IlLUminate Blog Transcript: **Corinne Post – Is the Future Female??**

Recorded March 31, 2021. Listen to it here.

ANNOUNCER: 00:01	[music] This podcast is brought to you by ilLUminate, the Lehigh Business blog. To learn more, please visit us at business.lehigh.edu/news.
JACK CROFT: 00:12	Welcome. I'm Jack Croft, host of the ilLUminate podcast for Lehigh University's College of Business. Today is March 31st, 2021, and we're talking with Corinne Post about the light her research sheds on the timely question, "Is the future female?" Dr. Post holds the Scott Hartz '68 Term Professorship in Management and is chair of the College of Business's Department of Management. Her research has been published in such leading journals as Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Journal of Applied Psychology, Journal of Business Ethics, and Human Relations. Dr. Post has also presented her research at numerous conferences in the United States and internationally, and her research has been funded by the National Science Foundation. Welcome, Dr. Post.
CORINNE POST: 01:06	Thank you. Thanks for having me.
CROFT: 01:08	Now, in recent years, you and your colleagues have conducted a number of studies looking at the impact that having women in leadership positions has on both corporate culture and performance. Let's start by accentuating the positive. A meta-analysis you and a colleague had published, I believe, in 2015 analyzed data from 140 separate studies representing more than 90,000 firms in 35 countries on five continents. What did you learn about whether firms benefit from the presence of women on corporate boards as a result of that analysis?
POST: 01:46	Yeah. Thanks for asking the question. And I'll just back up a little bit by explaining why we even looked at that question. The reason why we looked at that question is that we're aware-- my colleague Kris Byron and I, we're aware of the rhetoric in a lot of the business press and mainstream media about this idea that adding women to boards of directors could increase a firm's performance, a firm's financial performance made business sense. And that rhetoric was at odds with what I have been seeing in the research on women on corporate boards. So being quite immersed in that research, I knew that for every paper that showed a positive link between having women on boards and firm financial performance, there was at least another one that showed either a negative relationship between women on boards and firm financial performance or just the absence of a relationship. And so what Kris and I decided to do was to pull together every single study we could find. The majority of them are published in peer-reviewed journals, but there were also reports like the McKinsey or at the Catalyst reports. And by doing so, we could really have a much bigger picture and hopefully come to an answer as to-- some sort of definite answer as to does women on boards have an effect on firm financial performance.
POST: 03:09	And so that was the impetus for that study. In doing this, we also decided, when we're talking about firm financial performance, to separate out the studies that had looked at how markets respond as one way to measure firm financial performance and more internal measures of productivity, return on assets, and so forth. So we separated these two aspects of performance because to us they measured different

things. Clearly, the profitability of a firm and the efficient use of assets is something that's more directly within the control and area of advice of board members, whereas how markets respond is really about investors' responses to the information about what that might mean to have women on boards.

POST: 03:59

So back to your question, here's what we found. We found that on average, if you looked at market performance, so how the market responds, on average, we found it was neither a positive link nor a negative link. There was the absence of a link, or rather whether or not there was a positive or a negative link depended on the level of gender parity of the country in which the study was conducted. Like you said, the study was conducted in over 30-- we had studies in our sample from over 35 different countries. And in countries with higher gender parity - what that means is the country has more similarity between men and women in levels of education, achievement at work, politics, and even health - in countries with higher gender parity, there was a more positive link between having women on boards and how the market responded. And in countries with lower gender parity, there was a negative link. So in countries with low gender parity, when there are women on boards, the market responds in a negative way. So how do we reconcile this? How do we explain this? One way to think about it is perhaps that the market accords different importance to the fact that women-- about what women might bring to a board of directors. But it could also simply be that in more egalitarian cultures, in terms of gender equality, there's a more equal power distribution between men and women on the boards of directors so that any different or outside ideas that women might bring to the board are more likely to be voiced, heard, and taken into account.

