

Unsuccessful Teams
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Summary

- Following fund closures, female **team** managers are more likely to exit the fund family and the industry than male team managers
 - No gender gap in exit for **sole** managed funds, or following the closure of **sub-advised** funds, or when resignation is likely to be voluntary (2003 scandal)
 - Not explained by gender gap in skills, by “LIFO”, etc.
- Attributional rationalization (AR) (Heilman and Haynes 2005)
 - AR attributes more of a team's success and failure to a team member for whom success and failure is ex ante expected.
 - Form of statistical discrimination: employers may not consciously discriminate against women, but in the absence of signals of individual performance, they use group identity to infer skill.
 - First field evidence that AR may have significant labor market effects
- From 1999 to 2015 % of female managers declined from 13% to 9%
 - Expected to decline to less than 7% in 15 yrs if gender gap in exit continues

Lot to like about the paper!

- Relevant research question (decline of female managers in MF industry, where teams are becoming prevalent)
 - Broader implications for other settings
- An interesting, relatively new theory
 - Form of statistical-based discrimination
- Clever setting, clever research design(s)
 - Intuitive proxy for unsuccessful outcome: fund closure
 - Fund management relatively homogenous task, easy to measure outcomes
 - Detailed data about managers, variation in types of funds
 - Team managed vs sole managed funds; sub-advised funds; 2003 scandal
- Potential for important contribution to the literature

A bit more evidence from the field

- Why are there mutual fund **teams** in the first place (vs. sole funds)?
 - Team ratio increasing over time
- What is the **role of team managers**? Can we assume they all perform the same duties (and the same as sole managers)?
- How does **performance evaluation** work for MF teams? On **what basis**?
 - Important for all team members, not just female
 - Berk et al. (2017): promotions/demotions; Barber et al. (2017): career paths
- **Who** exactly performs the evaluation?
 - Are we capturing a taste-based bias by evaluator (likely male)?
 - Ruled out by test on ‘solo’ managers
- Do teams use **peer reviews**?
 - If so, are we capturing a taste-based bias my male peers
 - Perhaps testable: female exit more likely if rest of the team is all male?
 - Or (unobservable) performance correctly captured by peers’ evaluation?
 - Are we sure we are in the “**absence of individual-level assessments**”?

Attributional Rationalization

- When individual-level assessments are not available, more blame for unsuccessful teamwork allocated to team members for whom performance expectations are ex ante lower.
 - *“In the absence of individual performance signals for team managers, fund families presumably rely on group averages to infer individual performance. If fund families share a common prior that female managers' skills are inferior to male managers' skills, they will be more likely to dismiss female team managers following team failures”*

A couple of thoughts on Attributional Rationalization

- Question #1: why lower performance expectations for female managers?
 - “Since there are relatively fewer women...in the finance industry ...employers might consider finance to be more of a male domain. According to Heilman and Haynes (2005), if a task is considered male sex-typed, males are expected to succeed while females are expected to fail.”
 - But the above argument seems an ‘*unconditional*’ one.
 - Female managers ‘making it’ to the industry should be the upper tail of the distribution (and that should be reflected in the expectations of those who chose to employ them!)
- Question #2: are the (lower) performance expectations for female managers ‘correct’ or reflect a bias?
 - If ‘correct’, then the firing rates may reflect ex post realizations of those expectations
 - This study shows that those expectations are biased (Sec. 4.4)
 - If ‘biased’, isn’t that evidence of taste-based discrimination rather than evidence of AR?

Empirical strategy

$$\text{leave}_{i,j,t+3} = \beta \text{female}_i + \gamma \text{closure}_{i,j,t+3} + \delta \text{female}_i * \text{closure}_{i,j,t+3} + \zeta I_{t+3} + \alpha_j + \varphi' Y_{i,t} + \nu' Z_{j,t} + \epsilon_{i,j,t+3},$$

Sample: managers in diverse teams

Leave = 1 if managers leaves family fund

Closure = ratio of closed funds to total funds managed by manager

Controls:

- % of managers leaving industry: I
- fund family fixed effects: α
- manager-level controls Y: tenure with fund family, total TNA and number of funds under management; avg diversity, avg # managers and avg age in funds under management
- fund family-level controls: Z (same as above)
- Controls interacted with *female*
- *(why not manager's age?)*

Empirical strategy (Table 5 Panel A)

