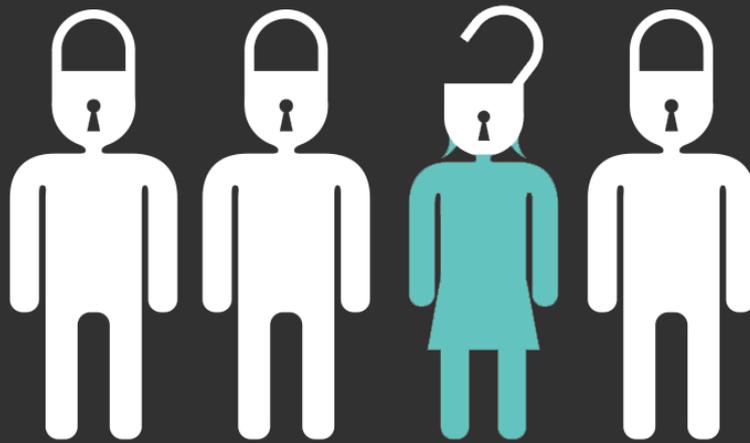


Executive Gender Diversity

Why are there so few
female CEOs?



mind
group

Introduction

Executive gender diversity is a hot topic and many organisations are making it a priority. However, this intent is not backed up by the facts or the current speed of change.

Government statistics from the Workplace Gender Equality Agency show:

- Less than 5% of the ASX top 200 are led by a female CEO
- 4 out of 5 ASX top 200 Board Members are male
- Over 90% of all Australia's CEOs are male
- Women make up 45.9% of the workforce
- Over a third of organisations have no senior female leaders at all

These statistics speak for themselves; gender diversity at executive levels in Australia is poor.

This isn't just a question of equality, from a business perspective these statistics are also concerning when you consider the leadership talent being missed:

- A meta-analysis of 95 leadership studies found no significant overall difference in performance ratings between male and female leaders. In fact as business leaders, women fared slightly better, particularly in more recent studies. The research papers where men were rated as superior were also found to be based on self-ratings of performance (Paustian-Underdahl, Walker and Woehr 2014)
- The proportion of female leaders drops according to seniority, but the few who make it through to senior levels are performing comparatively well. In a study of 360° feedback ratings from over 7280 leaders, the average female leader was rated higher than the average male leader on 12 of 16 leadership competencies. The overall performance differential was negligible at more junior levels and stronger at more senior levels (Zenger and Folkman 2012).
- In December 2015 the Australian Financial Review reported that female CEOs were performing above average in terms of total shareholder returns.

It would be pointless to try and argue that one gender is *better* at leadership than the other, the differences are statistically small and there are clearly examples of exceptional and poor leadership from both genders.

That said, the figures do indicate that the current lack of senior female leadership is commercially unjustifiable. If there is a *War for Talent*, it seems as though organisations that focus on gender balance and tap the pool for female executive talent will win.

This is nothing new, so ***why are there so few female CEOs and are the statistics likely to change any time soon?***

According to recent research cited in the Harvard Business Review, this may be due, in part, to life choices and preferences (Gino et al 2015). However, the effect noticed cannot account alone for the high level of disparity. As such, this paper will review two additional factors:

- Current thinking on what a CEO is
- Common CEO selection methods

In both areas, the evidence suggests critical changes are needed to achieve gender balance in Australian organisations.

Current Thinking in Australia – A Simple Experiment

We asked the following (gender neutral) question to 100 working Australians (50 male and 50 female, aged between 23 and 72 from different industries and organisations).

*“Please could you picture in your mind an Australian Corporate CEO;
What do they look like?”*

The Results



Details such as weight, hairstyle etc. differed but the responses were startlingly uniform. Almost all described an Australian Corporate CEO as a white, middle-aged male in a suit.

The three participants who pictured a female CEO were female themselves and had worked closely with a female CEO or executive.

Note on race: The study was intended to understand gender bias. However, the question of race did emerge with significant effect. 99% pictured the Australian Corporate CEO as ‘white’ or ‘Caucasian’. Whilst this paper will only focus on gender, this is a clear finding that warrants additional focus and research.

Discussion

This simple experiment illustrates that people are unconsciously picturing male candidates when they think of what a CEO looks like. The image for 97% of respondents matches the current statistics on executive gender balance in Australia. Clearly this is a stereotype and reflects the current situation, more importantly though, ***is it having a causal effect?***

The available evidence would suggest it is.

Similar to the US focus on their leaders looking 'Presidential', *Executive Presence* is important for many organisations and their senior stakeholders. According to a recent study, appearance alone accounted for 26% of executive selection decisions (Hewlett et al 2012). A confident (white) middle-aged man, with an authoritative voice, firm handshake and dark suit clearly fits with people's mental image of what a CEO *is*. This triggers a psychological phenomenon called *confirmation bias* in their minds i.e. they subconsciously favour evidence and data that fits with their preconceived perspective.

Playing to this male dominated stereotype could be rationalised. In publicly traded organisations for example, investor confidence is important and image does matter. The picture described by participants in our study 'fits' with the prevailing mental image of what a CEO looks like; a CEO selection decision different to that image may be perceived as a risk. There is also evidence that gender can have an influence on investor decisions. For example, male entrepreneurs were found to be more effective than females in persuading investors, despite identical pitch content (Wood Brooks et al 2014). In addition, it has been found that facial traits associated with 'powerfulness' in male CEOs are positively correlated with organisational performance in Fortune 1000 companies (Pillemer et al 2014).