POST: 05:42

So if you don't mind, I can also share with you what we found when it comes to profitability or internal financial performance. Here, what we found, and I think it makes sense, is that on average, across all firms, countries, continents, and so forth, there was on average a small but consistent positive link between having women on boards and those measures of firm performance like profitability, a return on assets and so that having women on board seems to make a difference. And we also found that the link became much more positive in countries where boards are held to higher standards of accountability. So countries vary in, for example, the extent to which shareholders might be able to sue board members for not having paid attention to what was going on. And in those countries where there were more shareholder protections, it was easier for shareholders to sue board members if things went wrong. In those countries, having women on board led to an even more positive effect on internal measures of performance. And again, that makes sense. We know from a lot of research on just diversity in any group that when groups are held to higher standards of accountability, they pay more attention to what all the members bring to the table and try to really come to good outcomes.

CROFT: 07:09

Now, one of the findings, as I recall from that study, was that having women on boards yields higher accounting returns. What does that tell us about the difference that having women on boards makes to the boards' culture?

POST: 07:23

So we didn't study or have a way to look at the culture itself, but what we do know is that women come to boards through different trajectories and path - right? - so that when we have women joining a board, they've been through a career trajectory where they've had to be very careful about everything they've done. Because of their few numbers and high visibility and a lot of scrutiny that they're under, they can't afford to make any mistakes. So by the time they have achieved the sorts of positions that make them eligible for being on boards, they've developed a really good ability to pay attention to what might be something quite risky or might also be more attentive to needing to follow rules and not deviate. And so it could be, for example, that women might bring to the boards this greater attentiveness about not engaging in things that are too risky, a greater attentiveness to ensuring that we're doing what we're supposed to do, if you like, because they're under this constant scrutiny. So it might well create an environment on the board where we're more attentive to how we use the resources that the firm has and more attentive to developing a culture where one is making more effective use of company-- or ensuring that management is making more effective use of company resources.

CROFT: 09:04

Along those lines, another study you had done had a very interesting finding that the more women that were involved on the management team, executives were more willing to invest internally within the company to develop innovation and less likely to pursue the higher-risk kinds of moves you were just talking about like acquisitions and mergers. What does that add to what you were just talking about?

POST: 09:33

Well, I think that is a really-- and actually one of the studies I'm probably the most proud of. In that study, I joined forces with Boris Lokshin at University of Maastricht and Christophe Boone at Antwerp, and we wanted to understand what happens in the C-suite after women break the glass ceiling and come in. So it's sort of going beyond these studies that showed a link between women on boards and firm performance, which is so far out of the control, if you will, of people in these upper echelons. So what we wanted to look at is, does having women in upper echelons - in this case, it wasn't a top management team - cause firms to find different ways to achieve similar objectives? So what we did is we looked at leading firms in the European markets, and we tracked any appointments that happen of male or female executives, so any appointments at the VP level or above. And we wanted to see whether that affected the pathways firms took to innovate.

POST: 10:43

So when you think about innovation, there are two main pathways for innovation. One is R&D investments. So it's investing internally, growing the firm, building labs, paying scientists, engineers. And the other pathway is mergers and acquisitions, right? We can increase our innovative capabilities by acquiring firms that we think-- I mean, it's always a little bit tricky with mergers and acquisitions to know for sure, but that we think have capabilities that allow us to advance. And usually firms, most large firms will do a bit of both, but will tend to have more of a dominant focus. And so what we did is we logged firms' R&D expenses. We counted the numbers of mergers and acquisitions that they were doing. And we also analyzed the content of the letters to shareholders for these firms. By analyzing the language in these letters to shareholders, and it's a well-established way of doing this, we can measure, if you like, how the top management team thinks. The language that's being used reflects that thinking. And so we analyzed these letters to shareholders in terms of risk aversion and openness to innovation, openness orientation. And we did this for 163 multinational firms. And these firms represented 20 OECD countries over a period of 13 years. So we could follow year after year these shifts and appointments of women looking whether it caused shifts in the thinking of the top management team and whether those shifts then, in turn, affected changes in how firms approached innovation, moving towards more or less mergers and acquisitions or research and development. And by the way, we controlled for all sorts of other changes that would occur with new appointments to these top management teams.

