduce perceptions of the CEO's communality relative to a cooperative response (*Cooperative*: 4.06, *Uncooperative*: 4.13;  $p = 0.704$ , two-tailed).

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Insert Table 2 about here  
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Results follow a similar pattern for participants' ratings of the likability of the CEO. Although we do not observe a significant interaction between *CEO Gender* and *Response* on perceptions of likability (as shown in Panel B of Table 3,  $p = 0.151$ , one-tailed equivalent), we do find that female CEOs are judged as less likable when they use an uncooperative rather than cooperative response to activist shareholders (*Cooperative*: 4.67, *Uncooperative*: 4.16;  $p = 0.029$ , one-tailed), whereas perceptions of a male CEO's likability are not affected by their response (*Cooperative*: 4.27, *Uncooperative*: 4.15;  $p = 0.672$ , two-tailed).

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Insert Table 3 about here  
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This analysis gives us additional insight into how a CEO's response impacts investment attractiveness for female CEOs. Specifically, we find that female CEOs are viewed as less communal and likable when they employ a response that is inconsistent with stereotypical gender expectations (i.e., an uncooperative response), as compared to one that is consistent with expectations (i.e., a cooperative response). In contrast, we find no evidence that perceptions of communality and likability for male CEOs are affected by their response to activism.

### 3.2.3.2. *Agency and Credibility*

Prior research also suggests that perceptions of male CEOs will be affected by how they respond to activist shareholders. In particular, men who violate descriptive gender norms are less-respected and more likely to be viewed as ineffectual, even when their performance is objectively successful (Heilman and Wallen [2010]). Consistent with this, and with our results for H2, we observe a marginally significant *CEO Gender* by *Response* interaction on investors'

perceptions of the CEO's agentic characteristics ( $p = 0.059$ , one-tailed equivalent, as shown in Panel B of Table 4). Participants in our experiment rate the male CEO as lower in agentic characteristics when they use a cooperative response to activist shareholders, relative to an uncooperative response (*Cooperative*: 4.69, *Uncooperative*: 5.36;  $p = 0.002$ , one-tailed, as shown in Panel C of Table 4). By contrast, perceptions of the agentic characteristics of the female CEO are not affected by her response to activists (*Cooperative*: 5.33, *Uncooperative*: 5.49;  $p = 0.476$ , two-tailed).

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Insert Table 4 about here  
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Results follow a similar pattern for participants' ratings of the credibility of the CEO. We find a significant *CEO Gender* by *Response* interaction on investors' perceptions of the CEO's credibility ( $p = 0.019$ , one-tailed equivalent, as shown in Panel B of Table 5). As shown in Panel C of Table 5, the male CEO is judged as less credible when he responds cooperatively rather than uncooperatively to activists (*Cooperative*: 4.22, *Uncooperative*: 4.86;  $p = 0.003$ , one-tailed), but perceptions of the female CEO's credibility are not affected by her response (*Cooperative*: 4.98, *Uncooperative*: 4.95;  $p = 0.888$ , two-tailed).<sup>10</sup>

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Insert Table 5 about here  
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This analysis sheds light on how a CEO's response impacts investment attractiveness for male CEOs. We find that male CEOs are viewed as less agentic and credible when they employ a response that is inconsistent with stereotypical gender expectations (i.e., a cooperative response),

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<sup>10</sup> We observe the same pattern of results if we instead look individually at perceptions of the CEO's (1) competence, and (2) trustworthiness, the two components of manager credibility.

rather than one that is consistent with expectations (i.e., an uncooperative response). In contrast, responses to activism do not affect perceptions of agency and credibility for female CEOs.

#### 4. SEMI-STRUCTURED INTERVIEWS

Our experimental evidence suggests that investors rely on gender stereotypes when evaluating CEO responses to shareholder activism, negatively evaluating CEOs who deviate from these stereotypes. To better understand executives' experiences with activism and beliefs about the role of gender in interactions with investors, we conduct semi-structured interviews with five (two male and three female) Chief Executive and Chief Financial Officers of publicly traded firms. Interviews are conducted over video conferencing software and are approximately 30 minutes in length. Each interview uses a set of prepared questions (presented in Appendix C), but interviewers are free to deviate from the script to follow up on executives' responses.

We record and transcribe each interview, removing any personally identifying information, and identify themes in responses. In this section, we summarize these themes and provide representative quotes. We provide an indicator at the end of each quote for the gender of the executive, the order in which the interview occurred, and the question to which the executive was responding.<sup>11</sup>

To shed light on the context in which activism occurs, we first ask executives to describe the challenges they face in communicating with stakeholders. Responses suggest that the diverse priorities of different stakeholders, often differing from those of the firm, present challenges.

