



Ph.D. Dissertation Defense

Candidate: Yi Liu
Degree: Doctor of Philosophy
School/Department.: School of Business / Business Administration
Date: Thursday, August 14, 2025
Time: 10:00AM – 12:00 PM
Location: Virtual (<https://stevens.zoom.us/j/3963456157>)
Title: Gender Empowerment, Managerial Strategy, and Compensation Innovation Under Market and Political Uncertainty
Chairperson: Dr. Suman Banerjee, Finance, School of Business
Committee Members: Dr. Anand Goel, Finance, School of Business
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Abstract

The three essays presented in my dissertation examine how gender empowerment, managerial strategy, and financial innovation shape firm outcomes under market and political uncertainty. Together, these essays contribute to a deeper understanding of how social progress, executive decision-making, and financial market developments interact to influence corporate behavior and performance.

The first essay, *"Exploring the Impact of Female Empowerment on Country-Level IPO Underpricing"* investigates how female empowerment affects financial market dynamics, particularly in the context of IPO underpricing across countries. Using global data from 2006 to 2021, the essay finds that in countries where females are more economically and socially empowered, IPO underpricing is initially higher to attract empowered female investors seeking higher returns. However, the presence of females in political and corporate leadership positions helps to reduce investor uncertainty and subsequently lowers IPO underpricing. The findings highlight the critical role of female leadership in fostering more efficient and equitable financial markets.

The second essay, *"Navigating Political Uncertainty: The Strategic Edge of High-Ability Managers"* explores how managerial ability enables firms to better withstand political uncertainty. High-ability managers adopt a triad of strategic responses: cultivating political connections for information and influence, strengthening internal organizational capabilities, and investing in reputation-building to secure stakeholder support. Building on a simple theoretical model and employing a difference-in-differences design based on involuntary CEO turnovers, the study establishes that high-quality managers mitigate the negative impact of political risk and enhance firm performance. These findings advance the literature on political risk management, corporate resilience, and the strategic value of managerial talent.

The third essay, *"Credit Derivatives and Executive Protection: The Impact of CDS Initiation on CEO Compensation Design"* examines how the introduction of credit default swap (CDS) trading alters executive compensation structures. We argue that CDS initiation increases firm-level liquidation risk by weakening lenders' incentives to monitor or renegotiate during distress, thereby heightening CEOs' personal risk exposure. Using 26,867 firm-year observations from 2,866 U.S. firms over the period 2001 to 2022, we find that CDS initiation leads to significant increases in both CEO cash compensation and severance pay intensity, reflecting greater demand for downside protection. To address endogeneity concerns, we exploit the 2009 ISDA Big Bang Protocol as a quasi-natural experiment and implement an instrumental variable strategy based on bank-level hedging behavior and capital strength. These findings highlight how derivative market developments reshape executive incentives through changes in firm risk environments.