

IAL TIMES

Tuesday September 7 2004

£1

Women who break through glass ceiling likely to become fall guys

By Clive Cookson in Exeter

Women who break through the glass ceiling into senior management often find themselves on the edge of a glass cliff, psychologists said yesterday.

A study by Alex Haslam and Michelle Ryan of Exeter University suggests that female executives are more likely than their male counterparts to find themselves in precarious jobs with a high risk of failure.

FTSE 100 companies that put a woman on their boards experienced consistently worse share price performance in the run-up to the appointment than those that appointed only men, Prof Haslam told the British Associa-

tion science festival in Exeter.

He believes difficulties stimulate companies to appoint women to jobs "where they risk falling off the precipice". By contrast, when things are going well, "there is no need to change the usual practice of jobs for the boys".

He said: "The appointment of a woman director was not associated with a subsequent drop in company performance. Indeed, companies that appointed a woman actually experienced a marked increase in share price after the appointment."

Glass cliffs are also found in politics where women are asked to run in less-winnable seats or given more risky cabinet posi-

tions. Similarly, women working in the law are assigned to less promising legal cases than are men.

In addition to studying the glass cliff in FTSE 100 companies, the Exeter psychologists also sought to recreate it experimentally by asking students to choose between men and women in simulated corporate recruitment exercises. They were consistently much more likely to select the female candidate for a senior job when the company

was doing badly and the male when it was doing well.

Despite doubts expressed about the research by some scientists – all male – Prof Haslam had no doubt that the glass cliff was a real phenomenon. "In all the studies we have done, we have found evidence for it," he said. "As a scientist, I think it's a phenomenon that merits a lot more investigation. It's the next wave of subtle gender discrimination."

Women's head for heights, Page 5

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ipsos
identity and the psychology of self in society

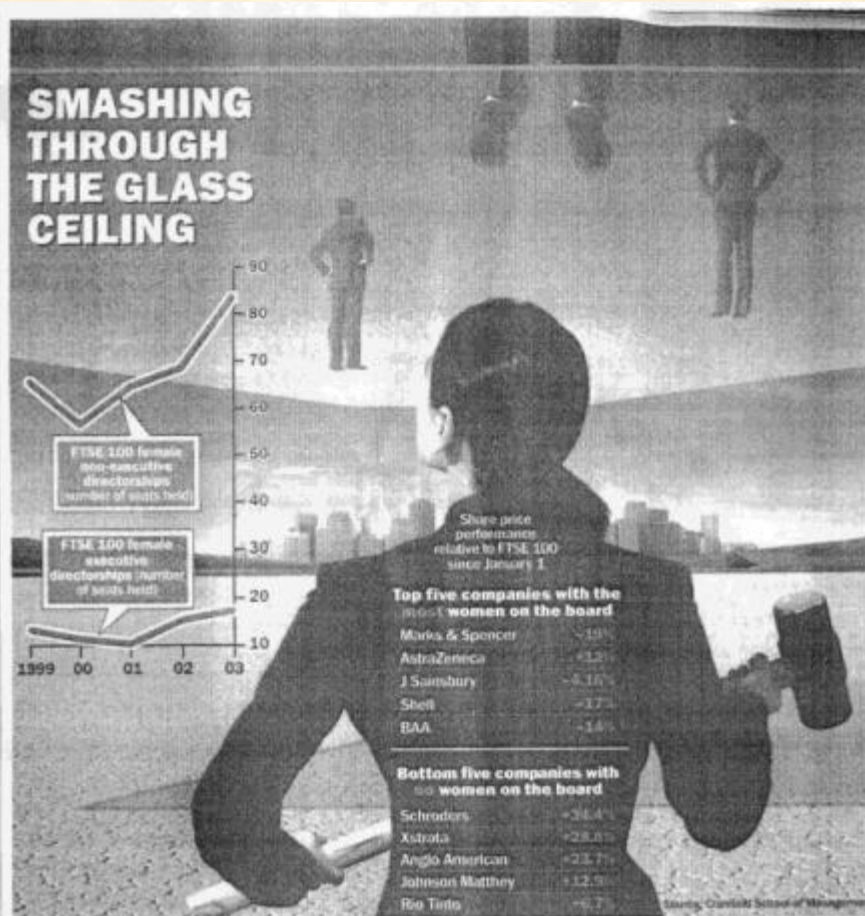
The glass cliff

November 2003

FTSE 100 Cranfield Index

Ranks companies in terms of the number of women on their board

- 3 of the top 5 companies on Cranfield Index are under-performing
- All of the bottom 5 are over-performing



By Elizabeth Judge

SO MUCH for smashing the glass ceiling and using their unique skills to enhance the performance of Britain's biggest companies. The triumphant march of women into the country's boardrooms has instead wreaked havoc on companies' performance and share prices.

Research from Cranfield School of Management shows

Women on board: help or hindrance?

that a record 101 directors of FTSE 100 companies are women, 20 per cent up on last year. The number of female executive directorships has also hit a record high of 17.

However, corporate Britain

may well be better off without women on the board. Of the top ten companies in the Cranfield index — which rates FTSE 100 companies according to the number of women on the board — 60 per

cent have underperformed the FTSE 100 this year. Marks & Spencer, with four women on the board, underperformed by 19 per cent. BAA, with three women, underperformed by 14 per cent.

Companies at the bottom of the Cranfield index, with a woeful lack of female representation on their boards, have generally outperformed the index since the start of the year.