*I think one of the biggest challenges you face as the chief executive is making sure that you have developed a very, very clear narrative that is appropriate for each stakeholder, recognizing that each stakeholder can be quite different in terms of what are their key factors that drive their investment decisions. [...] Stakeholder management is one of the most important parts of this job, and you don't realize it until you're actually in this job of how you're having to manage all those different stakeholders. [M21]*

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<sup>11</sup> For example, [M24] indicates that the speaker is the second male executive we interviewed, and the quote is in response to Question #4 (see Appendix C).



*I think one of the one of the biggest challenges is really helping them, grounding them in the understanding of the strategic and operational components of the business. I think many, many investors and analysts overly focus on cash position and shortchange operational, strategic, commercial, other components of risk, and it's very hard to draw their attention to that. So there's a real sort of myopic, almost obsessive, focus around cash runway. [F21]*

*I think, actually one of the biggest issues that we face there's for people to really understand how things work on the inside versus the perception of, you know, an industry on the outside. [F31]*

In experiment one, we find that investors negatively evaluate CEOs who violate gender expectations in responding to activists. When asked about how they're expected to respond to activists, respondents appear to anticipate these reactions.

*If it's spot on, then you need to highly engage. If it's not, then you need to push back really, really, aggressively, and then talk to your shareholders about why it isn't a compelling case. [M22]*

*I think that if they launched their activist approach because of this dynamic I mentioned earlier, where they're solely focused on science and they have less of an appreciation of the totality of things I'm solving for, and I pushed back, it would tarnish my reputation for sure. [F22]*

Interestingly, even before the topic of gender was introduced, two respondents described the role of gender in how responses to activism are evaluated.

*I do think there's a bit of a gender thing here, and women who have sharp elbows get criticized for it all day long. If you're really assertive, I mean you can have exactly the same behaviors as men do and so naturally sitting here I tend to be like "come on you want to have a fight? You want to get in a big debate?" I'm all for it; that's fun, you know? But it's perceived as "you're defensive," "you're not listening," "you don't appreciate other people's point of view." [F12]*

*It's curious, the timing of the question. I was listening to a Canadian psychologist's presentation not too long ago, and he was talking about this topic in that, in respect that women tend to collaborate more men tend to the opposite. And so part of me was wondering if the negative reactions is when people do something that's unexpected. So, I'm expected to oppose the activist, and I don't know people react negatively to me, whereas if I were female and I didn't collaborate... [M12]*

When asked directly about whether investors have different expectations of male and female CEOs, respondents indicated that although investors expect similar levels of performance, they have different expectations about how male and female executives behave and communicate.

*I don't know that the expectations are different. I think there might be some difference in how they would expect things to come across. [F33]*

*I think it was Al Dunlap. His nickname was the chainsaw. So would anybody ever expect a woman to go into a company and bust it up the way he used to do? Yeah, it makes you wonder, you know, with all that's happening with Warner Brothers Discovery with the CEO [David] Zaslav and how much he's cutting things, whether or not a female CEO would be scrutinized differently than he is. [M13]*

*Absolutely women are punished for not cooperating [...] you know, the expectation is somehow it's my job to make them all feel good about what they're doing and making a contribution. [...] And this has been my cross to bear, this has been the albatross around my neck for my entire career – too direct, too straightforward, too willing to say “that doesn't seem like a good idea to me,” and not good at all those soft skills of “hey, maybe we should think about, you know” – I just want to cut to the chase and say “good idea, bad idea, let's move on.” [F13]*

Respondents also suggested that female CEOs are subjected to more aggressive and disrespectful behavior in interactions with investors.

*You know, you meet hundreds and hundreds of different people as you're going out and trying to raise money, and I could see where there are people who – I don't want to use the term misogynist – but who would, let's just say, disrespect a female CEO more than a male CEO, and I hope those are far fewer today than there were thirty years ago, but... [F34]*

*When an activist goes after a female chief executive, for example, I think it does create almost a societal issue in a way. You know there's one here that was going after Emma [Walmsley] at GSK for the longest time. It's quite public and there's inherent bias and you're going “well, he shouldn't be doing that” and “why is that?” [M14]*

*I've had to have that discussion with an investor where we had proposed a direction to go and he basically went nuts and said, “you know, I don't agree with you. If you do this, I'm going to get out there [...] Do you really want to pick a fight with me in the public domain?” And I said, “what does that mean?” And he's like, “You know what that means.” [F24]*

Given the limitations in how the firm can respond to activists, respondents describe the importance of messaging in managing impressions of the firm and executives themselves.

