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How a Woman CEO Affects Sales and Salaries

Female CEOs increased sales per worker by 14% in companies where at least one-fifth of the workforce was women, research shows



Hewlett Packard Enterprise Chief Executive Meg Whitman in 2015. New research shows that having a woman as a CEO leads to a narrower pay gap between men and women in a company. PHOTO: RICHARD DREW/ASSOCIATED PRESS

By JOHN SIMONS

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Companies hoping to boost financial performance and solve the gender pay gap could solve those issues all at once by hiring a woman as chief executive.

Women who took over from male chief executives increased sales per employee by roughly 14% in companies where women comprised at least one-fifth of the workforce, according to new research from economists in the U.S. and Italy. Having a woman as a CEO also led to a narrower pay gap between men and women in a company, lifting salaries of top-performing women by roughly 10%, according to the researchers.

The small body of research that explores the effects of female leadership on companies tends to focus on women board members and the effect they have on stock prices and market capitalizations. This new study, titled “Do Female Executives Make a Difference? The Impact of Female Leadership on Gender and Firm Performance,” examined metrics that more closely reflect workforce productivity such as sales per worker.

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University of North Carolina economics professor Luca Flabbi and three colleagues examined financial data from nearly 800 Italian manufacturing companies and longitudinal information from Italy’s social security

system that contained pay trajectories of more than one million workers between 1982 and 1997.

Similar data sets for U.S. companies and workers would be difficult to gather, Dr. Flabbi says, since detailed data for nonpublic companies and individual salaries aren’t publicly available. Even so, he says the study’s findings are relevant to present-day U.S. companies—where women comprise roughly of 50% of white-collar workers but only

4.6% of executives according to data from ExecuComp. The proportion was roughly the same in Italy for the period examined in the study.

The economists turned to management research to find explanations for the results. They say reviews of previous studies suggest that women leaders are better at placing executives in roles that are appropriate to their skills and education—in short, women may be more meritocratic leaders.

“Men are mismatching the women executives and female CEOs correct that mismatch,” says Dr. Flabbi.

Write to John Simons at John.Simons@wsj.com

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