

# DIRECTORATE-GENERAL FOR INTERNAL POLICIES POLICY DEPARTMENT CITIZENS' RIGHTS AND CONSTITUTIONAL AFFAIRS



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THE PSYCHOLOGY AND ECONOMICS OF WOMEN IN LEADERSHIP

WORKSHOP



# DIRECTORATE GENERAL FOR INTERNAL POLICIES

# POLICY DEPARTMENT C: CITIZENS' RIGHTS AND CONSTITUTIONAL AFFAIRS

GENDER EQUALITY

# THE PSYCHOLOGY AND ECONOMICS OF WOMEN IN LEADERSHIP

WORKSHOP

#### Abstract

Although the number of women in the workforce has never been higher, they remain relatively underrepresented in leadership positions. In this note we discuss three ways in which the workplace experiences of women differ from those of men and how these can negatively affect women's experiences in, and attainment of, leadership positions. This document was requested by the European Parliament's Committee on Women's Rights and Gender Equality.

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# EXECUTIVE SUMMARY

# Background

*"Why don't women run the world? Maybe it is because they don't want to"* (Belkin, 2003).

Despite the fact that women represent approximately half of the work force in Western countries, they still remain largely underrepresented in leadership positions. This is especially true in traditionally male-dominated fields such as law, business, science, construction, and politics — even though women are often well represented at more junior levels within these fields.

Traditional explanations for this underrepresentation have tended to focus on the structural barriers and explicit discrimination that women have faced in these fields. Such barriers are encapsulated by the metaphor of the 'glass ceiling', which evokes the invisible barrier that prevents women from progressing beyond positions in middle management. However, recent societal changes, including reductions in overt expressions of gender prejudice and the notable success of a small number of women who have broken through the glass ceiling, have led commentators to search for a different explanation for the continued underrepresentation of women in leadership. After all, if some women are able to climb to the top of the corporate ladder, then surely, they reason, gender is no longer an important barrier to achievement?

It is in this context that Lisa Belkin (quoted above) argued in the *New York Times* Magazine that the underrepresentation of women could be explained by their relative lack of career ambition and their consequent reluctance to sacrifice a well-balanced life. This argument is consistent with research showing that in many occupations women express lower levels of career ambition than do their male colleagues.

As we will discuss in this note, our research conducted at the University of Exeter, UK, has demonstrated that women's career ambition is an important determinant of their lack of leadership attainment. However, importantly, this research has also demonstrated that the observed gender differences in ambition are not innate or biological; rather, these differences can be shown to emerge as a consequence of subtle psychological processes related to stereotypes that are widely held about the characteristics of women, men, and leaders.

#### Aim

The aim of the present note is to provide an overview of three psychological processes through which gender and leadership stereotypes may adversely affect women's leadership experiences and thus their motivation to pursue or to remain in these leadership positions. These are:

- Self-Leader Similarity Perceptions;
- The Glass Cliff;
- The Gender Gap.

This note will argue that increasing the number of woman in leadership positions requires a consideration of the way in which stereotyping and the social processes surrounding

leadership appointments may lead to gendered workplace experiences that compromise the advancement of women.

# 1. SELF-LEADER SIMILARITY PERCEPTIONS

#### **KEY FINDINGS**

- Individuals tend to associate leading members of an occupation with stereotypically masculine traits the 'think manager think male' association.
- Employees are sensitive to **similarities and differences** between their own traits and those that they attribute to an occupation's leaders.
- Because of their gender, women perceive that they are **less similar** to stereotypically masculine leaders than do their male counterparts.
- Women's reduced Self-Leader Similarity perceptions are associated with a reduction in career ambition and with an increase in their **desire to opt out** of their careers.

Women remain a visible minority among those in positions of power in organisations. For example, at this point in time, fewer than half of the German DAX companies have any women on their boards of directors. Further, at any point in time, no more than five of the British FTSE 100 companies have had a female chief executive.