*Probably my tone, my language, all those kinds of things I think, would also lead to a secondary set of conclusions on me as an individual beyond just the perception of the company. You know, how harsh or docile I would be in responding to those situations. [F22]*

*So I think part of the solution – it's not about what we're doing to run the business or even strategic decisions for the business, it's more about managing the communication and you know, the age-old thing of making them feel like it was their idea to get their buy-in. I'm saying that in kind of a disparaging way, but I don't really mean it that way – I'm impatient because I don't like doing that stuff, but I know it's critically, critically, critically important – the messaging. [F12]*

Our interviews collectively suggest that executives appear to anticipate the reactions from investors documented in experiment one, and attempt to use messaging to mitigate these effects.

## 5. EXPERIMENT TWO

### 5.1. Theory

In experiment one, we find a negative reaction towards CEOs that respond in ways that are inconsistent with stereotypical gender expectations. The goal of our second experiment is to understand whether there are ways to mitigate said reactions by altering the messaging surrounding the firm's response to activists. For example, it is possible that a CEO's behavior could be reframed in light of expected gender-stereotypical behavior. Research on gender in negotiation settings finds that assertive women are perceived more positively when their actions are reframed as working on behalf of others (Amanatullah and Morris [2010]), which would be considered more communal behavior. Additionally, prior research on the implied communality deficit finds that the negativity directed towards a successful woman is less likely to occur when communal information about the woman is provided (Heilmann and Okimoto [2007]).

In our setting, it is possible that investors' reactions to an uncooperative female CEO would be more favorable if the decision is framed as the female CEO wanting to protect shareholders. This leads us to predict that investors' reactions will be less negative when a CEO's action that violates stereotypical gender expectations is framed in a way where the motivation for the decision is consistent with stereotypical gender expectations.

CEOs' responses to activist shareholders in our setting can be considered in two parts. First, the CEO's response is the action taken by the CEO (cooperative versus uncooperative). Second, the explanation for the CEO's response can be framed as having either a more agentic or a more communal motivation (e.g., "fighting for investors" versus "taking care of investors"). When an individual's behavior violates gender expectations, observers try to find explanations for the behavior (Heilman [2001]). In the case of an uncooperative female CEO, investors

forming an evaluation of the CEO will try to understand the rationale for her being uncooperative. When the uncooperative behavior is explained as having a more agentic motivation, this reinforces the idea that the female CEO is violating gender expectations, is deficient in some respect, and should therefore be evaluated negatively (Heilman and Okimoto [2007]). Alternatively, when uncooperative behavior is framed as having a more communal motivation, such as protecting investors, the uncooperative behavior is viewed less negatively.

On the other hand, the motivation for the CEO's decision is less important when the female CEO's initial action is to cooperate with the activist. In that case, the behavior of the female CEO does not violate gender expectations, and investors are therefore less likely to try to understand the explanation for the behavior (Heilman [2001]). Stated formally:

***H3:** Investors will evaluate a firm as a more attractive investment when a female CEO uses a communal frame to disclose an uncooperative response, relative to an agentic frame.*

In our second experiment, we focus on investors' evaluations of a female CEO. This allows us to conserve participants but, more importantly, allows us to provide evidence that complements recent archival research showing that female CEOs are more likely to be targeted by activist shareholders. However, we would expect our results to carry over to a setting involving a male CEO. Specifically, we would expect investors' reactions to a cooperative male CEO to be more favorable if the decision were explained with a more agentic motivation, such as the male CEO wanting to lead discussions with the activists and to fight for shareholders.

## **5.2. Methodology**

### **5.2.1. Participants**

Our second experiment uses one hundred and four MBA student participants from a large private university in the United States, whose background is similar to that of participants in

experiment one. Participants have an average of 16.9 years of work experience and have taken 2.8 accounting courses, 2.8 finance courses, and 3.4 economics courses. Seventy-three percent of participants report that they have previously purchased common stock or debt securities, while ninety-one percent plan to do so in the future. Thirty percent of participants are female.

### 5.2.2. Experimental Design and Task

The second experiment is nearly identical to the first experiment, with two notable changes. First, we hold constant the gender of the CEO as female across all conditions (using the same operationalization as in experiment one). Second, we introduce a new independent variable *Framing*, which directly manipulates the framing used to explain the motivation for the CEO's response to the shareholder activism. Thus, experiment two uses a 2×2 between-participants design to manipulate *Response* and *Framing*, at two levels each. As in experiment one, *Response* is manipulated as either *Cooperative* or *Uncooperative*, based on whether there is substantial agreement or disagreement with the activists, leading to the withdrawal (or not) of the resolution. *Framing* is manipulated as either *Agentic* or *Communal*, where the explanation for the CEO's response is framed in a more agentic or more communal way, regardless of the company's response. We adapted our manipulation of *Framing* from Amanatullah and Morris [2010], as well as from our semi-structured interviews with CEOs/CFOs, such that under an *Agentic* (*Communal*) frame, the CEO says “As CEO, my job is to **fight for (take care of)** investors. After **actively leading (collaborating in)** discussions with Mr. Riley and **stating our position (understanding his concerns)**...” and then describes the response.<sup>12</sup> As in experiment one, investors read through newspaper articles and press releases, after which we collect our dependent variable.