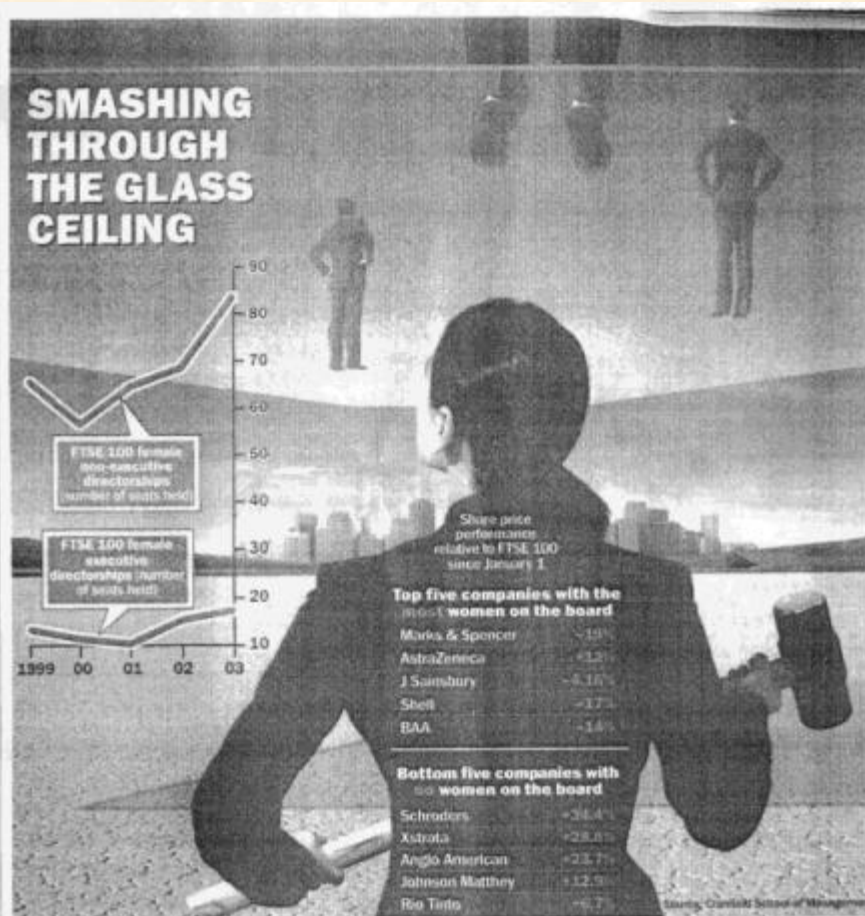
The glass cliff

“So much for smashing the glass ceiling and using their unique skills to enhance the performance of Britain’s biggest companies. The triumphant march of women into the country’s boardrooms has instead wreaked havoc on companies’ performance”

*The Times,
Nov.11, 2003, p.21*

Conclusion

“Corporate Britain would be better off without women on the board.”



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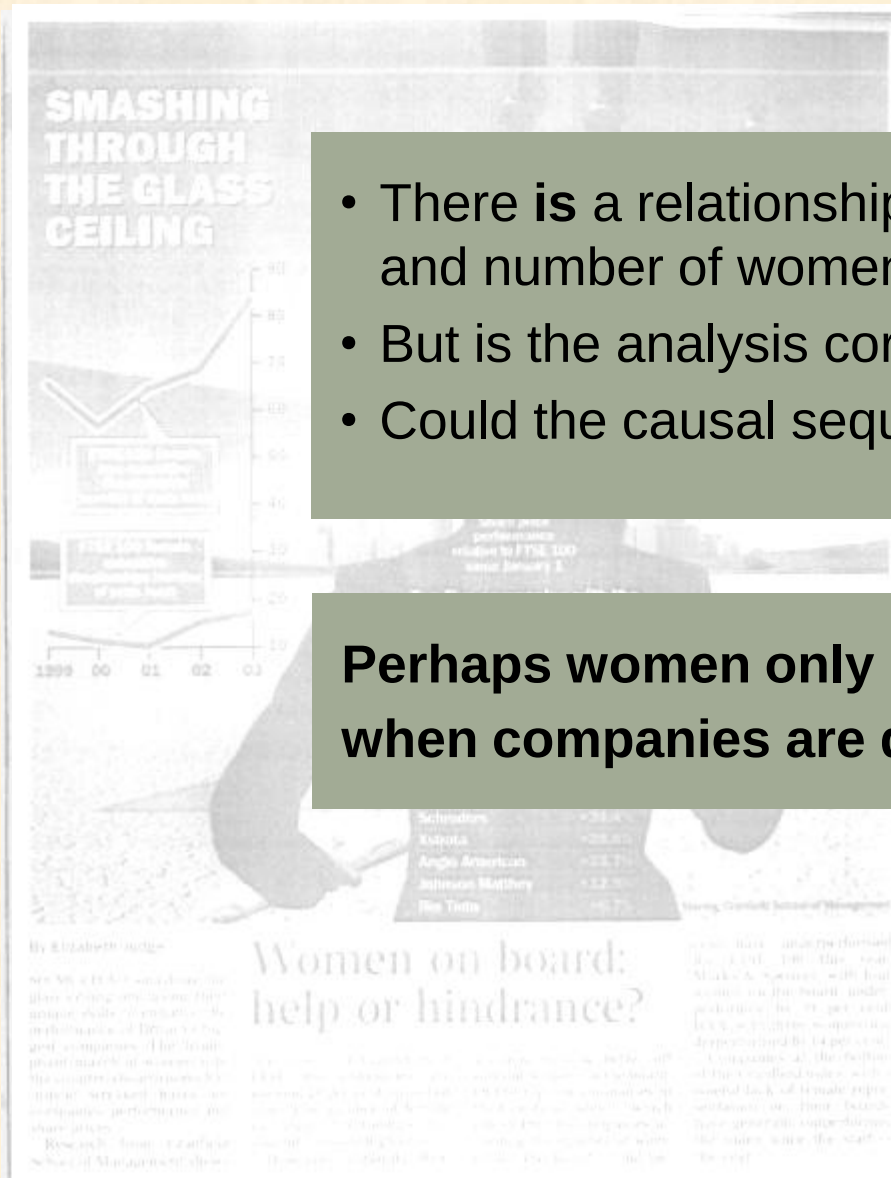
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The glass cliff

- There **is** a relationship between company performance and number of women on the board
- But is the analysis correct?
- Could the causal sequence be **reversed**?

