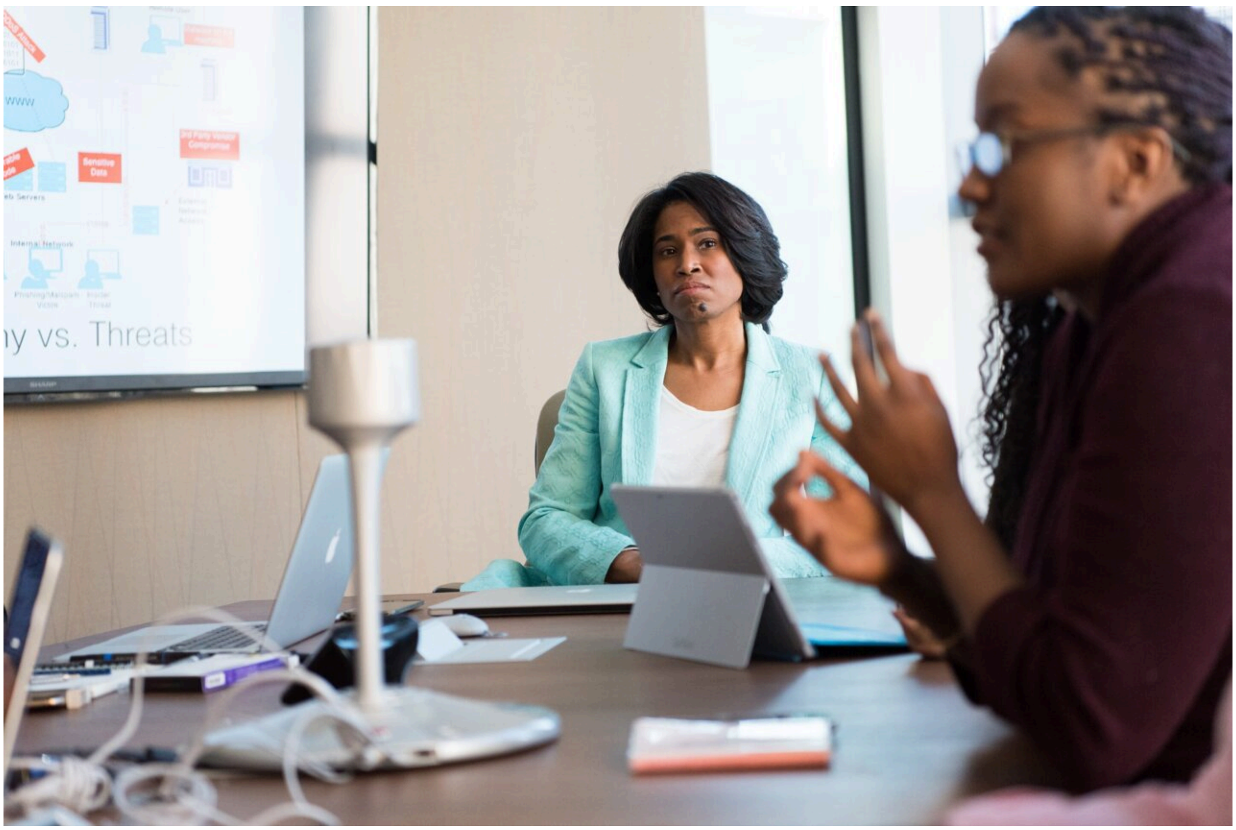
How more female executives in the C-suite can spur improved customer orientation and financial performance

September 9 2022, by Marilyn Stone



Credit: Unsplash/CC0 Public Domain

Researchers from St. Edward's University, University of Mississippi, and University of Texas at Austin published a new *Journal of Marketing* study that examines the relationship between female leadership and customer orientation and the resulting effect on firm financial performance.

The study is authored by Chandra Srivastava, Saim Kashmiri, and Vijay Mahajan.

When Mary Barra was appointed the first female CEO of General Motors in 2014, the company had recently declared bankruptcy, was under fire for an ignition-switch product recall that had led to customer deaths, and had seen a slowdown in U.S. sales due to changing consumer preferences. Investors, employees, and analysts debated if (and how) Barra could change GM's strategic approach.

One of Barra's early moves was to hire a set of female leaders and get her team to focus on "incorporating the voice of the customer in everything we do." GM codified customer orientation into its vision statement and made customer-centric decisions such as creating a foundation to compensate customers who suffered ignition switch problems and initiating a massive U.S. shift from sedans to more popular sport utility vehicles.

Barra's strategic vision, and the subsequent change in the strategic and financial trajectory of the company, raises an important question: How do female executives influence the strategic orientation of the firm? Barra admitted she benefitted from the support and expertise of women such as Alicia Boler-Davis (EVP) and Dhivya Suryadevara (CFO) and it is vital to explore the collective influence of these women on the firm's decisions. This topic is especially relevant in the current social context where there is a greater push for gender equality and laws requiring firms to have women on the board of directors.

In this new study, the researchers examine 389 Fortune 500 firms over six years and find that female executives are likely to focus on customer relationships to a greater degree than their male counterparts and thus encourage more customer-oriented discussions in the C-suite. Consequently, the entire team is more likely to make strategic choices that reflect a growing focus on customers, which in turn accounts for more than half of the positive link between female influence in the C-suite and long-term financial performance.

However, the findings are not uniform across all firms. The relationship between female leadership and customer orientation is reduced by 17% in industries characterized by unpredictable customer preferences, fast-paced technological changes, and strong competitive forces and is reduced by 25% in firms with a high degree of ownership by the founding family. The effect of female leadership on customer orientation is increased by 137% in industries where the C-suite has a high degree of control over firm strategy, is increased by 80% for firms with high female representation on the board, and is increased by 89% for firms with marketing-experienced directors on the board.

As Srivastava explains, "in effect, companies that operate in relatively stable environments, are not family-owned, have female and marketing-experienced board members, and whose executives have more latitude to decide firm strategy are best suited to unlock the benefits of female leadership. The relatively unregulated nature of their industries offers strategic and tactical freedom. Thus, the inclusion of female executives may provide a 'turnaround' strategy for these firms, helping them instill and benefit from a greater customer orientation."

Earlier studies posit that female executives engage in reduced risk-taking across a variety of business contexts, creating the impression that female executives are conservative and risk-averse in all areas. Kashmiri says that "managers should reject this stereotype and consider that customer orientation may actually result in female executives pursuing riskier strategies in some situations in order to satisfy customers."

"CEOs and boards should consider if their organizations could benefit from a greater gender balance in the C-suite to facilitate customer orientation, thus leading to greater shareholder value. Even if there are only a few female executives on the top management team, companies can strengthen the relationship between these female executives and customer orientation by adding female directors and marketing-experienced board members to support customer-centric strategies," says Mahajan. If members of the top management team are predominantly male, they can make conscious efforts to counteract the tendency to under-value customers.

A note of caution: Hiring more female executives will not always lead to superior financial returns. An entirely female top management team suffers from the same issues of gender imbalance—more homogenous perspectives and groupthink—as an entirely male top management team. CEOs must find the gender balance in their top management teams that facilitates an appropriate strategic orientation for their firms.

More information: Chandra Srivastava et al, EXPRESS: Customer Orientation and Financial Performance: Women in Top Management Teams Matter!, *Journal of Marketing* (2022). DOI: 10.1177/00222429221120419

Provided by American Marketing Association