Until recently, explanations for the underrepresentation of women in positions of power have focused on barriers that they face as they attempt to climb the career ladder (e.g., the glass ceiling; The Corporate Woman, 1986; Morrison, White, & Van Velsor, 1987). However, as a small number of women have attained positions of power in recent years, a new explanation has been advanced. This explanation suggests that this underrepresentation reflects intrinsic differences between men and women in the strength of their career ambition, a difference which leads women to choose to opt-out of highpowered positions (e.g., Belkin, 2003). According to this analysis, women simply do not have what it takes — the uncompromising attitude, the stamina, the 'grit' — to succeed in corporate life. And thus, an Opt-Out Revolution is afoot.

# 1.1. Career Ambition and The Opt-Out Revolution

Support for this Opt-Out Revolution comes from evidence that more women than men are deciding to opt-out of their corporate careers, either by leaving organisations altogether or by deciding not to pursue top positions. For example, Stroh, Brett, and Reilly (1996) found that almost twice as many women as men left management positions in 20 Fortune 500 companies over a two-year period (26 versus 14 % respectively).

One factor that appears to underlie women's increased tendency to opt-out of their careers is a lack of career ambition relative to men. In other words, when asked, women express a reduced drive to climb the career ladder and to make sacrifices to achieve their career goals. For instance, in a study of 621 sales employees in a Dutch organization, women were observed to have less ambition to climb the management career ladder than men (van Vianen & Keizer, 1996; for similar findings in a sample of government employees see van Vianen & Fischer, 2002).

Although many commentators have assumed that these observed differences in career ambition reflect some innate or biological difference between the sexes, our work with surgeons, members of the police service, and personnel in the UK Royal Navy challenges this notion. Our research suggests that women's lack of career ambition can, at least in part, be attributed to their perception that they are not similar to their stereotype of the individuals that have leadership roles in their occupations.

#### 1.2. Self-Leader Similarity and Career Ambition

In the workplace at large, there are three related reasons why the stereotypes of leading members of an occupation tend be associated with masculine characteristics: (a) the predominance of men in those leadership positions, (b) the generally masculine nature of leadership stereotypes (that can be traced back to the 'great man' theory of leadership), and (c) the associated tendency to perceive the characteristics of successful leaders to be more similar to the characteristics of men than to those of women (Schein, 1973).

Indeed, research across a number of countries (including Germany, the U.K., the U.S. and China; Schein et al., 1996) has demonstrated that men and women tend to attribute to successful managers the traits that are stereotypically associated with men (such as 'decisive' and 'unemotional') rather than the traits that are stereotypically associated with women (such as 'communicative' and 'sentimental'). In other words, when people 'think manager', they tend to 'think male'.

In our research, we have argued that the stereotypes that individuals hold about leading members of an occupation have a direct influence on their levels of career ambition because (a) leader stereotypes can impact individuals' expectations of career success, and (b) where people see career success as both possible and realistic they will see it as worth striving for. In other words, people can be expected to have a higher drive to climb the career ladder and to make sacrifices to get ahead in their careers if they expect to succeed in their endeavours. Importantly, one way of judging one's chance of success in the workplace is by looking at the individuals further up the career ladder and examining the traits and behaviours that are associated with success. Individuals who see similarities between their own characteristics and the characteristics of those above them are likely to think that they too have what it takes to make it; individuals who see differences are not.

It should be clear that, where people hold masculine stereotypes of leaders, these selfleader similarity perceptions may have negative implications for women. Specifically, to the extent that the leading members of an occupation are perceived to have masculine characteristics, women are likely to perceive less self-leader similarity than their male colleagues do. This in turn is likely to reduce women's expectations of career success and thus their career ambition relative to men.

# 1.3. Gender and Self-Leader Similarity Perceptions

Our research in a number of organisational contexts has supported claims that individuals' perceptions that they are similar to the stereotypical leading members of their occupation impacts on their tendencies to opt-out of their career. Moreover, we have evidence that these dynamics have disproportionately negative implications for women's career achievement.

One stream of this research has been conducted among men and women pursuing a career in surgery — arguably the most stereotypically masculine of the medical specialties (women make up only 16% of surgical trainees and only 8% of surgical consultants). In this project (Peters, Ryan, Haslam & Fernandes, 2012), surgical trainees were asked to think of the typical leading surgical consultant and to indicate whether or not each of a number of personality traits was characteristic of this consultant. They were then asked to indicate whether or not these same traits were characteristic of themselves. Importantly, these traits included words that were either stereotypical of men (e.g., 'macho', 'pompous', 'decisive') or of women (e.g., 'sentimental', 'timid', 'good-communicator'). Participants were then asked to indicate the extent to which they were inclined to opt-out of their surgical training and to instead pursue another career.