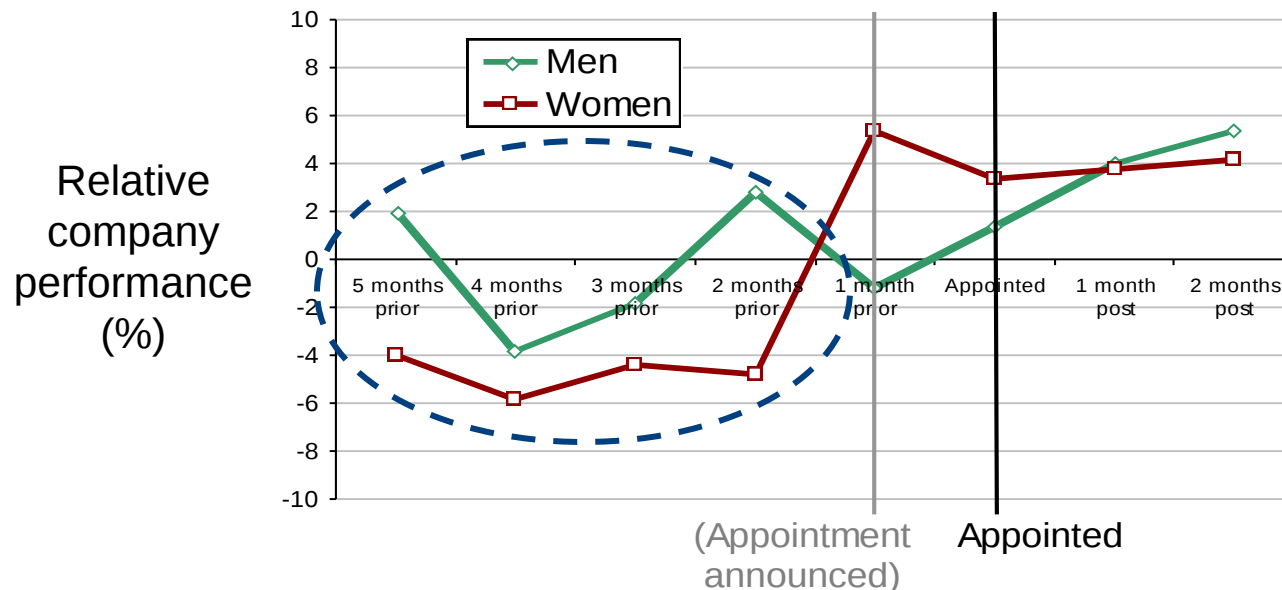
Perhaps women only get given senior positions when companies are doing poorly.



The glass cliff

Ryan & Haslam (2005) *BJM*

- Detailed archival examination of FTSE 100 companies in 2003 provided support for this alternative interpretation:



- Period prior to women's appointment to company boards is characterized by poor company performance.

Word Spy



- We dubbed this (unseen) tendency to appoint women to precarious leadership positions **The Glass Cliff**

QuickTime™ and a
TIFF (LZW) decompressor
are needed to see this picture.

The glass cliff

- **Does it matter?**
- To the extent that women are placed on glass cliffs
 - (a) they are more likely to be 'in the spotlight'
 - (b) there is a differential likelihood that they will fail, and
 - (c) it is likely they will be blamed for negative outcomes that are not their fault (*"the romance of leadership"*) (Meindl, 1993).
- Indeed this may help explain why women's tenure of senior leadership positions is typically much shorter than men's —
e.g., US CEOs 8.2 vs 4.8 years (Blanton, 2005).

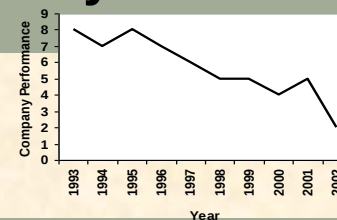
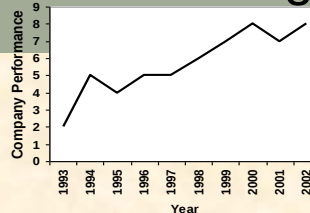
'[I was] promoted to manager at a time when failure of the company was inevitable. In my estimation I needed 6 months to put new practices in place and put the company on an even keel — I was made redundant after three and a half months.'

Female Professional, 35

Establishing cause

Experimental study [Haslam & Ryan \(2008\)](#) LQ

- Is there any evidence that women are **preferentially selected** for precarious leadership positions?
- Participants asked to select a candidate for a leadership position in an organization doing **well** or doing **badly**.

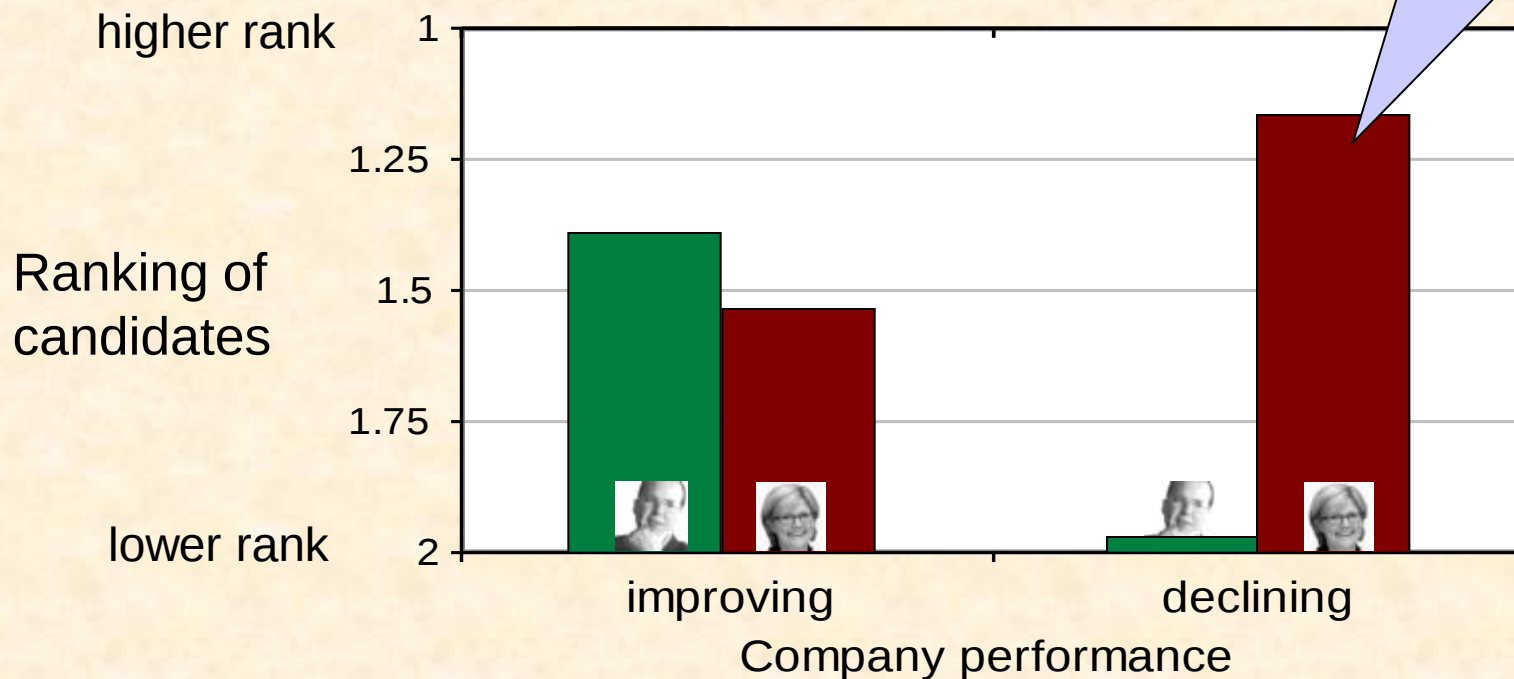


- Given a choice between multiple candidates.
- But best candidates are a man and a woman whose applications are matched on key dimensions.
- Which do they prefer and when?



