

THE INITIAL PUBLIC OFFERING OF HIGH-TECHNOLOGY FIRMS: FEMALE EXECUTIVE MANAGERS AND INNOVATION

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An important problem in innovation management is financing research and development (R&D) activities due to the degree of uncertainty and risk associated with their outputs (Levitas and McFadyen, 2009). The initial public offering (IPO) is one of the most significant milestone in the life cycle of research-intensive and young startup firms (Shane and Stuart, 2002). Capital raised in the IPO can be used for pursuing extensive R&D projects and developing new capabilities to support growth and international expansion.

New entrants and science-based firms are more likely to encounter finance difficulties than large established firms. Incumbent firms are assumed to enjoy experience, economies of scale and scope in both R&D and in marketing and a high level of appropriability of the returns from innovations (Gambardella, 1995; Sorescu, Chandy and Prabhu, 2003). Although

research-intensive firms preparing for an IPO often attract investors' attention, this does not always result in investment because those firms have short operating histories, and have higher risk than larger and more established companies.

There is little conclusive evidence as to how research-intensive entrepreneurial firms obtain informational advantages and how those advantages influence the economic value when they go public. Such companies are usually characterized by the lack of revenues for the foreseeable future. Thus, accounting data in many of these cases is simply too unreliable a measure.

Gender diversity in top management teams (TMTs) is a useful non-financial signal to potential investors concerning the effectiveness of the TMT and the viability of the firm.

Despite the extensive literature on IPOs, the research examining the impact of TMT gender diversity on IPO is very limited. Mohan and Chen (2004) carry out a study focused on gender effect on IPOs but they only include firms with women CEOs and do not consider the entire management team. To date, only two papers have addressed the relationship between gender diversity in executive management and the performance of IPO firms. They focus on large companies or study short periods of time. Krishnan and Parson (2007) investigate the impact of gender diversity in senior management on the stock returns after IPO using a sample of Fortune 500 companies. Welbourne, Cychota and Ferrante (2007) examine the influence of the percentage of women on the TMT on the short- and long-term financial performance of companies that belong to different industries that went public in a given year. However, specific factors and indicators may provide valuable information to the market regarding organizational practices in each sector of activity.

This study addresses how gender diversity in TMTs influences the success of the IPO of research-intensive firms, and how critical indicators of innovation capabilities for those types of firms can mediate the gender effect.

Our study found no support for the prediction that gender diversity in TMT positively influences IPO success. On the contrary, the results show a negative and significant effect of that type of demographic diversity. Nevertheless, relevant indicators to research-intensive firms, particularly those related to innovation capabilities, may reduce the potential gender stereotyping that influence their valuation.

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