In line with our expectations, male and female trainees indicated that male traits were more characteristic of the stereotypical surgeon than female traits. In other words, when trainees of both genders thought of a leading surgeon, they thought of a man. In addition, trainees indicated that female traits were relatively more characteristic of themselves, although unsurprisingly, this tendency was much stronger for women. Importantly, trainees (whether male or female) who perceived surgeons to be more masculine than they themselves were also said that they had a greater desire to opt out of their surgical training. The fact that women generally perceived less similarity with surgeons than men did was able to account statistically for the observation that these women also expressed a higher desire to opt out of their surgical training.

Additional projects that were conducted among surgical trainees and personnel in the UK Royal Navy (Peters, Ryan, Haslam & Fernandes, in prep; Peters & Ryan, 2011) again showed that perceptions of self-leader similarity impacted on individuals' desire to opt-out of their career. Moreover, the research demonstrated that this was, in part, due to the fact that individuals who perceived a lack of self-leader similarity were also less motivated in their careers.

In light of the demonstrated importance of self-leader similarity perceptions for career ambition and tendencies to opt-out, we conducted a second set of studies (Peters, Ryan and Haslam, in prep.) that aimed to assess whether women's perceptions of self-leader similarity can be manipulated. In these studies, senior policewomen or female psychology students were led to believe that their leadership style was either similar to or different from that of leaders in their respective fields. Participants were then asked to indicate their levels of career ambition. In both occupational groups, participants who were led to believe that they were more similar to their leaders expressed higher levels of career ambition. Furthermore, there was evidence that perceptions of high self-leader similarity increased ambition because it increased participants' expectations that they would succeed in their career.

# 1.4. Implications

Together, these findings speak to the reality of an Opt-Out Revolution whereby lower levels of career ambition that result from perceptions of a lack of self-leader similarity can lead women to exit their careers. This process has to potential to account for women's decisions to hold themselves back from seeking leadership positions and to leave full-time employment altogether, and it could, in part, help account more generally for the underrepresentation of women in positions of power.

Importantly, however, this research also shows that women's perceptions of self-leader similarity, and therefore their career ambitions, are malleable. Such malleability suggests that interventions that aim to increase self-leader similarity are likely to have a beneficial impact on women's ambition. One factor that is likely to play a role in women's perceptions of dissimilarity to leaders is the predominance of men in leadership positions. Increasing the representation of women in these positions or changing the perception of their representation would therefore appear to one quite straightforward way of increasing women's perceptions of self-leader similarity and through this increasing their ambition.

# 2. THE GLASS CLIFF

#### **KEY FINDINGS**

- **The glass cliff** describes precarious leadership positions, where organisational circumstances mean that the leader is more likely to fail.
- There is evidence that **women** are more likely to be appointed to glass cliff leadership positions than men.
- There is an association between successful leadership in times of crisis and stereotypically feminine traits the '**think crisis think female**' association.
- Appointing women in times of crisis may also **signal a change** in organisational strategy.
- Experiences of precarious leadership as well as the prospect of highly visible failure are likely to increase women's motivation to **opt-out** of their career.

In the previous section, we discussed the important role that individuals' expectations of success play in their career ambition. As our research has shown, it is only when individuals expect to succeed in their career that they will strive to climb the career ladder and willingly make the necessary sacrifices along the way. While the previous section emphasised the way in which individuals' perceptions of similarity to stereotypically masculine leaders can impact expectations of success and ambition, in this section we will discuss one way in which the experiences of women who attain leadership positions may have negative implications for their own expectations of success as well as the expectations of the women below them.

# 2.1. Evidence that Women Face a Glass Cliff

The glass cliff metaphor was coined by Ryan and Haslam (2005) to describe the experiences of women who break through the glass ceiling only to find themselves in precarious leadership positions with an increased likelihood of failure. In other words, this research indicates that women in leadership often find themselves on a psychological cliff edge.