Establishing cause

Experimental study Haslam & Ryan (2008) LQ



The woman is preferred when the job is risky

Establishing cause

Demonstrated across a range of studies with:

- Lead lawyer for a risky and highly criticized case
- Financial director of a poorly performing company
- Political candidate for an unwinnable seat

‘The only time to run a woman, is when things look so bad that your only option is to do something dramatic.’

John Bailey, Chair, National Democratic Party Committee
(Burrell, 1993)

Demonstrated with multiple samples:

- Law, business, political science students
- Business leaders
- UK, Iceland, NL, US (Bruckmüller & Branscombe, in press, *BJSP*)



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Introducing... the glass cliff

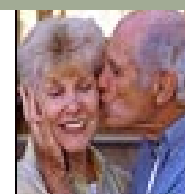
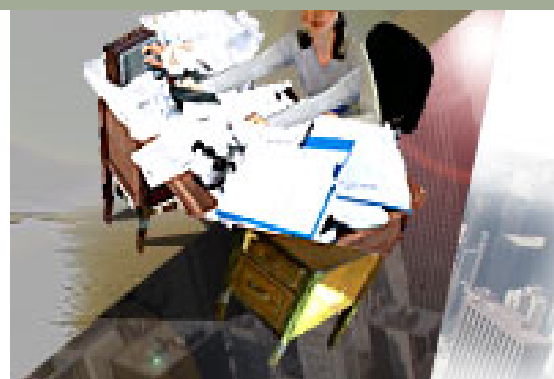
- How do people **explain** glass cliffs (and is there any evidence to support their explanations)?

[Ryan, Haslam & Postmes \(2007\) JCM](#)[Europe](#)[Middle East](#)[South Asia](#)[UK](#)[England](#)[Northern Ireland](#)[Scotland](#)[Wales](#)[Politics](#)[Education](#)[Magazine](#)[Business](#)

success in top roles is now the 'glass cliff' - being promoted into risky, difficult jobs where the chances of failure are higher.

Women are "smashing through the glass ceiling" of the country's top businesses, a report in the Times last November said.

Numbers of female directors on the boards of FTSE 100

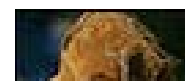


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‘Speaking as a research scientist, I am disgusted with the way in which you have attempted to select a very limited group of participants and ask them extremely leading questions. Your approach is entirely unscientific.’

Male professional, 21

<i>Explanation</i>	<i>Form taken</i>	<i>% of women who generate this explanation</i>	<i>% of men who generate this explanation</i>
Sexism	Women are singled out for inferior positions	20%	4%
Group dynamics/ ingroup bias	Those in senior positions (men) prefer to hire ingroup members (men) for ‘cushy’ jobs	18%	0%
	Women are seen as more expendable than men and make better potential scapegoats	17%	0%
	Women leaders lack peer and institutional support	9%	4%
Social-structural factors	Women have fewer opportunities than men and therefore accept riskier positions	31%	8%
	Appointment of a woman is a powerful signal of change	14%	8%
Implicit theories (task–ability fit)	Women are more suited to dealing with a crisis, more willing to take risks. Men more suited to handling success.	17%	17%
Scientific error	Women are <i>not</i> differentially placed in precarious leadership positions	3%	50%

Implications for the gender pay gap

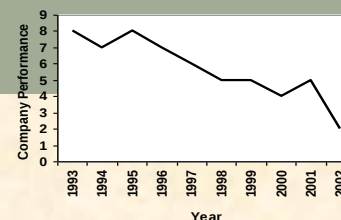
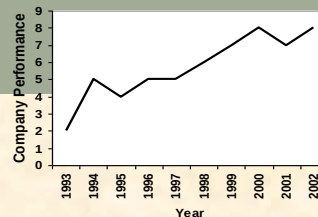
Understanding managerial pay

- Economic literature suggests that managerial pay is closely related to company performance, especially for pay elements such as bonuses and incentives. (Lemieux, 2008)
 - Psychological research into the **romance of leadership** (Meindl, 1993) suggests leaders are accorded disproportionately high power and agency.
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- Glass cliff research led us to suspect that both of these processes might be dependent on gender.