(A) fund family	(1)		(2)		(3)		(4)		(5)		(6)	
	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue
female	0.007	(0.127)	0.002	(0.751)	-0.035	(0.141)	-0.036	(0.125)	-0.046	(0.073)	-0.047	(0.067)
fund closure	0.498	(0.000)	0.481	(0.000)	0.481	(0.000)	0.503	(0.000)	0.521	(0.000)	0.555	(0.000)
fund closure*female	0.060	(0.017)	0.065	(0.012)	0.067	(0.011)	0.098	(0.010)	0.067	(0.013)	0.093	(0.015)
industry quit ratio	0.619	(0.000)	0.599	(0.000)	0.594	(0.000)	0.592	(0.000)	0.573	(0.000)	0.568	(0.000)
fund closure*tenure							-0.004	(0.393)			-0.007	(0.165)
fund closure*tenure*female							-0.007	(0.181)			-0.006	(0.261)
diversity			0.032	(0.024)	0.025	(0.153)	0.025	(0.150)	0.009	(0.644)	0.009	(0.626)
#manager			0.010	(0.000)	0.009	(0.000)	0.009	(0.000)	0.005	(0.054)	0.005	(0.055)
size			-0.334	(0.008)	-0.306	(0.019)	-0.314	(0.015)	-0.274	(0.130)	-0.292	(0.105)
managing funds			-0.012	(0.013)	-0.012	(0.018)	-0.012	(0.018)	-0.012	(0.009)	-0.011	(0.009)
tenure			0.005	(0.000)	0.005	(0.000)	0.005	(0.000)	0.002	(0.034)	0.002	(0.009)
age			0.001	(0.089)	0.001	(0.098)	0.001	(0.097)	0.000	(0.788)	0.000	(0.785)
family diversity			-0.103	(0.089)	-0.101	(0.107)	-0.099	(0.113)	0.060	(0.238)	0.061	(0.236)
family#manager			0.000	(0.373)	0.000	(0.274)	0.000	(0.278)	0.000	(0.004)	0.000	(0.004)
family size			-0.003	(0.318)	-0.004	(0.296)	-0.004	(0.321)	-0.018	(0.000)	-0.018	(0.000)
family age			-0.001	(0.390)	-0.001	(0.233)	-0.001	(0.235)	0.000	(0.538)	0.000	(0.554)
diversity*female					0.044	(0.258)	0.045	(0.246)	0.085	(0.033)	0.086	(0.031)
manager*female					0.003	(0.185)	0.004	(0.176)	0.002	(0.586)	0.002	(0.567)
size*female					-0.214	(0.234)	-0.220	(0.222)	-0.409	(0.060)	-0.413	(0.058)
managing funds*female					-0.003	(0.177)	-0.003	(0.173)	-0.002	(0.303)	-0.002	(0.298)
tenure*female					0.000	(0.762)	0.000	(0.982)	-0.001	(0.528)	0.000	(0.799)
age*female					0.000	(0.927)	0.000	(0.914)	0.000	(0.703)	0.000	(0.719)
family diversity*female					-0.020	(0.724)	-0.022	(0.694)	-0.024	(0.693)	-0.027	(0.661)
family # manager*female					0.000	(0.022)	0.000	(0.022)	0.000	(0.019)	0.000	(0.019)
family size*female					0.001	(0.757)	0.001	(0.797)	0.005	(0.169)	0.004	(0.188)
family age*female					0.002	(0.061)	0.002	(0.064)	0.002	(0.022)	0.002	(0.024)
fixed effects		family		family		family		family		none		none
observations		122,030		116,148		116,148		116,148		116,148		116,148
Rsquared		0.083		0.087		0.088		0.088		0.236		0.236

Controls

Controls * Female

Research Design (1): Team vs sole managed funds (T7)

“Our main identification strategy comes from contrasting team with sole managed funds. While one may argue that there are general reasons why women might have different exit behavior than men (family considerations, preferences, networking ability, etc.), these reasons are unlikely to vary across team structure.”

“unobserved managerial characteristics that are correlated with both gender and a manager's propensity to exit should be similar for solo and team managers. If we find that the gender difference in exit amid failure is different for team and solo managers, the difference must be due to the team structure, i.e. the absence or presence of individual-level assessments”

- But it is **not so obvious that “these reasons are unlikely to vary across team structure”**. More discussion is needed
- The **choice of the structure likely to be endogenous. What drives manager's choice to be (or the employer's decision to place him/her) in a sole fund vs. a team fund?**
 - E.g. female managers in sole managed funds may put less weight on family considerations and be less likely to voluntarily turn over

Research Design (1): Team vs sole managed funds (T7)