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<sup>12</sup> Bolded language added here for emphasis.

## 5.3. Results

### 5.3.1. Hypothesis Test

Our third hypothesis predicts that investors will evaluate a firm as a more attractive investment when a female CEO uses a communal frame to explain an uncooperative response to an activist investor, relative to using an agentic frame to explain that same uncooperative response. Further, we expect framing to have less of an effect on investment decisions when the CEO's response is cooperative. In combination, this leads us to predict an interaction effect of *Framing* and *Response* on investment attractiveness judgments.

Panel A of Table 6 presents mean investment attractiveness judgments, by condition, and Panel B of Table 6 presents our analysis of variance. We observe a marginally significant interaction between the CEO's framing and their response to the activist shareholders ( $p = 0.084$ , one-tailed equivalent). Panel C of Table 6 presents tests of the simple main effects of framing, for both the cooperative and uncooperative responses. Under an uncooperative response, investors report higher investment attractiveness when the female CEO's response is framed with a communal explanation, compared to that same response framed agentially (*Communal*: 6.79, *Agentic*: 5.93;  $p = 0.094$ , one-tailed). We do not observe any significant effect of *Framing* under a cooperative response (*Communal*: 5.46, *Agentic*: 5.86;  $p = 0.530$ , two-tailed). Said differently, using an agentic frame in their disclosures to explain their response to activist shareholders does not cause a negative backlash when the female CEO's response is cooperative. Together these results provide support for H3.<sup>13</sup>

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Insert Table 6 about here  
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<sup>13</sup> As in experiment one, judgments do not differ by the gender of our participants. See FN 7.

These results support our prediction that female CEOs that frame their uncooperative response to activists with a more communal explanation can mitigate the negative backlash that occurs when the uncooperative behavior seemingly violates stereotypical gender expectations.

## **6. CONCLUSION**

A considerable literature investigates the determinants, as well as the short- and long-term consequences, of shareholder activism (Brav et al. [2015]). This literature largely focuses on the motivations of activist investors, and whether they bring about economic benefits for a firm. More recently, research has turned its attention to examining the interactions between activists and firm management during these campaigns (e.g., Bebchuk et al. [2020], Francis et al. [2021]). We complement this literature by investigating how investors react to CEOs that choose a cooperative versus an uncooperative response to activist shareholders, and whether investors' evaluations are influenced by the gender of the CEO.

We find that investors evaluate a firm as less attractive when a female CEO uses an uncooperative rather than a cooperative response to shareholder activism. In contrast, when a firm has a male CEO, investors evaluate the firm as less attractive when the CEO uses a cooperative rather than an uncooperative response. Consistent with prior literature, we also find that perceptions of male versus female CEOs are differently affected by how they respond to activist shareholders. Specifically, female CEOs are judged as less likable and rated lower in communal characteristics when they respond to an activist shareholder by being uncooperative, rather than cooperative. Judgments of male CEOs' likeability and communality are unaffected by whether they respond cooperatively or uncooperatively. At the same time, male CEOs who respond cooperatively, rather than uncooperatively, to an activist are judged as less credible (i.e., less competent and trustworthy), and are rated lower in agentic characteristics, whereas

judgments of female CEOs on these dimensions are not influenced by their response. Finally, we find that female CEOs can mitigate the negative backlash associated with an uncooperative response by crafting their disclosures such that the explanation for the response is framed in a more communal way.

Combined, our results suggest that investors rely on gender stereotypes when evaluating manager responses to shareholder activism, and that both male and female CEOs are penalized for not responding to activist shareholders in a way that conforms with those gender stereotypes. This may help to explain findings in the prior literature that female CEOs are both more likely to be targeted by activist shareholders, and also more likely to cooperate with activists' demands (Gupta et al. [2018]; Francis et al. [2021]). Whereas the prior literature argues that female CEOs are by their nature more cooperative (Francis et al. [2021]), our results suggest an alternative possibility. Prior research finds that women anticipate backlash effects and avoid violating gender stereotypes to avoid the negative consequences (Moss-Racusin and Rudman [2010], Brescoll [2011], Amanatullah and Morris [2010]). If, consistent with the findings from our interviews with executives, female CEOs anticipate negative backlash from responding uncooperatively to activists, this could provide an alternative explanation for their more cooperative responses to activists (Gupta et al. [2018], Francis et al. [2021]). Our findings may also have implications for firm performance, particularly if CEOs' responses to activists are influenced by how they expect to be perceived, rather than solely by what they view to be the best course of action for the firm.