Implications for the gender pay gap

Experimental study Kulich, Ryan & Haslam (2007) *APIR*

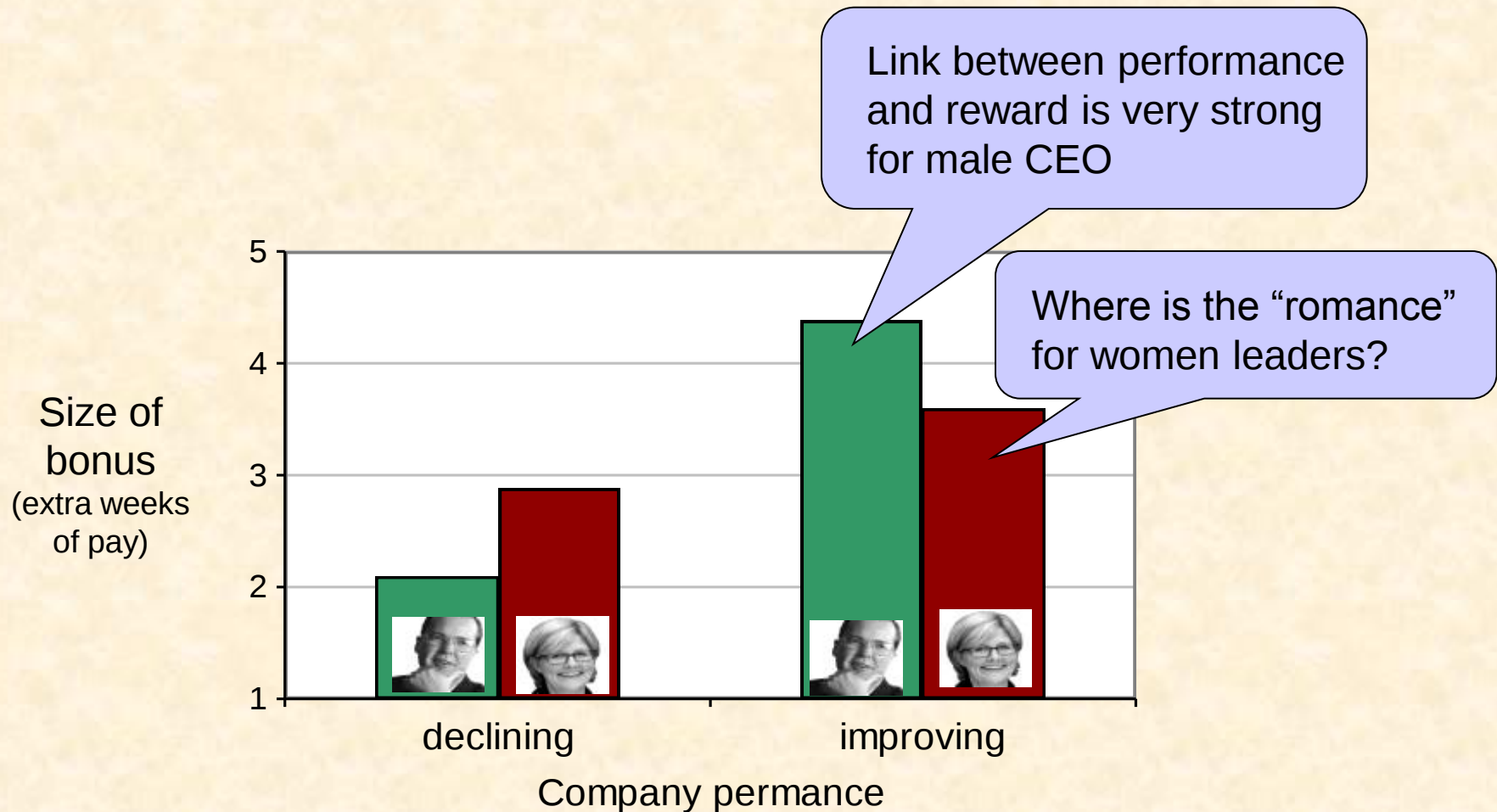
- N = 201 professionals in the UK
- Ps given information about a company that was either **doing well** or **doing badly**



- Company said to have either a male or a female CEO
- Ps asked to allocate a bonus (extra weeks of pay)



Implications for the gender pay gap



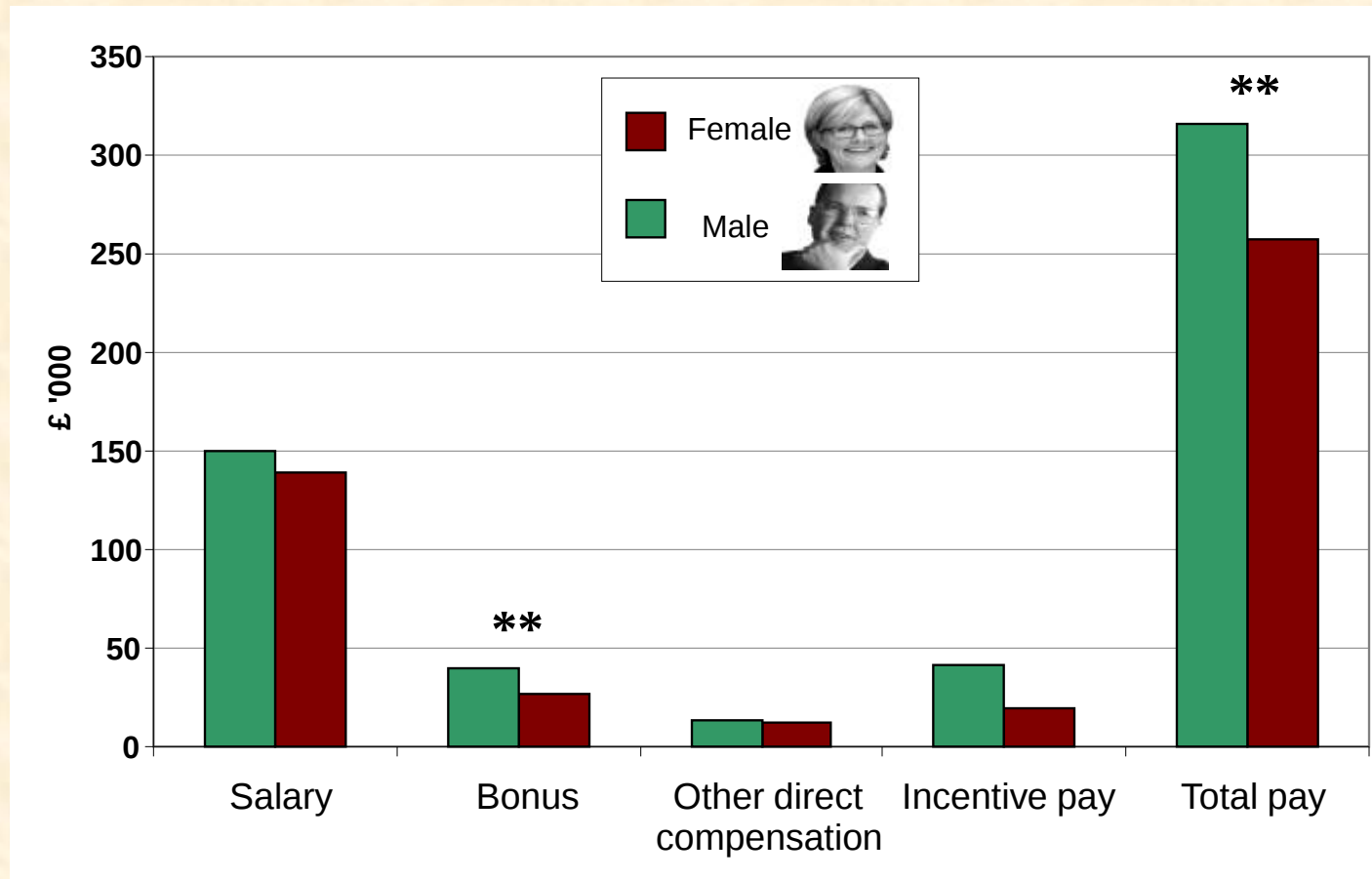
Implications for the gender pay gap

Archival study I [Kulich, Trojanowski, Ryan, Haslam & Renneboog \(in press\) SMJ](#)

