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ON BUSINESS

Are Activist Investors Sexist?

Female CEOs are far more likely to face an activist challenge, new research shows



Vicki Hollub, CEO of Occidental Petroleum Corp., has become a target of activist investor Carl Icahn. PHOTO: F. CARTER SMITH/BLOOMBERG NEWS



By

John D. Stoll

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Vicki Hollub is an engineer who spent time on three continents working her way up to the top of Occidental Petroleum Corp. [OXY -3.82% ▼](#) She doesn't have much experience at M&A, and that has made her an easy target for critics.

Her recent bid to deepen the company's bet in the red-hot Permian Basin is bold. Built on the \$38 billion acquisition of Anadarko Petroleum Corp. [APC -0.79% ▼](#), the expansion plan requires

costly capital from Warren Buffett—money necessary to circumvent an Occidental shareholder vote that Anadarko wanted to avoid.

Investors were unhappy, driving Occidental's shares down 15%, as of Thursday evening, since it first made its Anadarko offer in late April. And none is more loudly unhappy than billionaire activist investor Carl Icahn, characterizing Ms. Holub as a rookie, calling her arrogant and saying Mr. Buffett "took her to the cleaners."

There's plenty to question in the deal—the cost of Buffett's money, the end run around shareholders, the increased vulnerability of the Occidental to falling oil prices—but could Ms. Hollub be facing more scrutiny from an activist because she's a she?

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It's a touchy subject. Neither Mr. Icahn nor Ms. Hollub were available to comment. In fact, of the 16 former and current female CEOs, activist investors and institutional shareholders I contacted about the topic, exactly zero agreed to talk on the record.

It's a subject that has come up before, but now there is research that suggests that women CEOs are at higher risk of a brush with an activist than their male counterparts. Because these activists have the ear of institutional shareholders and strike fear in the heart of board members, creating a concrete plan for confronting these threats should top the to-do list of any female CEO.

Nelson Peltz, a well-known activist who has targeted his share of female CEOs, told CNBC he is "gender blind." Whether a firm lives up to its potential is all he cares about, he says. If it's performing up to expectations, he'll leave it be. If it ain't making the numbers, he swoops in.

An investment banker who works on activist issues told me this week that Messrs. Icahn and Peltz could look at three dozen or so criteria in evaluating whether to launch a campaign against a company. "Whether the CEO is a man or woman is absolutely, positively not on that list."

Academics started taking a look for potential bias after a string of prominent women leaders—including Marissa Mayer (Yahoo), Mary Barra (GM), Meg Whitman (HP), Indra Nooyi (Pepsi) and Sandra Cochran (Cracker Barrel)—had battles with activists, who are almost exclusively men. Former Mondelez International Inc. CEO Irene Rosenfeld told The Wall Street Journal in

2015 that dealing with Mr. Peltz consumed 25% of her time. Ursula Burns relinquished Xerox Corp.'s CEO title after a confrontation with Mr. Icahn. Ellen Kullman led Dupont's successful fight against Mr. Peltz in 2015, but abruptly retired five months later amid deteriorating results.

All the CEOs listed above declined to talk to me for this piece, except Ms. Rosenfeld, who didn't respond. But many have addressed the situation in the past.

Yale School of Management Professor Jeff Sonnenfeld told me that directors also have long memories, citing Ms. Kullman's fate. "Ellen won the proxy fight but still her board folded like lawn furniture," Mr. Sonnenfeld said, referring to the company's decision to reverse course after Ms. Kullman reported a weak quarter of financial results.

The data indicates women are indeed far more likely to face an activist challenge. One exhaustive study conducted by University of Alabama researchers found 6% of male CEOs and 9.4% of female CEOs were confronted by activists. The numbers are small, but they indicate a woman CEO is 50% more likely to be targeted. The study, published last year in the *Journal of Applied Psychology*, relied on filings made by activist investors in public firms between 1996 to 2013.

Yet-to-be published research by professors at Georgia State University and Arizona State University looked at 145 comparable companies in the S&P 500 where male and female CEOs operate under similar circumstances. The data stretches back to 2003 and shows women face a 27% chance of being targeted, while men face a less-than-1% chance.

Researchers in both studies say they accounted for several potential factors that could skew results or present an unclear picture. They looked at whether the woman running a targeted company was in the midst of a turnaround, for example. Was it her first CEO post? Was she early in her tenure? Was her company solidly profitable?

"Even when keeping everything equal, women are still a far more likely target," said Sandra Mortal, the associate professor at Alabama who co-authored one of the studies. Ms. Mortal said these findings correspond with other evidence showing it's tougher for females in the corner office, including data showing women are more likely to be fired than male counterparts even when doing a good job.

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“The fact is, we just don’t give females as long of a leash,” said Abbie Griffith Oliver, a Georgia State professor who is one of the authors of the yet-to-be-published study. “From an activist-investor perspective, they may not view her as less competent, but they don’t give her as wide of a window.”

In the case of Ms. Hollub, she has admitted she lacks M&A experience, playing into Mr. Icahn’s criticism. Since when does a CEO need to be a master of all trades? Occidental has added former bankers to both the board and the executive ranks to backstop Ms. Hollub’s, a normal and prudent course for any company.

Mr. Icahn’s track record in the energy business, meanwhile, is lackluster. Of his seven campaigns in the sector over the years, six underperformed the market, according to information furnished by FactSet and ActivistInsight.

For some CEOs, having an activist is a headache, but also an opportunity. Ms. Nooyi said Mr. Peltz had some good ideas. “At the end of the day, we viewed him as free consulting,” the former Pepsi CEO said during a recent radio interview. “Painful, but free consulting.”

Recently asked if she felt treated unfairly while heading and eventually selling Yahoo to Verizon, Ms. Mayer responded by saying she doesn’t fixate on male vs. female CEO questions and thinks some of her decisions deserved second guessing. But sometimes the way feedback is delivered can distract from the point an activist or other investors try to make.

“The word choice for some of the criticism would have a very gender-focused bent,” Ms. Mayer, who had a strong appetite for acquisitions, said, adding that questioning the CEO is rationale and fair. But undertones of bias aren’t helpful.

“I don’t think they would call men buying companies a shopping spree,” Ms. Mayer said.