Our study is naturally subject to limitations, which suggest opportunities for future research. By design, we focus on a setting where investors have limited access to information. In reality, campaigns by activist shareholders occur over a longer time and involve more



opportunities for both targeted firms and activists to communicate with investors. Nevertheless, even if campaigns last for longer periods of time in the real world, initial impressions of how a CEO is handling an issue may influence subsequent evaluations, given the persistence of initial impressions (Gunaydin, Selcuk, and Zayas [2016]). For example, if a male CEO's initial response to an activist is collaborative, and he is therefore perceived as weaker and less effective, the CEO's future interactions with an activist may be evaluated in light of these perceptions.

Our study also focuses on a single issue, despite the wide range of issues that activist shareholders raise in their campaigns to target firms. It is possible that the effects we observe would differ in a setting where the activist raises a different issue, particularly if it is an issue with less ambiguity as to whether a cooperative or uncooperative response from management is more appropriate. As ambiguity in the appropriate response declines, investors are likely to reduce their reliance on gender stereotypes when evaluating CEOs (Heilman [2012]).

APPENDIX A – Excerpts Depicting Experimental Manipulations (Experiment One)

Panel A. Gender Manipulations

*Female CEO*



Recently, the board promoted Lisa Schmidt to be the new CEO of Zetha, Inc. Previously, she was the Senior Vice President over Technology. She has 12 years of executive experience in the telecommunications industry

*Male CEO*



Recently, the board promoted Michael Schmidt to be the new CEO of Zetha, Inc. Previously, he was the Senior Vice President over Technology. He has 12 years of executive experience in the telecommunications industry

Panel B. CEO Response Manipulations (Experiment One)

*Cooperative Response*

**businesswire**

**Main Street Global Advisors Issues Statement Regarding Zetha Inc.**

**Release Date:**

Tuesday Nov. 27, 2020 7:25 am EST

BOSTON - - (BUSINESS WIRE) - - Main Street Global Advisors (“Main Street” or “MSGA”), the beneficial owner of approximately 5% of the shares of Zetha Inc. (NYSE: ZTH) (“Zetha” or the “Company”), today issued the following statement to its fellow shareholders in connection with the Company’s upcoming 2020 Annual Meeting of Shareholders (the “Annual Meeting”):

“A key contributor to responsible firm management is efficient operations. Earlier this month, we filed a resolution with company and board leadership to enact certain changes to increase total earnings per share,” said Jesse Riley, president and chief executive officer of MSGA. “Today, we are announcing that the resolution has been withdrawn, due to substantive agreement with Zetha CEO Lisa Schmidt.”



*Zetha CEO - Lisa Schmidt*

When asked to comment, Zetha CEO Lisa Schmidt said that “after discussions with Mr. Riley, I believe that the proposed changes are in the best interest of the company and its investors, and we will be cooperating with Main Street and implementing their suggestions”

The 2020 Annual Meeting of Shareholders will take place on Dec. 14<sup>th</sup>, 2020.

Panel B, continued.

*Uncooperative Response*

**businesswire**

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The 2020 Annual Meeting of Shareholders will take place on Dec. 14<sup>th</sup>, 2020.

Appendix A presents excerpts highlighting our manipulations in Experiment One. Panel A presents the images and wording used for the introduction of the Female vs. Male CEO. Panel B presents the manipulation of the CEO’s response to activist shareholders, which is either a cooperative response or an uncooperative response. As shown in Panel B, the manipulation of CEO gender is reinforced throughout the materials, with versions from the Female CEO condition depicted here.

APPENDIX B – Excerpts Depicting Experimental Manipulations (Experiment Two)

Panel A. CEO Frame Manipulations under an Uncooperative Response (Experiment Two)

*Communal Frame*

**businesswire**

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**Release Date:**

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*Zetha CEO - Lisa Schmidt*

The 2023 Annual Meeting of Shareholders will take place on Jun. 14<sup>th</sup>, 2023.

Panel A, continued.

*Agentic Frame*

## businesswire

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**Release Date:**

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*Zetha CEO - Lisa Schmidt*

The 2023 Annual Meeting of Shareholders will take place on Jun. 14<sup>th</sup>, 2023.

Appendix B presents excerpts highlighting our manipulations in Experiment Two. Panel A presents the manipulation of the framing (communal versus agentic) used to explain the CEO’s uncooperative response to activist shareholders.

## APPENDIX C – Prepared Questions from Semi-Structured Interviews

**Question 1:** What are some of the biggest challenges you face when communicating with stakeholders, such as analysts and other investors?

**Question 2:** Imagine that activist investors are targeting your company, arguing for operational changes that may or may not be in the best interest of the company. How do you think your reputation with investors would be affected if you chose to aggressively push back on the proposal? Do you think that this would differ if you instead chose to cooperate with the activists?