POST: 12:33

And so what we're able to do is we're able to identify three really interesting things. One, after women joined the top management team-- and this didn't happen after men joined the top management team. After women joined the top management team, the collective thinking of the top management team shifted in the year afterwards to more openness to change and launching new things and sort of being innovative and being less open to risk, so more risk-averse. And it was really sort of almost magical, I want to say, to see the change in language that occurred as a result of following women joining these top management teams. We also found that after the language changed, and we looked at this the year afterwards, there was-- so after the language changed, for example, to become less or more risk-averse, firms started doing fewer mergers and acquisitions. And as the language shifted to become more open to change, more open to innovation, firms started investing more internally in R&D. So those were these sequences of events that occurred as women joined top management teams.

POST: 13:55

And by the way, the impact of these female appointments were greater when women were well-integrated in the top management team. So what does that all mean? It simply shows again in a different way that when you include more women in these upper echelons, in this case, in top management teams, it may lead firms to consider a wider variety of ways of creating value in the firms. So maybe the question should be shifting from, "Does adding women lead to better things?" to, "How does adding women add to different or open up the range of possibilities for achieving similar outcomes?"

CROFT: 14:37

Another study you've done kind of looks at what happens when women are on boards in terms of the firms' social responsibility. Talk about your findings on that and what they mean for firms as they're wrestling with this question of increasing women's representation on boards.

POST: 15:00

Sure. So that study that you're referring to I also did with Kris Byron. Here, we looked at the link between-- we did a meta-analysis again, and we looked at the link between women on boards and social performance. So in that study, if I recall, we collected over 80 studies. Again, over 25,000 firms were represented, over 20 countries, and also five continents. And what we found here that was consistent, and I guess the link was strong or bigger, if you like, is that having women on boards consistently led to higher social performance or was associated with higher social performance and with the same sorts of country-level differences in national contexts where there were higher shareholder protections; firms saw a more positive link between women boards and social performance. And in countries with higher gender parity, again, that link was also more positive.

POST: 16:06

So I guess what this suggests for activists or anybody who is advocating for having more women on boards is that perhaps having women on boards also opens up a larger way of thinking about what firm performance might mean so that firm performance is not just about the bottom line and shareholders, but it can also be about improving the lives of those that organizations touch in a variety of ways, whether it's employees or customers or the environment.

CROFT: 16:48 Right. A more recent study you've done, which has gotten a lot of coverage in the media, looked at product recalls for companies with women on the boards and found that severe product problems, those that injure or kill consumers are recalled much faster when there are women on the board and that even lower-severity product defects are less often swept under the rug when there are female directors. And you had recently done an interview with the Green Connections Radio show about the study that they titled Why Our Lives Depend Upon Women on Boards. What specifically did you find, and do our lives literally depend upon women on boards?

POST: 17:41 Yeah. Great question. So in this particular study, we wanted to examine, again, to sort of dig deeper into that link between why would having women on boards affect firm performance. It might be about how firms affect the operations of a firm, right? How do firms affect operational decisions like should we recall a product or not? Now, recalling a product is a challenge for firms, because on the one hand, it's expensive to recall a product. And when you do, you call attention to failures and to problems you've created for customers and sometimes life or death-causing problems. However, some firms will try to sort of push that under the rug because maybe, just maybe nobody will know, and nobody really sees or discovers it. We should be okay. And they can still rectify the problem when you do that. So it's not the case that recalling has an immediate benefit for the bottom line, but it certainly does in the long term if the defect and when the defect is uncovered. So that's why I thought it was an interesting place to sort of look at the role of women on boards.

POST: 18:58 So what we did here to look at the effect of women on boards on the recall decision-making is we used data, and we used the Freedom of Information Act. The colleague George Ball, who is one of the co-authors of the study, was able to gather data from the FDA on 4,271 recalls of defective medical products. So these are products that are regulated by the FDA and again, over a period of 12 years. And these represented more or less the full sample, the full world of publicly traded firms in this area, 92 of them. And you may or may not know, but the product recalls come in different categories. So a class of recalls called Class I are products that have experiencing issues that are very severe where people are dying or could potentially die. And then you have Class II, which is problems that are problematic, but nobody's quite dying. And then type three recalls are generally more minor. So for example, it could be the wrong font being used on packaging, or it could be the absence of instructions in a box of pills that are used in hospitals where people know and use these pills-- don't even probably read the instructions. So you have different classes of recalls.