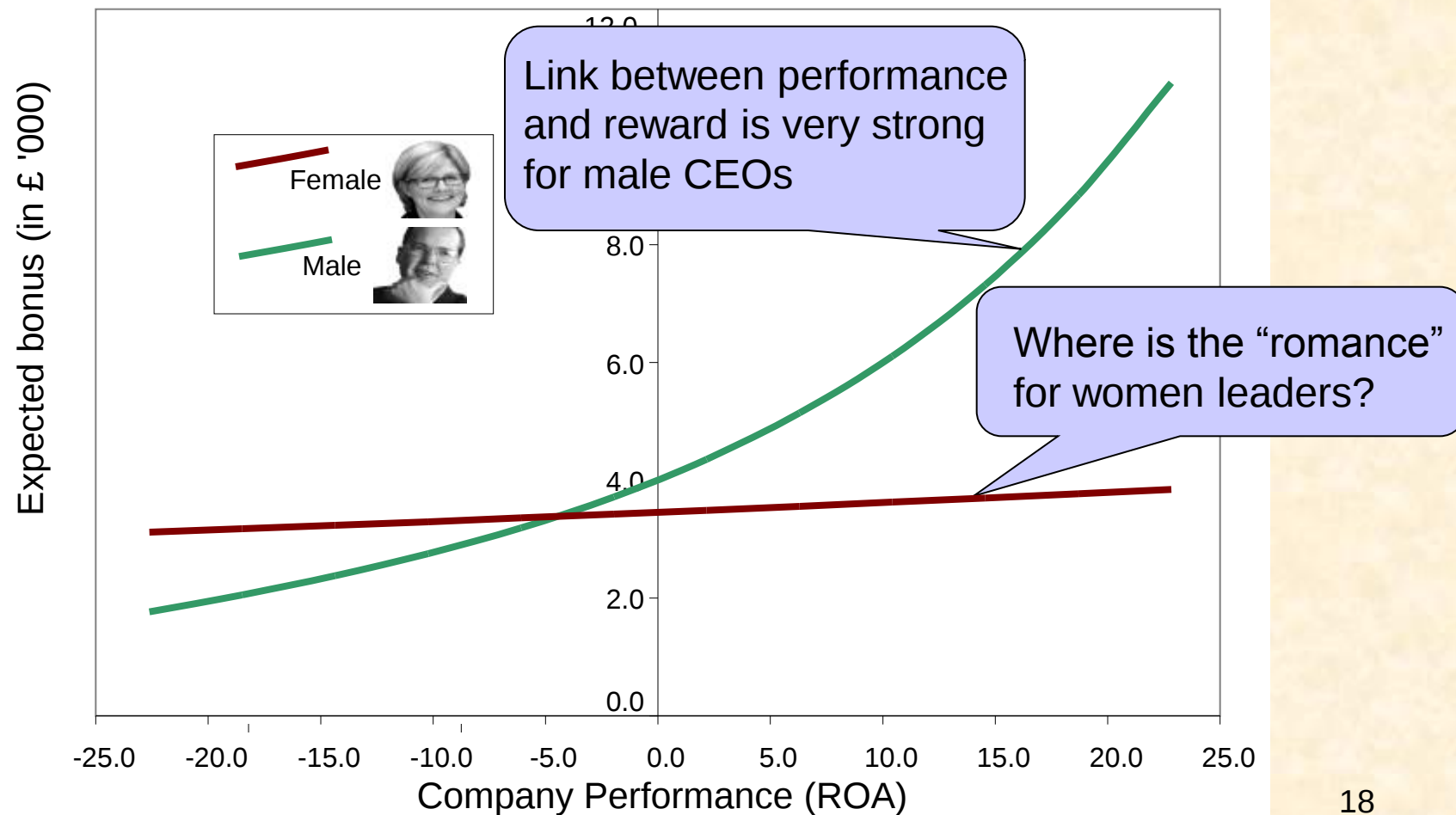
But does this happen in the 'real world' ?

- 192 matched female & male executive directors, UK listed firms (1998-2004)
- Matched on company characteristics (industry and size) and director characteristics (position, tenure)

Implications for the gender pay gap



Implications for the gender pay gap



Implications for company performance

Archival study II [Haslam, Ryan, Kulich & Atkins \(in press\) *BJM*](#)

- All UK FTSE 100 companies, 2001-2005

Key measures:

- Number and proportion of women on the board
- Accounting-based company performance: ROA, ROE,
- Stock-based company performance: Tobin's Q

Tobin's Q compares the value of a company given by financial markets with the value of a company's assets. So,

