

University

**GENDER AFFECTS CORPORATE FINANCIAL DECISIONS
AND RISK TAKING**

Lecturer's name

Name

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Introduction

The influence of gender in the corporate decision making could be discussed by considering the factor of risk taking abilities of the companies, with male and female CEOs. As opined by Faccio *et al.* (2016), the risk taking ability of female CEOs are high and therefore, this study would analyze the capital allocation strategies of the corporate firms to make conclusion on the effect of gender in corporate decision making and risk taking. This study would focus on the process how gender affects the corporate decision-making and risk taking by considering the modern data of General Motors Co. The researcher has selected General Motors Co., as the company has changed its corporate strategy by appointing a female CEO for the first time in 2014. The researcher shall conduct ratio analysis and correlation analysis to make conclusion.

Literature review

The corporate decision making relies upon the financial and non-financial aspects of an organization and therefore the corporate managers are to consider these two factors while making decisions. In this context, Francis *et al.* (2015) stated that the risk taking ability of a company depends upon the proportion of male and female employees in an organization as the ability of these two classes of employees could be differentiated. The risk taking ability of male and female employees could also be found as different and therefore corporate firms are affected by the factor of gender in the workplace. In this context, Azmat and Petrongolo (2014) stated that there has been no proper influence of gender of corporate decision making as the decisions of corporate firms are taken at the Board Rooms. On this contrary, Faccio *et al.* (2016) argued that the female CEOs in the modern corporate firms reflect a fearless investment strategy, in which a large proportion of the organizational resources are invested in equity stocks.

As mentioned above, the allocation of resources or fund varies with gender of CEOs in multinational companies. As opined by Francis *et al.* (2015), the risk taking ability of the woman CEOs results in high market risk. Therefore, the profitability of the companies' could also be seen as high in case of these companies. On the other hand, it is to mention that the non trading investment rate of the companies with female CEOs could be seen as high, and therefore the researcher is to mention that the non operating profit of these companies are high. As cited by

Rao and Tilt (2016), the risk taking ability affects the investment strategies and therefore, it can be said that the corporate decision making is gender biased.

Data analysis and findings

Data analysis

Particulars	2011 (\$, million)	2012 (\$, million)	2013 (\$, million)	2014 (\$, million)	2015 (\$, million)
Net income	9287	6136	5331	4018	9615
Total equity	38991	37000	43174	36024	40323
Return on equity	24%	17%	12%	11%	24%
Non trading investment	5911	6954	3383	7060	20172
Total assets	144603	149422	166344	177501	194520
Percentage of non trading asset on total asset	0.04	0.05	0.02	0.04	0.10
Return on equity	0.24	0.17	0.12	0.11	0.24

Table 1: Financial data of General Motors (Refer to appendix)

(Source: Gmanualreport.com. 2017)

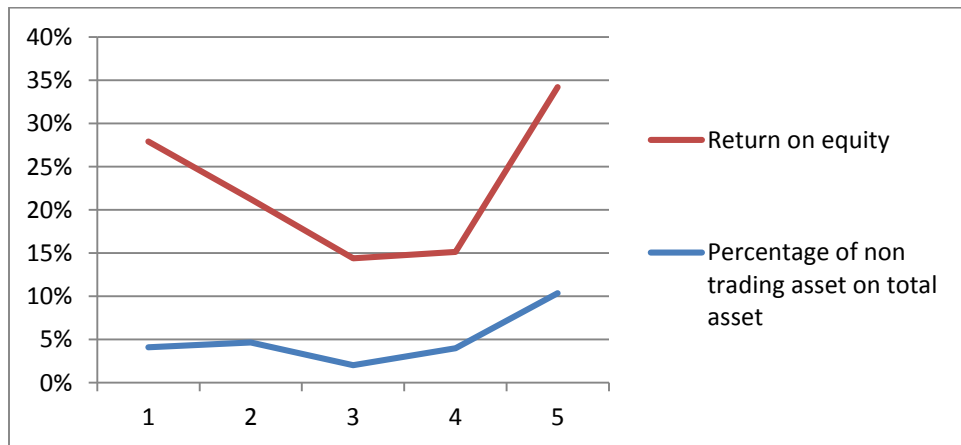


Figure 1: Chart of equity return and non trading investment

(Source: As created by the researcher)

Correlation coefficient between the return on equity and proportion of non trading assets	0.66
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Table 2: Correlation between Correlation coefficient between the return on equity and proportion of non trading assets

(Source: As created by the researcher)