POST: 20:26 And what we found is that whether or not you had women on boards really didn't affect how many Class I recalls you're doing. And again, this makes sense. I mean, if your products are killing people, eventually, you will have to recall them from the market. I mean, people are going to notice it, and you'll have to recall them. What we did find is that when you had women on the boards, even if firms recalled the same number of defective products, they recalled them much faster. And they recalled them much faster, but only if the board had more than one female member. Those firms that had at least two female directors would announce the recalls for the seriously defective products 28 days faster. So that corresponds to like 35% decrease in the length of time defective products are on the market. And where there are three or more female directors, recall decisions happen even sooner. So that's what we found with these Class I recalls.

POST: 21:31 Class III recalls, which are those really minor ones, if you like, here, when you had all-male boards, fewer of those products were actually pulled back, and having women on boards would lead to more recalls of those products. So what does this tell us? Again, this sense of rule abidance perhaps that characterizes women who join these boards and that they transmit to the board. And it also indicates that boards set the tone. And so for that reason, having women on the boards who might be more attuned to a wider range of stakeholders, like in this case consumers, and more attuned to sort of other measures of performance than just the bottom line might help set the tone and organization so that these sorts of decisions are made more quickly.

CROFT: 22:24 And in another study, you had found that an executive's ability to anticipate and manage others' emotions is critical for gaining and keeping both employee and stakeholder trust in times of crisis. And this gets to kind of the next topic for the next couple of questions. But there seems to be, from the studies you've done, that even when people are open to women on boards, they are less open to women on boards during times of crisis or economic trouble. In this particular study, the idea that being able to anticipate and manage others' emotions, what does that tell us about this notion that's still prevalent in much of the corporate world that the fact that women on average have stronger relational skills and are more empathetic than men is somehow viewed as a negative for a firm?

POST: 23:31 Yeah. It's interesting that you bring this up. So what we were trying to do in this study was to get away or try to dissociate the gender of the person, of the leader from leadership behaviors. And so we're trying to identify a set of behaviors that's typically labeled more feminine, which are these relational skills, like managing other people's emotions when things don't go well. So we're trying to see, is that a skill that's helpful at all, and does it matter whether men or women do it? So we know that, in general, women tend to engage more in these sorts of skills. And we wanted to separate out whether it mattered if men or women did these things. And this was an experimental study. So we created artificial conditions to really try to isolate these things we were looking at. And the experimental conditions had to do with crises, one of them being a product recall crisis. What happens in those circumstances is that people tend to quickly want to blame others. They feel that they're going to be-- something bad might happen to them. And so there's a lot of emotions that emerge during crises when-- and if they're not well-managed, that can lead to things worsening.

POST: 25:00 So it turns out that regardless of who employs these interpersonal emotion management strategies, these relational skills, if you will, regardless of whether it's a man or a woman using them, they are super effective in creating trust among those that are on the receiving end, right? So if you reassure me or you redirect my emotions away from self-protection or trying to blame others and redirect my emotions to solving an issue or thinking of it in a positive way, I'm going to trust you more as a leader. I'm going to be, therefore, also more willing to make myself vulnerable. And that's usually a good thing for managing crises.

POST: 25:47 So why is this still something that's not necessarily helping women since women tend to behave more in those sorts of ways? I think it's because in organizations, we don't have enough words to talk about these sorts of relational leadership skills. We don't have enough words to explain them. They're often invisible in organizations. Often they help prevent crises, and nobody really knows what that might look like. But we all know what it looks like to resolve a crisis or to be a hero, come in, and put out a fire. So I think that that's one of the key issues here, is that we don't have enough-- we don't pay enough attention to those relational skills. Perhaps organizations don't have words for them. Organizations don't reward as much for them as for other more masculine, if you like, skills and don't train people where, in fact, if all leaders had a range of capabilities, all leaders would probably be more effective.

CROFT: 26:59 Looking at the kinds of skills that make for an effective executive, it seems to me is related to one of the recent studies you'd done looking at 50,000 board elections and more than 1,000 publicly listed companies that found that shareholders are usually happy to support female directors during good times. But when there's a crisis, which, as you were just talking about, is the time when those kinds of skills are most valuable to the firm, the shareholders were much more likely to withdraw their support for the female candidate in a way that was markedly different from their male counterparts. So again, what does that tell us?