> 1 over-valued

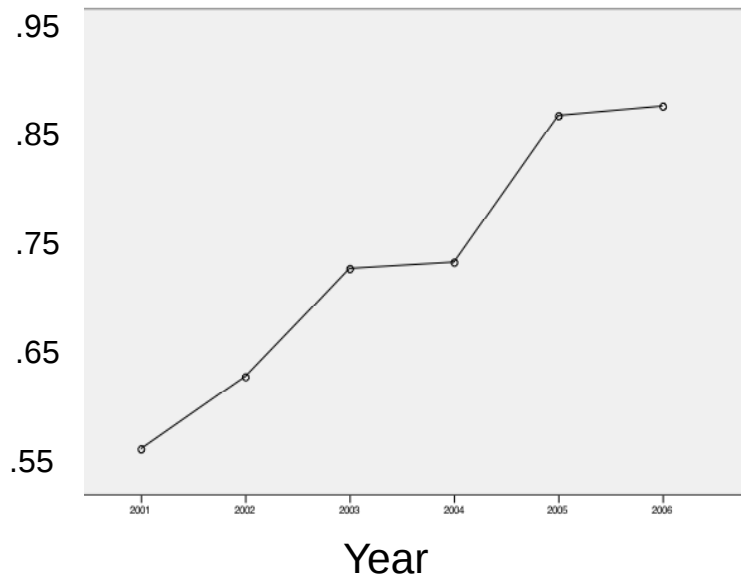
= 1 appropriately valued

< 1 under-valued

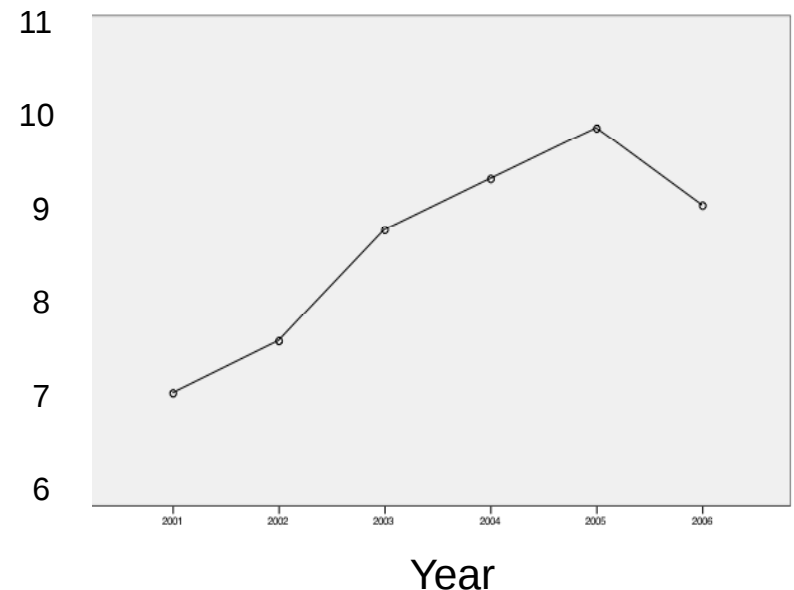
Implications for company performance

- All UK FTSE 100 companies, 2001-2005
- A period of some change (increasing presence of women on boards — albeit tokenistic)

Likelihood of Having a Woman on Company Board



Mean Percentage of Women on Company Board



Implications for company performance

Replicating
Ryan & Haslam

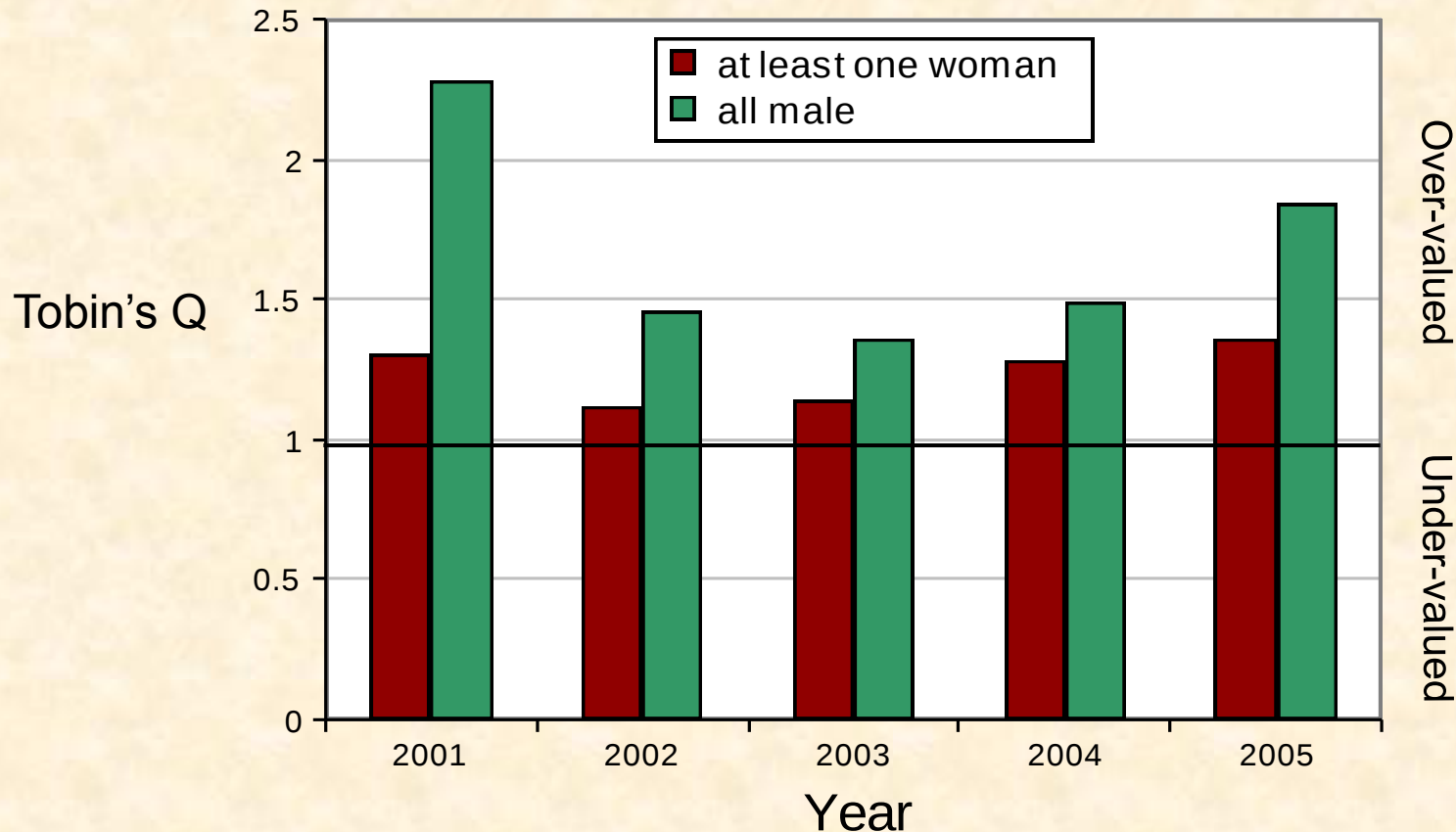
	on Bd.?	Year	ROE	ROA	Tobin's Q
% on Bd.	.78**	.19**	.03	.04	-.11*
on Bd.?		.13**	.04	-.02	-.16**
Year			.08	.14**	-.05
ROE				.18**	.01
ROA					.41**

Women's presence on boards isn't associated with **objective** underperformance (in fact the opposite).

