

Leadership Excellence and Gender in Organizations

The gender composition of firms and risk-taking behavior: Evidence from mutual funds

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We use two decades of data on more than 20,000 mutual fund manager spells and find that, in contrast to existing evidence, the presence of female fund managers is associated with *more* risk-taking, by *other* managers in the same firm. Male and, especially, female fund managers take on significantly more idiosyncratic risk (a measure of fund managers' unique investment styles) and their funds exhibit a higher market beta (a measure of the non-diversifiable risk to which a fund's investors are subject to) when they have a higher proportion of female fund manager colleagues. Our results are consistent with the novel argument that female managers, who tend to engage in a transformational leadership style, create a safe environment and encourage their *hierarchically-equal* colleagues, particularly female ones, to express their uniqueness and individuality and take more risks. In addition, in line with the expectation that equity fund managers exercise more discretion in the management of their portfolios, we find that these effects are confined to equity funds. Finally, we also find that risk-adjusted performance does not change, suggesting the presence of women in mutual fund management moves a firm along an "efficient frontier".