Ryan and Haslam (2005) first found evidence for the glass cliff when examining the negative correlation that existed between company performance and the percentage of women on FTSE 100 company boards: as the number of women increased, the performance of companies decreased. This correlation had previously been interpreted as providing evidence that women lack leadership capacity and therefore may actually do companies harm (Judge, 2003). Upon closer examination of the archival data, however, the authors found evidence for precisely the opposite relationship. It was not that appointing women led to poorer performance (as measured through changes in monthly share prices of the FTSE 100 companies) — in fact, in times of a general financial downturn, the appointment of a woman actually predicted better organizational performance. Rather, *it was the poor performance of a company that predicted the subsequent appointment of a woman to a leadership role*. Importantly, this pattern was not found for men.

Haslam and Ryan (2008) supplemented this finding with a series of experimental studies that examined whether this tendency for women to occupy glass cliff positions was due to the appointment process. In these studies, participants were given information about an organisation that was either performing strongly or that was struggling. They were then provided with information about multiple candidates for a leadership position in this organisation and asked to rank these candidates from most to least preferred. The two strongest candidates were matched on key dimensions related to their experience, competence, and attractiveness. These two candidates did, however, differ in their gender. In line with the archival study, whether or not participants preferred the strong male or strong female candidate depended on the organisation's performance. When the company was doing well, participants had a slight preference for the male candidate. However, when the organisation was going through difficult times, participants showed a very strong preference for the female candidate.

This pattern of preferentially appointing women to precarious leadership positions has emerged consistently, in a wide range of leadership contexts, from selecting the lead lawyer for a highly risky court case, or a political candidate for a hard-to-win seat, to the youth representative for a music festival experiencing declining popularity.

# 2.2. Stereotypes and the Glass Cliff

As we described in the previous section, under normal circumstances the attributes that are used to describe good managers match those that are used to describe men (e.g., 'assertive' and 'dominant') rather than those that are used to describe women (e.g., 'emotional' and 'nurturing'). This *think manager — think male* association means that, in general, people should perceive men to be more suitable for leadership positions than women. However, this begs the question of why women are preferred for precarious leadership positions?

One possibility is that people may have different stereotypes about the kinds of leaders that are likely to succeed in different organisational circumstance. In this way, while the tendency to think manager — think male occurs when organizations are running smoothly, it may not persist when times are difficult. Indeed, Ryan and colleagues (2011) have found that in these difficult circumstances, people have a tendency to *think crisis* — *think female*. Participants in this study were asked to describe the characteristics that an ideal leader should have when a company was either performing well or performing poorly. As in previous research, while the standard association between the characteristics of a good leader and a stereotypical man emerged when the company was doing well, this was not the case when the company was doing poorly. Here, the characteristics that were used to describe the ideal manager were much more stereotypical of women (e.g., tactful, intuitive and understanding).

#### 2.3. Market Signals and the Glass Cliff

There is also evidence that women may be appointed to precarious leadership positions not only because they are perceived to have the traits that are necessary in these difficult circumstances but also because in doing so, organisations may send a signal to the market. Whereas the appointment of a man indicates business as usual, the appointment of woman signals a change in strategy.

One piece of evidence for this claim is provided by an experimental study that investigated participants' preference for male or female candidates under strong or weak organizational conditions as a function of the leadership history in this organisation (Bruckmüller & Branscombe, 2010). Specifically, participants were told that the previous leaders in the organisation had either been male or female. When participants were told that the previous leaders in the previous leaders had been male, then the typical glass cliff effect emerged, whereby men were preferred in times of strength but women were preferred in times of crisis. However, when participants were told that the previous leaders had been female, this effect did not emerge. In other words, women were only more likely to be appointed in times of crisis when appointing a woman was a change from the past.

This finding is corroborated by an archival study of the appointment of women to the boards of German companies (Morgenroth et al., in press). These authors found that women were more likely to be appointed to failing companies when companies were relatively large, with a high number of shares and shareholders (i.e., DAX companies), but not when they were relatively small (i.e., MDAX and tecDAX companies). It seems likely that this reflects the fact that DAX companies have a greater need to signal changes in this way.