POST: 27:49 Well, I think it tells us-- it can tell us a number of things. I think it tells us we still have progress to make, right? So what we did find in that study-- and here we were interested in seeing how shareholders vote. There's a lot of shareholder activism around needing to have more women on boards. And we sort of wanted to see, are these shareholders walking the talk or voting their talk? And so what we found is, yes, there's more support for women over men overall, in general, on average, but that support is withdrawn. And I think some of the explanations for that might be that we've said so much and so often that women are this magic ingredient you throw onto a board, and ta-da, performance happens, and there's no problems, and they help solve the world that when a problem does occur, perhaps now we blame women because weren't they supposed to prevent all this bad stuff from happening? And so perhaps what's happening here is that this rhetoric is hurting women a little bit because of this notion, which is overplayed, of that women's role in preventing the world's problems from happening. I think that could be a key explanation. It also is just very-- it's also very consistent with research that finds that women and outsiders in general - this is the same process with minorities - get, again, a harsher punishment, in part because they're still not seen necessarily as legitimate actors in those spaces.

CROFT: 29:46 Right now, with all of the strengths and the benefits that you found in the research you've done across, literally spanning the globe and thousands and thousands of companies, why does progress continue to be so slow in increasing women's representation at the top levels of corporate?

POST: 30:18 Sure. And just to sort of get some numbers here in perspective, until perhaps - was it? - the end of the 1990s, if you looked at Fortune 500 company boards, women were barely 10% of that, represented 10% of those board seats. From the 1990s until the 2010s, so for about 20 years, it stayed around 11 or 12 percent. And then it started slowly to climb after 2010. And now we are roughly at 28% of board seats for major US corporations. In the UK and as a point of comparison, it's 33% of the FTSE 100 firms. So there's progress. It is slow. And sometimes it plateaus.

POST: 31:14 So there are a few reasons for that. One, I think, that's key is that we still have this idea in people's mind that when you add, when you push for more women on boards, you might not get the best people, sort of this myth of meritocracy, this idea that-- number one, before there was any push for women, that meritocracy was the reason why men got on board. It'd be a good question to examine whether that's true. But this notion that if you add women that maybe they're not-- have the same qualities. So that would be one. Another related reason is this idea that when you're looking for people to put on a board, you're looking for people for certain levels of experience, and we know that the talent pipeline just isn't quite there. I mean, as you move up the organizational ranks, there are fewer and fewer women. That doesn't mean that there's not a large enough pool to draw from so that you could increase that representation. But that means we need to address issues of gender equity and gender representation and progression of women's careers in a much more serious fashion.

POST: 32:33

And I think another reason still is that many firms, when they are considering board appointments, have perhaps some shortcuts that they use in identifying candidates. I believe those companies that have been doing a much more deliberate examination of the skills that they need on their boards might find that in doing so, they can expand the range of candidates they might consider for board membership. So to give you an example, if a board says that any board member they appoint needs to be a CEO or have CEO experience, well, clearly that limits the pool. However, it might be that if you're the vice president at a very large division, that gives you similar qualifications as CEO perhaps at a smaller corporation, right? So I think deepening consideration of the skills and the perspectives also that are required on a board would be one way to expand the pool of candidates, if you like, that companies might consider in making board appointments, and that could help with the progress. But we're not quite there, which would explain why that progress is still slow.

CROFT: 33:57

Right. And one example of an approach that's been tried in recent years, and we've talked about this before, was California enacted a law a couple of years ago with the goal of explicitly increasing the representation of women on corporate boards. And that law required corporations whose principal executive offices are located in the state, had to add at least one female director to their boards by December 31st of 2019 and another one or two female directors, depending on the corporation size, by December 31 of this year. What are your thoughts on that approach of the government setting a mandate, in effect, for how many women should be on corporate boards?