**Question 3:** Do you think investors have different expectations for male and female CEOs?

**Question 4:** Research has found that shareholder activists are more likely to target female CEOs compared to male CEOs, and that female CEOs are more likely to cooperate with shareholder activists. In our research, we find that female CEOs are punished for not cooperating with shareholder activists, and that male CEOs are punished for cooperating with activists. Is this consistent with what you would expect?

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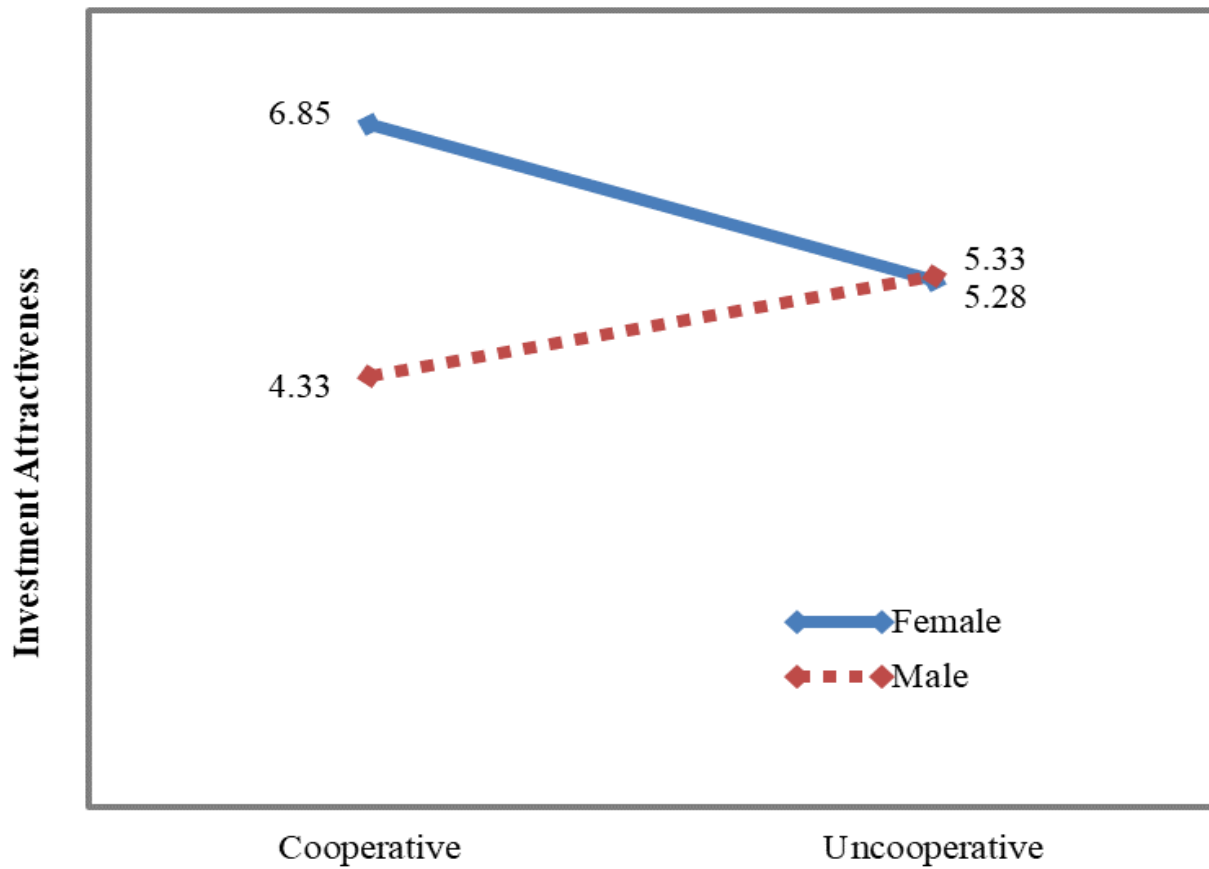
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**FIGURE 1. Experiment One: Investment Attractiveness Judgments, by Condition**



This figure depicts the effects of CEO gender (male or female) and the CEO's response (cooperative or uncooperative) to shareholder activism on investment attractiveness judgments. Participants respond to the question, "Did the CEO's response to the investor activism make Zetha Inc. more or less attractive as a potential investment?" Responses were provided on a scale ranging from 0 ("Much less attractive") to 10 ("Much more attractive").