(A) fund family	(1)		(2)		(3)		(4)		(5)		(6)	
	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue
female	0.007	(0.454)	0.000	(0.997)	-0.136	(0.164)	-0.131	(0.181)	-0.172	(0.064)	-0.169	(0.068)
fund closure	0.518	(0.000)	0.513	(0.000)	0.512	(0.000)	0.615	(0.000)	0.540	(0.000)	0.647	(0.000)
fund closure*female	0.116	(0.024)	0.122	(0.020)	0.123	(0.020)	0.051	(0.613)	0.130	(0.012)	0.070	(0.475)
industry quit ratio	0.244	(0.011)	0.330	(0.003)	0.338	(0.002)	0.321	(0.003)	0.156	(0.167)	0.139	(0.216)
fund closure*tenure							-0.020	(0.002)			-0.021	(0.001)
fund closure*tenure*female							0.014	(0.471)			0.011	(0.557)
control variables	No		Yes		Yes		Yes		Yes		Yes	
control variables*female	No		No		Yes		Yes		Yes		Yes	
fixed effects	family		family		family		family		none		none	
observations	25,896		24,638		24,638		24,638		24,638		24,638	
Rsquared	0.117		0.121		0.121		0.123		0.236		0.236	

- Result of Panel A not clear
- Why is column 4 the 'best' model? What if we interact *fund closure*female* with other variables? How sensitive are the results to these choices?
- **Suggestions:**
 - interact *fund closure*female* with *diversity*?
 - interact *fund closure*female* with some proxy for manager's past performance?

Research Design (2) – Own vs Sub Managers (T6)

- Sub (team) managers also used as placebo: sub managers are not employed by the fund family, so they can't be blamed for unsuccessful outcomes
- Table 6 Panel A: no gender gap in exit (from family fund) amid closures for sub (team) managers, providing support for AR
 - Though, some evidence in col. 4 and 6 (p-values 0.075 and 0.052)
- Table 6 Panel B: gender gap in exit (from industry) amid closures for sub (team) managers
 - Interesting explanation: indirect evidence that sub-advisers also apply AR to female sub managers for their unsuccessful outcome at other fund families (unfortunately, no data on sub advisers for a direct test)
 - Though, effect only in col. 4 and 6 (p-values 0.045 and 0.037)

Research Design (2) – Own vs Sub Managers (T6)

(A) fund family	(1)		(2)		(3)		(4)		(5)		(6)	
	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue
female	0.013	(0.009)	0.008	(0.109)	0.018	(0.529)	0.015	(0.593)	0.010	(0.730)	0.007	(0.813)
fund closure	0.509	(0.000)	0.498	(0.000)	0.498	(0.000)	0.472	(0.000)	0.524	(0.000)	0.505	(0.000)
fund closure*female	0.029	(0.296)	0.025	(0.380)	0.024	(0.399)	0.068	(0.075)	0.029	(0.330)	0.077	(0.052)
industry quit ratio	0.511	(0.000)	0.351	(0.013)	0.351	(0.013)	0.355	(0.011)	0.661	(0.000)	0.665	(0.000)
fund closure*tenure							0.007	(0.178)			0.005	(0.308)
fund closure*tenure*female							-0.012	(0.180)			-0.013	(0.152)
control variables		No		Yes		Yes		Yes		Yes		Yes
control variables*female		No		No		Yes		Yes		Yes		Yes
fixed effects		family		family		family		family		none		none
observations		170,487		160,482		160,482		160,482		160,482		160,482
Rsquared		0.091		0.103		0.104		0.104		0.259		0.259
(B) industry	(1)		(2)		(3)		(4)		(5)		(6)	
	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue	est	pvalue
female	0.021	(0.000)	0.021	(0.000)	0.031	(0.183)	0.027	(0.231)	0.030	(0.199)	0.025	(0.254)
fund closure	0.140	(0.000)	0.133	(0.000)	0.133	(0.000)	0.115	(0.000)	0.139	(0.000)	0.127	(0.000)
fund closure*female	0.026	(0.225)	0.022	(0.312)	0.022	(0.314)	0.079	(0.045)	0.023	(0.299)	0.082	(0.037)
industry quit ratio	0.217	(0.002)	0.178	(0.023)	0.177	(0.025)	0.179	(0.023)	0.286	(0.000)	0.287	(0.000)
fund closure*tenure							0.005	(0.179)			0.003	(0.385)
fund closure*tenure*female							-0.016	(0.062)			-0.016	(0.050)
control variables		No		Yes		Yes		Yes		Yes		Yes
control variables*female		No		No		Yes		Yes		Yes		Yes
fixed effects		family		family		family		family		none		none
observations		170,487		160,482		160,482		160,482		160,482		160,482
Rsquared		0.016		0.021		0.021		0.022		0.090		0.090