#### 2.4. Implications

Women occupying glass cliff positions are likely to experience these positions negatively. Not only are the women in these positions likely to feel highly visible and isolated, but the stereotypes about men and women mean that they are likely to be perceived differently to their male colleagues. The think crisis – think female association suggests that women may be appointed to glass cliff positions because they are perceived to be warmer and more understanding than their male colleagues. However, the expectations of masculine leadership are likely to persist, leading to a double bind where women are expected to be stereotypically feminine, but negatively evaluated when then do so. Additionally, women in

glass cliff positions are likely to be blamed for the failure of the organisation and criticised for their leadership style. Together, these experiences are likely to erode women's expectations of career success, providing yet another reason for them to opt out and seek their luck elsewhere.

However, the implications of the glass cliff phenomenon extend beyond the individual women who occupy these positions. The relative scarcity of women in leadership positions means that those few female leaders are seen to represent all women. In this way, the failures that may follow from the difficult positions within which they are placed can be used as 'evidence' that women don't have what it takes to be a successful leader in the first place. For those women further down the career ladder, this means that they are faced with perceptions that they are both similar to unsuccessful (female) leaders and dissimilar to successful (male) leaders. These perceptions are likely to erode their expectations that they may one day succeed, so deterring them from following in their leaders footsteps.

This research demonstrates that it is not enough to appoint women to leadership positions, unless those positions provide them with the same chance of success as their male colleagues. Providing women with risky and precarious leadership positions is likely to both cause harm to those directly involved as well as those further down the career ladder who are looking upwards.

# 3. THE GENDER PAY GAP

#### **KEY FINDINGS**

- The **gender-pay gap** describes the phenomenon whereby women are paid less than men for doing equivalent work.
- The gender-pay gap is **positively associated with seniority** such that the discrepancy in men and women's pay is greater higher up the career ladder.
- The **romance of leadership** describes the tendency for people to attribute an organisation's success or failure to the actions and characteristics of the organisation's leader, rather than the organisational context.
- **Gender stereotypes** mean that men are more likely to likely to have an organisation's success or failure attributed to their own characteristics than are women.
- The tendency to provide women with **relatively fewer rewards** for organisational success than men is likely to increase women's desire to opt-out.

In this section, we discuss one final way in which the stereotypes of men and women may lead to their differential treatment in organisational contexts in way that may erode their ambition to seek positions at the top of the career ladder. Specifically, we will discuss evidence that the financial rewards for men and women in leadership positions differ, so that while men are given credit for organisational success, women are not.

#### 3.1. The Gender Pay Gap

The gender pay gap refers to the fact that women earn less than men for exactly the same work, in the face of years of anti-discriminatory legislation. While being most pronounced in the developing world, it is far from negligible in the industrialised world, ranging from 16% in the European Union to 23% in the United States.

Importantly, the gender pay gap becomes wider as one rises up the corporate ladder. Recent research by the Chartered Management Institute in the UK found that while women in junior executive positions earned very slightly more than their male colleagues, female directors earned on average 11 percent less than male directors. In addition, women were less likely to receive bonuses; where they did, their bonuses were substantially smaller (see also Kulich et al., 2011).

#### 3.2. Gender and the Romance of Leadership

One factor that may influence leader pay, and especially the bonuses and discretionary pay that leaders receive for organizational success, is a phenomenon known as the *romance of leadership* (Meindl et al., 1985). This phenomenon is based on the observation that people tend to attribute outcomes primarily to the personal characteristics of the actors in that situation, disregarding the potential role of situational factors. In organisational contexts, the romance of leadership refers to the fact that company performance is seen to result of personal characteristics of the manager — such as their charisma and leadership ability — rather than situational factors, such as the general economic situation. As a result of the romance of leadership, leaders are likely to be rewarded for organisational success and punished for organisational failure when in many cases they may have had little capacity to make a difference to an organization's performance in the face of powerful external factors.