**TABLE 1. Effects of Response Type and CEO Gender on Investment Attractiveness (E1)****Panel A. Descriptive Statistics for Investment Attractiveness, Mean (SD) [n]**

CEO Gender	Response		Overall
	Cooperative	Uncooperative	
Female	6.85 (2.40) [33]	5.28 (2.28) [32]	6.08 (2.45) [65]
Male	4.33 (2.51) [30]	5.33 (2.46) [33]	4.86 (2.51) [63]
Overall	5.65 (2.74) [63]	5.31 (2.35) [65]	5.48 (2.55) [128]

**Panel B. Investment Attractiveness ANOVA**

Source	df	M.S.	F-statistic	p-value
Response	1	2.57	0.44	0.507
CEO Gender	1	48.46	8.34	0.005
Response x CEO Gender	1	52.65	9.06	0.002†
Error	124	5.81		

**Panel C. Effects Response Type on Investment Attractiveness by CEO Gender**

	t-statistic	p-value
Effect of Response Type for Female CEO	-2.62	0.005†
Effect of Response Type for Male CEO	1.64	0.051†

This table summarizes the effects of CEO gender (male or female) and the CEO's response (cooperative or uncooperative) to shareholder activism on investment attractiveness judgments. Panel A presents descriptive statistics for participant responses to the question, "Did the CEO's response to the investor activism make Zetha Inc. more or less attractive as a potential investment?" Responses were provided on a scale ranging from 0 ("Much less attractive") to 10 ("Much more attractive"). Panel B presents ANOVA results and Panel C presents simple effects by CEO Gender. All reported p-values are two-tailed, with the exception of tests where we have directional expectations, as indicated with a dagger in the table above.

**TABLE 2. Effects of Response Type and CEO Gender on Communal Characteristics (E1)****Panel A. Descriptive Statistics for Communal Characteristics, Mean (SD) [n]**

CEO Gender	Response		Overall
	Cooperative	Uncooperative	
Female	4.56 (0.75) [33]	4.17 (0.77) [32]	4.36 (0.78) [65]
Male	4.06 (0.91) [30]	4.13 (0.71) [33]	4.10 (0.81) [63]
Overall	4.31 (0.86) [63]	4.15 (0.74) [65]	4.23 (0.80) [128]

**Panel B. Communal Characteristics ANOVA**

Source	df	M.S.	F-statistic	p-value
Response	1	0.78	1.26	0.507
CEO Gender	1	2.29	3.70	0.057
Response x CEO Gender	1	1.72	2.78	0.049†
Error	124	0.62		

**Panel C. Effects Response Type on Communal Characteristics by CEO Gender**

	t-statistic	p-value
Effect of Response Type for Female CEO	-1.99	0.025†
Effect of Response Type for Male CEO	0.38	0.704

This table summarizes the effects of CEO gender (male or female) and the CEO's response (cooperative or uncooperative) to shareholder activism on investor perceptions of the CEO's communal characteristics. Participants rate their agreement with the statement "I agree that (CEO name) is \_\_\_" for a series of characteristics on a scale ranging from 1 ("Strongly Disagree") to 7 ("Strongly Agree"). Our measure of communal characteristics is an average of responses for six characteristics (*Warm, Good Natured, Friendly, Considerate, Caring, and Understanding*). Panel A presents descriptive statistics for this measure by condition. Panel B presents ANOVA results and Panel C presents simple effects by CEO Gender. All reported p-values are two-tailed, with the exception of tests where we have directional expectations, as indicated with a dagger in the table above.

**TABLE 3. Effects of Response Type and CEO Gender on Likability (E1)****Panel A. Descriptive Statistics for Likability, Mean (SD) [n]**

CEO Gender	Response		Overall
	Cooperative	Uncooperative	
<b>Female</b>	4.67 (1.08) [33]	4.16 (1.08) [32]	4.42 (1.10) [65]
<b>Male</b>	4.27 (1.20) [30]	4.15 (0.94) [33]	4.21 (1.06) [63]
<b>Overall</b>	4.48 (1.15) [63]	4.15 (1.00) [65]	4.31 (1.08) [128]

**Panel B. Likability ANOVA**

Source	df	M.S.	F-statistic	p-value
Response	1	3.13	2.70	0.103
CEO Gender	1	1.31	1.13	0.290
Response x CEO Gender	1	1.25	1.08	0.151†
Error	124	1.16		

**Panel C. Effects Response Type on Likability by CEO Gender**

	t-statistic	p-value
Effect of Response Type for Female CEO	-1.91	0.029†
Effect of Response Type for Male CEO	-0.42	0.672

This table summarizes the effects of CEO gender (male or female) and the CEO's response (cooperative or uncooperative) to shareholder activism on investor perceptions of the CEO's likability. Participants rate their agreement with the statement "I agree that (CEO name) is likable" on a scale ranging from 1 ("Strongly Disagree") to 7 ("Strongly Agree"). Panel A presents descriptive statistics for this measure by condition. Panel B presents ANOVA results and Panel C presents simple effects by CEO Gender. All reported p-values are two-tailed, with the exception of tests where we have directional expectations, as indicated with a dagger in the table above.