These factors may help to explain the currently low levels of executive gender diversity, but they do not justify it from a business or ethical perspective. For example, the facial characteristics study showed an even stronger correlation between organisational performance and facial traits in female CEOs (such as supportiveness, warmth and compassion). In publicly listed organisations it is understandable that investors would be risk averse, but recent performance results of female CEOs indicate those fears are unfounded. Leadership capability over time would be expected to be a stronger predictor of performance than any gender or image based factors (which would only have a small and short-term effect, if at all.)

The results of our simple experiment would suggest that a strong gender bias does exist. This bias is likely to have an impact on those influencing executive selection decisions (e.g. leaders, Board members, executive search firms, investors and others stakeholders).

This gender bias is also likely to affect the female CEO candidates in interview. A recent study, found that explicit gender bias of male interviewers has a negative effect on the *performance* of female candidates in interviews. This is unsurprising and few executive leaders would openly share or acknowledge such views. Of more concern however, was that this negative effect on candidates was even stronger when those biased views were held 'implicitly' (Latu, Schmid Mast & Stewart 2015).

Executive Selection Practices

The process used to select CEOs is rarely scrutinised, yet the evidence indicates it has a strong causal effect in preventing female CEO appointments.

The process employed by many organisations looking for a new CEO (or executive leader) involves:

- *Confidentially briefing an executive search firm*
- *Gaining a shortlist of experienced candidates from the search*
- *A series of interviews/meetings*
- *References*
- *Discussion and decision*

This sounds reasonable and fair. However, such a process would be expected to significantly benefit male candidates for the following reasons:

1. The search firm will typically be looking for experienced executives, not high potentials. At the CEO level in Australia, this means they will be selecting from a pool with a ratio of 9 males to every female. They are also likely to unconsciously seek candidates who fit the stereotypical image of a CEO.
2. The organisation may be unaware of the inherent gender bias in interviews. For example, people tend to notice or think highly of characteristics 'similar to me' (Sears and Rowe 2003). As most executives making the final decision are male, this perpetuates the existing gender imbalance.
3. The organisation may be overlooking the fact that traditional interviews (and references) have extremely low predictive validity, regardless of the experience of the interviewer (Highhouse 2008). In addition, narcissists tend to excel at interview (Hogan 2005) and are also more likely to be male (Grijalva et al 2015).

Many organisations still select executives without an objective or valid assessment of their leadership capability, personality or potential. With over 50 years of evidence proving the relative effectiveness of multiple assessment methods (and the significant cost of a poor decision), this just doesn't make logical or commercial sense.

Key Recommendations

There are a number of factors that contribute to the lack of executive gender balance. Strategic action may be required in a number of areas including: quotas, cultural change, parental and flexibility policies, leadership development and talent management (Robertson and Byrne 2016.)

However, without making change to our thinking of what a CEO is and the process used to select them, the rate of change will continue to be slow. Based on our experience and research, we would recommend the following:

1. Clarify objective role requirements before you look internally or go to market:

Develop a clear and valid 'success profile' for the role (detailing the required capability, personality, experience and knowledge to succeed). This process reveals what is important and avoids focus on irrelevant factors (such as gender, race and age).

Without a clear success profile, it is human nature to base decisions upon whatever captures attention at the time, including biases and 'gut feelings'. None of these will reliably predict the candidate's success as a leader. (Highhouse 2008, Tatton 2015)

2. Ask the question:

It can be incredibly powerful to ask a simple but confronting question – "Is there any reason we would not consider a female candidate?"

The answer (legally) should be 'no'. Once stated, this creates an increased likelihood of support for female candidates (due to the consistency principle of influence). With any other response, constructive debate can emerge and the success profile can be used as a valuable tool to constructively challenge biased and invalid perspectives.

3. Look beyond the usual suspects:

Look with intent for female talent and you will find it. Clarify to those running the selection process (whether internal HR or a search firm) that you are keen to consider a *balance* of female and male candidates and are prepared to consider high potentials.

4. Use objective assessment:

Objective assessment provides a fair and level playing field for leadership talent to be selected. It focuses on who has the capability and talent to do the job, regardless of whether they are male or female. Gender balance is a natural result of a more objective and valid process.

Objective assessments also reveal both incompetent and 'high-risk' leaders such as narcissists, con artists or psychopaths (who may perform well in a traditional interview). With organisations routinely pay seven figures to exit poorly performing leaders; it makes sense to incorporate some validated assessment practices into the selection process.

5. Provide Structured Support:

Regardless of gender, even the most experienced or capable leaders benefit from development and support, particularly in a new role.

The combination of the success profile and the objective assessment data enables that support to be targeted and strategic.

Closing Comment

Australia is filled with high potential female executive talent; however, the statistics show that few organisations are giving them opportunity to lead.

Without changing mindsets and selection methods, inherent (and often unintended) bias will continue to hold back great female leaders. As a result, organisations will not perform as well as they could, and as a society we will be poorer for it.

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About the Mind Group

We are experienced business psychologists with proven expertise in leadership, organisational development and culture change.

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