But consistent with Ryan & Haslam (2005) it **is** associated with **subjective** underperformance.

It appears that financial markets are driven by psychology not economics (Akerlof & Kranton, 2005; Akerlof & Shiller, 2009)

Implications for company performance



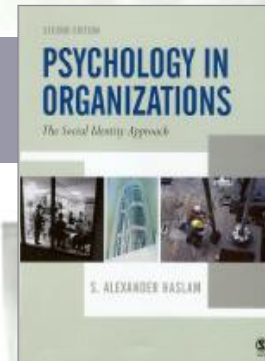
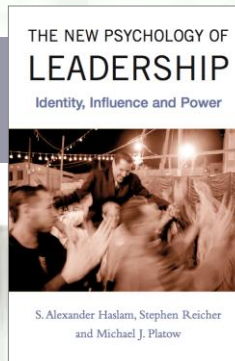
- Companies with a woman on the board are over-valued by 21%
- Companies with all-male boards are over-valued by **68%**
- Companies with all-male boards have a valuation premium of 38%

Implications for company performance

		Women on Board?				
		2001	2002	2003	2004	2005
Tobin's Q	2001	-.21*	-.06	-.14	-.16	-.07
	2002	-.23*	-.07	-.08	-.08	-.09
	2003	-.26*	-.08	-.08	-.08	-.07
	2004	-.28*	-.12	-.11	-.12	-.05
	2005	-.36*	-.19	-.23*	-.24*	-.21*

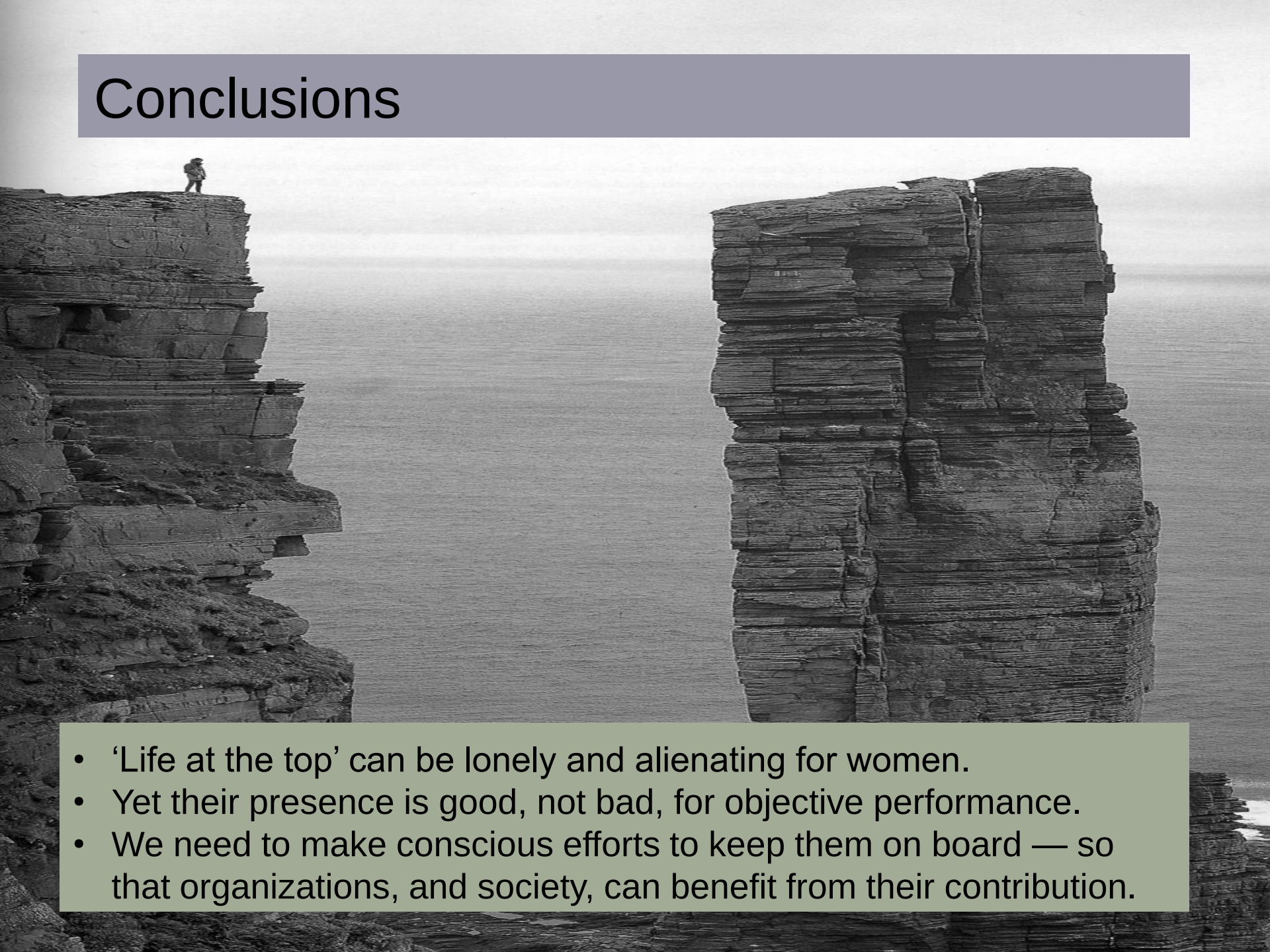
- What is the causal relationship here?
 - Evidence that (a) having women on the board leads to lower Tobin's Q ($r = -.21^*$) and that (b) having lower Tobin's Q leads to women on the board ($r = -.09$)
- Both differ from 0 (Granger's test); but (a) stronger than (b) ($p = .01$)

Conclusions



- A body of evidence suggests that life above the glass ceiling is quite different for men and women (Ryan & Haslam, 2007, *AMR*).
- In particular, women are given
 - different opportunities (riskier, more precarious)
 - different rewards (fewer, less contingent on performance)
 - different reception (their arrival is greeted with skepticism, and seen as a signal of decline).
- These are likely to be a source of **stress** and **disidentification**.

Conclusions

- 
- 'Life at the top' can be lonely and alienating for women.
 - Yet their presence is good, not bad, for objective performance.
 - We need to make conscious efforts to keep them on board — so that organizations, and society, can benefit from their contribution.