Research Design (3) - Unsuccessful Outcome: Fund Closure

- *“We use the closure of a mutual fund through liquidation or merger to another fund as a proxy for an unsuccessful fund outcome.”*
 - *“Mutual funds are liquidated for a variety of reasons...implausible that fund families would voluntarily liquidate successful funds...[and]...that a fund family would terminate a successful fund through merger to another fund”*
 - *The Investment Company Institute reports that mutual funds routinely liquidate and merge funds because funds fail to maintain or attract sufficient assets to stay competitive and viable from a business perspective”*
- Proxy validated in Table 2: profitable funds less likely to be terminated
- Use low profitability as (alternative) proxy for failure? Presumably employers would take action (i.e. replacing manager) before getting to liquidation
- What happens to funds manager in case of merger? Do they continue on merged fund? Perhaps examine liquidation and mergers separately?

Research Design (3) - Unsuccessful Outcome: Fund Closure

- Timeline: “Because the date that the liquidation or merger of a fund is approved is not public, we use a window of four quarters prior to and including the quarter of the liquidation or merger date, i.e. between quarter t and quarter $t+3$, to analyze fund closure”
 - Is the choice of four quarters suggested by some practitioners’ data?
 - Concern: are you picking up some pre-closure voluntary exit? Are fund closures anticipated?
 - Literature on boards: resignations prior to bad events
 - Concern may be magnified for 2009, where number of closure spikes (>500)
 - Suggestions:
 - Robustness using a window of only 3 or 2 quarters?
 - Robustness excluding 2009?

Research Design (4) – Leaving family fund vs industry (Panel A vs Panel B)

- What is the point of analysis of likelihood of leaving industry?
 - “Since factors unrelated to performance, such as maternity leave, can lead to exit from the industry, we examine fund family and industry exit separately”
 - But isn’t the focus on “forced” performance-based departure?
 - Also, leaving industry implies a “firing” decision (by the current fund family) **AND** a “**not hiring**” decision (by other fund families).
 - This seems qualitatively different
 - Industry analysis could be motivated differently; if gender gap persists at industry exit level, it means female managers are not re-hired by other fund families at equal rate as male, i.e. they are **blamed for team performance also by other fund families...?**
 - You do use this reasoning for sub managers (Table 6 Panel B)
 - Why not analyze “move to other families” in multivariate tests?
 - **Suggestion: examine industry exit/move to other families for subset of managers leaving fund family after fund closure?**

Other comments

- Add correlation table for variables in Table 5 and on; especially, how is female correlated with other variables
- Add panel with descriptive manager-level variables by female vs male manager
- Add panel with descriptive stats by type of fund: team vs solo, sub vs own

Good luck!

Other comments

- Any insight into the increase in the % of female managers in the 1990s? Can its reasons somehow speak to the subsequent decline?
- *“Since team structure is endogenous in a pooled regression of solo- and team-managers, we contrast team and solo managers by running separate regressions for each set of managers”*
 - I do not understand what problem you are trying to address; if all interactions in a pooled regressions are ‘right’, running separate regressions would yield the same results, but without allowing for formal tests of differences in coefficients
- Section 4.1: why are all determinants measured at t-1 rather than at t-3 if (in Eq.5) the liquidation/merger is assumed to have happened approved up to 4 quarters prior to the liquidation/merger date?
- Managing funds variable: refers to number of funds under management or number of family funds? I would expect the latter to have strong explanatory power in Eq. 6 (negative)
- Is the exit rate (in response to closure) for male managers different between all-male teams and diverse teams?

Other comments

- Table 1B: max # manager per fund=71? TNA max at fund level =\$309bn? Max n. funds per manager=62?
- Can you clarify how “glass cliff” hypothesis could explain your results?
- Coefficient of fund closure (Panel A) similar for sub and own managers – is that expected? Perhaps separate analysis for managers managing one vs more than one fund (are they disproportionately male?) Less likely to leave family fund if more than one fund?
- Table 3: interact sub manager with female dummy?
- Table 3 Panel A: how to interpret 0.51? 0.51% or 51%? Is the interpretation of coefficients different than in Table 5?
- Table 3: test if higher female exit rate is *entirely* driven by fund closures?

Other comments – Structure of the paper

- Present results first, then have an explicit section devoted to discussing extent to which they are (or are not) consistent with **taste-based vs statistical-based discrimination**
- Move section 4.1 to an Appendix
- Sec. 3.1-3.3 should be one section, explaining the variables in Eq.1
- Start with Eq.6 (don't need Eq. 1 and Eq. 5)
- Sec. 3.4: move description on controls to first time you include them in a test (Eq.6), with a more clear explanation of their rationale (i.e. predicted effect)
- From Table 5 on: why not 8 columns (4 w/FE, w/o FE)?