**TABLE 4. Effects of Response Type and CEO Gender on Agentic Characteristics (E1)****Panel A. Descriptive Statistics for Agentic Characteristics, Mean (SD) [n]**

CEO Gender	Response		Overall
	Cooperative	Uncooperative	
<b>Female</b>	5.33 (1.01) [33]	5.49 (0.71) [32]	5.41 (0.88) [65]
<b>Male</b>	4.69 (1.16) [30]	5.36 (0.66) [33]	5.04 (0.98) [63]
<b>Overall</b>	5.03 (1.12) [63]	5.42 (0.69) [65]	5.23 (0.94) [128]

**Panel B. Agentic Characteristics ANOVA**

Source	df	M.S.	F-statistic	p-value
Response	1	5.43	6.63	0.011
CEO Gender	1	4.81	5.88	0.017
Response x CEO Gender	1	2.03	2.48	0.059†
Error	124	0.82		

**Panel C. Effects Response Type on Agentic Characteristics by CEO Gender**

	t-statistic	p-value
Effect of Response Type for Female CEO	0.71	0.476
Effect of Response Type for Male CEO	2.91	0.002†

This table summarizes the effects of CEO gender (male or female) and the CEO's response (cooperative or uncooperative) to shareholder activism on investor perceptions of the CEO's agentic characteristics. Participants rate their agreement with the statement "I agree that (CEO name) is \_\_\_\_" for a series of characteristics on a scale ranging from 1 ("Strongly Disagree") to 7 ("Strongly Agree"). Our measure of communal characteristics is an average of responses for five characteristics (*Confident*, *Skillful*, *Competitive*, *Powerful*, and *Capable*). Panel A presents descriptive statistics for this measure by condition. Panel B presents ANOVA results and Panel C presents simple effects by CEO Gender. All reported p-values are two-tailed, with the exception of tests where we have directional expectations, as indicated with a dagger in the table above.

**TABLE 5. Effects of Response Type and CEO Gender on Credibility (E1)****Panel A. Descriptive Statistics for Credibility, Mean (SD) [n]**

CEO Gender	Response		Overall
	Cooperative	Uncooperative	
<b>Female</b>	4.98 (1.04) [33]	4.95 (0.87) [32]	4.97 (0.96) [65]
<b>Male</b>	4.22 (0.95) [30]	4.86 (0.74) [33]	4.56 (0.90) [63]
<b>Overall</b>	4.62 (1.07) [63]	4.91 (0.80) [65]	4.77 (0.95) [128]

**Panel B. Credibility ANOVA**

Source	df	M.S.	F-statistic	p-value
Response	1	3.02	3.66	0.058
CEO Gender	1	5.88	7.12	0.009
Response x CEO Gender	1	3.68	4.46	0.019†
Error	124	5.81		

**Panel C. Effects Response Type on Credibility by CEO Gender**

	t-statistic	p-value
Effect of Response Type for Female CEO	-0.14	0.888
Effect of Response Type for Male CEO	2.82	0.003†

This table summarizes the effects of CEO gender (male or female) and the CEO's response (cooperative or uncooperative) to shareholder activism on investor perceptions of the CEO's credibility. Participants rate their agreement with the statement "I agree that (CEO name) is \_\_\_\_" for a series of characteristics on a scale ranging from 1 ("Strongly Disagree") to 7 ("Strongly Agree"). Our measure of credibility is an average of responses for two characteristics (*Competent* and *Trustworthy*). Panel A presents descriptive statistics for this measure by condition. Panel B presents ANOVA results and Panel C presents simple effects by CEO Gender. All reported p-values are two-tailed, with the exception of tests where we have directional expectations, as indicated with a dagger in the table above.



**TABLE 6. Effects of Response Type and Frame on Investment Attractiveness (E2)****Panel A. Descriptive Statistics for Investment Attractiveness, Mean (SD) [n]**

Frame	Response		Overall
	Cooperative	Uncooperative	
<b>Communal</b>	5.46 (2.60) [24]	6.79 (2.02) [24]	6.12 (2.40) [48]
<b>Agentic</b>	5.86 (2.18) [29]	5.93 (2.45) [27]	5.89 (2.29) [56]
<b>Overall</b>	5.68 (2.37) [53]	6.33 (2.28) [51]	

**Panel B. Investment Attractiveness ANOVA**

Source	df	M.S.	F-statistic	p-value
Response	1	12.61	2.34	0.129
Frame	1	1.38	0.26	0.614
Response x Frame	1	10.41	1.93	0.084†
Error	100	5.39		

**Panel C. Effects Response Type on Investment Attractiveness by CEO Gender**

	t-statistic	p-value
Effect of Frame for Uncooperative Response	1.33	0.094†
Effect of Frame for Cooperative Response	0.63	0.530