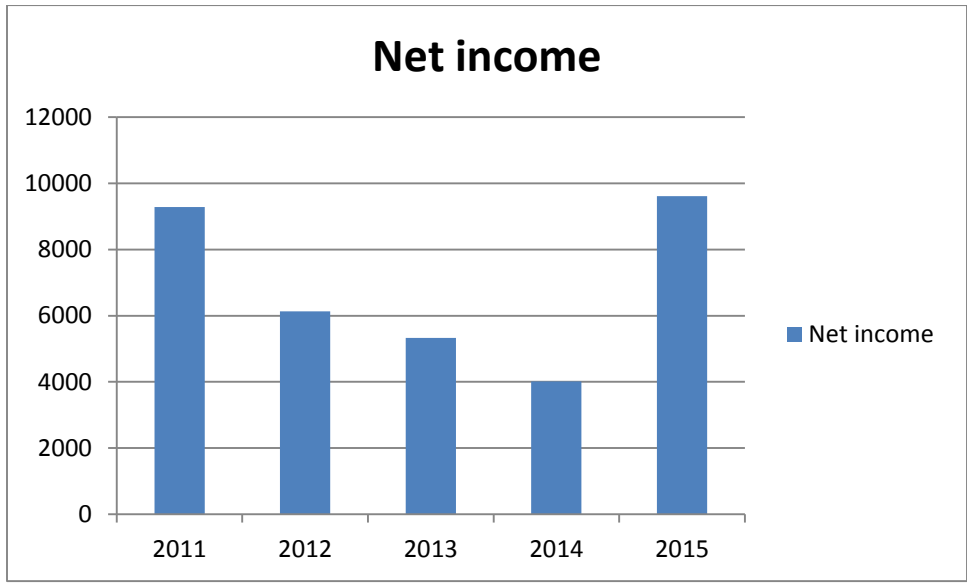


Figure 2: Chart of net income

(Source: As created by the researcher)

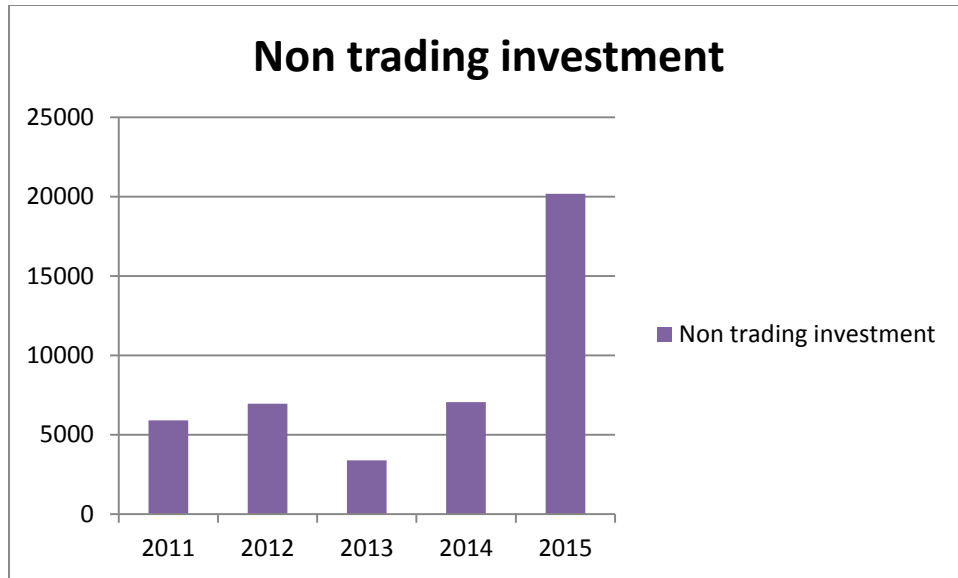


Figure 3: Chart non trading investment

(Source: As created by the researcher)

Findings

From the analysis made above on the financial data of General motor, the researcher has found that the net income of the company has increased with the enhancement of the non trading investment of the company. In this context, the researcher is to mention that the correlation coefficient of the non trading investment and the net income of the company have been seen as correlated at a level of 0.66 approximately and therefore it is to mention that the variables are positively correlated with each other. The trend of non trading investment of the company has also been seen from 2014 after a significant decline in 2013. The strong positive correlation coefficient between non trading investment and net income has been reflected on the net income as it has enhanced with the non trading investment.

Comparison of findings with the literature review

In the corporate structure of General Motors Co, M. T. Barra has been appointed as the CEO in 2014 (Gmannualreport.com. 2017). On the other hand, the researcher has seen that the non trading investment has enhanced since 2014. As opined by Faccio *et al.* (2016), non trading investment is to be recognized as risky as this kind of investment comprises of risky stocks. Therefore, it is to mention that the appointment of female CEO in the organization has resulted in high risky investment. In the literature review, it has been discussed that the risk taking ability of women employees in an organization is high. The finding and data analysis have also reflected similar result as the investment in non trading division has enhanced after appointing female CEO. Therefore, it can be said that the risk taking ability and approach towards riskier stocks of female CEOs affects the corporate decision making.

On the other hand, the literature review of the study has enlightened the concept of enhancement of non trading investment. Similarly, the researcher has seen that the corporate decision making of General Motors Co has based on non trading investment as the quantity of non trading investment has increased since the appointment of M. T. Barra. Before M. T. Barra, Dan Akerson was the CEO, and the non trading investment level was decreasing. Therefore, it can be said that the gender affects the corporate decision making and risk taking as the approach towards taking risk varies with male and female CEOs.