One explanation of why the gender pay gap is especially marked in management positions is that the romance of leadership — and the associated tendency to reward leaders for organisational success — applies most strongly to men. As we have discussed earlier in this report, people hold clear stereotypes about men and women. Specifically, when compared with women, men are characterised as being relatively high in agency (i.e., competence, effectiveness, and impact) and relatively low in sociability (i.e., warmth, empathy, and sensitivity). These stereotypes mean that men are more likely to be seen as masters of their own fate, while women are more likely to be seen as subject to the vagaries of fate. As a result, people are less likely to take situational factors into account when evaluating the performance of men, compared to when evaluating women, and this should be reflected in greater financial rewards for men in the context of strong organisational performance.

#### 3.3. Evidence for Gender Differences in the Romance of Leadership

In line with these ideas, Kulich and colleagues (2011) found that within a sample of male and female executive directors of comparable companies in the United Kingdom the bonuses that male managers received were closely related to company performance. Specifically, the bonuses that men received in companies performing in the top decile was 263 percent higher than the bonuses they received in companies performing in the bottom decile. In contrast, there was very little evidence that women's bonuses were linked to company performance. Specifically, women working in the top decile of companies only earned bonuses that were 4 percent larger than the bonuses of women working in the bottom decile of companies.

While there are a number of potential explanations for this finding, such as the possibility that women are more likely to avoid risk in their salary packages when compared to men and therefore choose to forgo bonus options, a second study by Kulich, Ryan and Haslam (2007) suggests that romance of leadership processes are also likely to play a role. In this study, participants were presented with a description of the performance of a company before and after the appointment of a new CEO. In some conditions, participants were told that the performance of the firm improved after the CEO's arrival; in others, they were told the performance declined. In addition, some were told that the CEO was a man; others that she was a woman.

Participants, all of whom had working experience, were then asked to allocate a performance-based bonus to the CEO. In line with the archival data, this bonus was higher when company performance improved following the CEO's appointment. However, importantly, this effect was only apparent for male CEOs. Female CEO bonuses were not distinguished on the basis of company performance.

#### 3.4. Implications

The observed tendencies to reward men for organisational success to a greater extent than women communicates a lack of appreciation and respect for women's contribution to company performance. It is not surprising that this apparent indifference to women's efforts — especially when comparing themselves to their male peers — leads to lower satisfaction and motivation and eventually to a higher number of women opting out.

# 4. CONCLUSION

#### **KEY FINDINGS**

- Women are much more likely to **opt out of leadership** roles in organisations than are men.
- Rather than being a product of biology or an inherent lack of motivation, research indicates that this is, at least in part, a product of women (a) perceiving low self-leader similarity, (b) being appointed to glass cliff positions, and (c) being under-rewarded relative to men.
- These factors can be addressed by (a) appointing more women to leadership positions, while at the same time ensuring (b) that these positions are not more precarious than those given to men, and (c) that women are rewarded in the same way as men.

The research described in this report demonstrates that experiences in the workplace continue to be very different for men and for women. We have shown how perceptions of a lack of similarity to leaders in one's occupation can lead to decreased ambition and stronger

turnover intentions. Importantly, women are especially likely to find themselves in situations in which they perceive a lack of similarity with their leaders. While this affects women in all career stages, this is more pronounced in male-dominated fields and in the upper echelons of management — which also happen to offer the most prestigious and best-paid jobs.

Next, we discussed research on the glass cliff, a phenomenon that makes it clear that even when women are promoted to senior positions, the nature of these positions is different from those offered to their male counterparts. Due to the limited and undesirable choices these women face, a higher number might decide to try their luck elsewhere and opt out. Moreover, those women who take on these positions are at a higher risk of failure, which in turn plays in the hands of those who are interested in retaining the status quo, as they can use this failure as evidence that women are less suitable for leadership positions.

Last, we discussed how the gender pay gap further debilitates women's motivation, especially as they progress to more senior positions. The fact that women are not rewarded for their performance the way men are further signals lack of appreciation of and indifference to their efforts.

So what does that say about women? Do they just lack the ambition to "run the world", as Belkin suggested? Maybe – but this appears not to be a product of their inherent biological make-up. Rather, it appears to reflect their leadership experiences are far less positive than those of their male counterparts. If organisations were committed to levelling the playing field and offering men and women equal opportunities in pay and quality of leadership positions, women would in turn be much more likely to become and stay committed to these organisations, and to continue to play a productive role in organisational and corporate life.

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