POST: 34:48

Well, I mean, very simply put, when you create that sort of a law, you get what you ask for, right? So if you set the quota at 10% or 20% or 30% or 40%, and you can look at different countries, eventually, you'll see the numbers rise to that level. There's this very interesting study that I highly recommend by authors Edward Chang, Katherine Milkman, Dolly Chugh, and Modupe Akinola that examined at what point the addition of additional-- the addition of women on boards levels off. And for a long time, boards were satisfied with having just one woman on their board. And then it became apparent that having just one woman was really just companies trying to look legitimate, and it was a token representation, right? So having just one woman started being seen as not quite legitimate, as just checking a box. So now firms have mostly two women on boards, and these authors talk about this as twokenism. So we move from tokenism to twokenism. So now you're seen as legitimate if you have at least two women on boards and when-- from which is that level, they stop appointing more women.

POST: 36:14 So I think quotas have the advantage of getting women on boards, but I'm not sure to what extent they change the mindset or to what extent then firms are striving for appearing legitimate or following the law versus caring intensely enough about changing and addressing the needs of their company with their board representation. And our research on the shareholder voting that you're asking me shows the same thing. Once there's a sufficient representation of women on boards, that extra support in shareholder voting goes away. So are quotas useful? Yeah. I think they can be useful, at least temporarily. But again, they can have unintended consequences as some firms are not replacing men, but just adding board seats for these extra women, which can dilute their effect when boards don't question the dynamics that they have going on. And they might fail to really include and take advantage of any new perspectives women bring like these meta-analysis study that I was telling you about show.

POST: 37:29 It could also happen that we might or firms might think that by having women on boards, they have sort of checked off the social responsibility, or we have somebody who's going to be looking out for social responsibility or looking out that there's no misconduct. And in doing so, maybe other board members feel less accountable or less responsible for these things, which could be problematic. Or if a firm fails in one way or another, women might suffer more severe backlash than men. So again, I think it's one solution, probably a temporary one and certainly one that in isolation, without culture change on boards, without a wider sense of corporate responsibility to a larger set of stakeholders, is unlikely to dramatically change how boards operate and might limit any positive effects of bringing women into these roles.

CROFT: 38:37 One last question to wrap things up, we started out talking about this phrase "The future is female" has entered our popular culture lexicon. Is it? And how far off is that future then from all of the things that we've been talking about?

POST: 38:56 Oh, how far off is that future? I think the World Economic Forum came up with some statistics that show that gender equality is about 151 years away. So I don't calculate this; they do. But I think there are ways to perhaps get us there a little bit faster, right? I think it's important, and I also believe organizations are increasingly understanding that there's value in diversity if it's actually used; if different perspectives, ideas, data points, ways of thinking about the world are incorporated in decision-making processes. So even if there are pipeline issues, I don't think all men are equal. But there's a culture in organizations that promote certain ways of thinking. So changing that culture so that different views can be brought to the forefront could be helpful.

POST: 39:49 And while it seems to be true that women might be bringing different qualities to the board, I think we might be in a better shape if we start valuing perhaps what some have called more feminine values or ways of doing - right? - this ability that women have to think of ourselves as in relation to others, as related to others, having cause and effects amongst each other, this inclination to learn from and with each other, this wider consideration of who we think about as our stakeholders, focusing on addressing and resolving problems rather than trying to avoid blame. All these values, I think, can be incorporated as we move towards more women and more gender parity and can help accelerate gender parity too. So I think it's about widening how we do work and how we think of our work. And that can happen before and with or together with more gender parity.

CROFT: 40:58	Dr. Post, thank you so much for being with us on ilLUminate today.
POST: 41:02	My pleasure. It was a great-- it was a lot of fun talking with you. Thank you.
CROFT: 41:05	Thank you. Dr. Post has received the Carl R. and Ingeborg Beidleman Research Award, which highlights quality research and refereed scholarship in business and applied economic disciplines at Lehigh. She also was a past recipient of the College of Business's Teaching Excellence Award. This podcast is brought to you by ilLUminate, the Lehigh Business blog. To hear more podcasts featuring Lehigh Business thought leaders, please visit us at business.lehigh.edu/news. And don't forget to follow us on Twitter @LehighBusiness. This is Jack Croft, host of the ilLUminate podcast. Thanks for listening.