Conclusions

In this study, the researcher has discussed the process of affecting the corporate decision-making of corporate firms. Initially, the researcher has seen in the literature review that the risk taking ability of female CEOs of the corporate firms are high as compared to the male CEOs. On the other hand, the researcher has taken the non trading investment or the financial receivables as the parameter of risk taking ability of the CEOs. In the data analysis section and the analysis, it has been found that risk taking ability of the female CEOs are high and therefore, corporate firms with female CEOs makes larger investment in risky funds.

References

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Appendices

GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)

ASSETS	December 31, 2012	December 31, 2011
Current Assets		
Cash and cash equivalents	\$ 18,422	\$ 16,071
Marketable securities	8,988	16,148
Restricted cash and marketable securities	686	1,005
Accounts and notes receivable (net of allowance of \$311 and \$331)	10,395	9,964
GM Financial finance receivables, net (including gross consumer finance receivables transferred to SPEs of \$3,444 and \$3,295)	4,044	3,251
Inventories	14,714	14,324
Equipment on operating leases, net	1,782	2,464
Deferred income taxes	9,429	527
Other current assets	1,536	1,169
Total current assets	69,996	64,923
Non-current Assets		
Restricted cash and marketable securities	682	1,228
GM Financial finance receivables, net (including gross consumer finance receivables transferred to SPEs of \$6,458 and \$5,773)	6,954	5,911
Equity in net assets of nonconsolidated affiliates	6,883	6,790
Property, net	24,196	23,005
Goodwill	1,973	29,019
Intangible assets, net	6,809	10,014
GM Financial equipment on operating leases, net (including assets transferred to SPEs of \$540 and \$274)	1,649	785
Deferred income taxes	27,922	512
Other assets	2,358	2,416
Total non-current assets	79,426	79,680
Total Assets	\$149,422	\$144,603

GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)

ASSETS	December 31, 2013	December 31, 2012
Current Assets		
Cash and cash equivalents	\$ 20,021	\$ 18,422
Marketable securities (Note 5)	8,972	8,988
Restricted cash and marketable securities (Note 5)	1,247	686
Accounts and notes receivable (net of allowance of \$344 and \$311; Note 2)	8,535	10,395
GM Financial receivables, net (Note 4)(including SPE receivables of \$10,001 and \$3,444; Note 12)	14,278	4,044
Inventories (Note 6)	14,039	14,714
Equipment on operating leases, net (Note 7)	2,398	1,782
Deferred income taxes (Note 18)	10,349	9,429
Other current assets	1,662	1,536
Total current assets	81,501	69,996
Non-current Assets		
Restricted cash and marketable securities (Note 5)	829	682
GM Financial receivables, net (Note 4)(including SPE receivables of \$11,216 and \$6,458; Note 12)	14,354	6,954
Equity in net assets of nonconsolidated affiliates (Note 8)	8,094	6,883
Property, net (Note 9)	25,867	24,196
Goodwill (Note 10)	1,560	1,973
Intangible assets, net (Note 11)	5,668	6,809
GM Financial equipment on operating leases, net (Note 7)(including SPE assets of \$1,803 and \$540; Note 12)	3,383	1,649
Deferred income taxes (Note 18)	22,736	27,922
Other assets	2,352	2,358
Total non-current assets	84,843	79,426
Total Assets	\$ 166,344	\$ 149,422

GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,238	\$ 18,954
Marketable securities (Note 3)	8,163	9,222
Restricted cash and marketable securities (Note 3; Note 10 at VIEs)	1,590	1,338
Accounts and notes receivable (net of allowance of \$327 and \$340)	8,337	9,078
GM Financial receivables, net (Note 4; Note 10 at VIEs)	18,051	16,528
Inventories (Note 5)	13,764	13,642
Equipment on operating leases, net (Note 6)	2,783	3,564
Deferred income taxes (Note 16)	8,599	9,760
Other current assets	1,482	1,540
Total current assets	<u>78,007</u>	<u>83,626</u>
Non-current Assets		
Restricted cash and marketable securities (Note 3; Note 10 at VIEs)	583	935
GM Financial receivables, net (Note 4; Note 10 at VIEs)	18,500	16,006
Equity in net assets of nonconsolidated affiliates (Note 7)	9,201	8,350
Property, net (Note 8)	31,229	27,743
Goodwill and intangible assets, net (Note 9)	5,947	6,410
GM Financial equipment on operating leases, net (Note 6; Note 10 at VIEs)	20,172	7,060
Deferred income taxes (Note 16)	28,443	25,414
Other assets	2,438	1,957
Total non-current assets	<u>116,513</u>	<u>93,875</u>
Total Assets	<u>\$ 194,520</u>	<u>\$ 177,501</u>