

Why women and minority groups are still underrepresented in top management

November 1 2023, by Louise Champoux-Paillé and Anne-Marie Croteau



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Over the past few years, there has been a great deal of research looking at how well women are represented in top companies. The findings continue to be distressing.

Whether in Canada or the United States, the proportion of women in top management in large organizations still hovers around five percent.

Can we expect this percentage to increase over the next few years? Will today's pool of up-and-coming female talent ensure a substantial increase in the number of female CEOs, or will other strategies be required to change the game?

As dean of the John Molson School of Business and a decades-long expert on the place of women in the upper echelons of the business world, we are interested in explaining the current standstill.

Diversity in the C-Suite

A [recent study](#) published by Stanford University professors David F. Larcker and Brian Tayan provides us with some interesting information on this subject. The aim of the study was to identify the potential for women and members of cultural communities to be appointed to CEO positions in the top 100 U.S. companies. The authors evaluated those who hold positions that report directly to a CEO.

The conclusions of this analysis are worrying:

- only 25 percent of women hold such positions;
- few women can be found in the functions that have the greatest potential for promotion, i.e. operations (15 percent), [financial services](#) (14 percent) and legal services (35 percent);
- the functions that offer fewer opportunities for promotion to CEO, according to the criteria used to select potential CEOs, are occupied to a greater extent by women (head of human resources, risk management, communications, etc.).

The greater presence of women in these support functions illustrates [the](#)

[leadership labyrinth](#), i.e. the complex, dead-end detours that women face in their careers due to stereotypes, biases and family responsibilities that they continue to shoulder alone, despite better sharing of these functions with their male partners.

Why, after so many decades of efforts to increase female representation in decision-making bodies, do so few women manage to hold these positions? We are proposing three sources of indirect discrimination as an explanation for this.

Lack of experience, a discriminatory criterion

[In a recent article](#) published by consulting firm Spencer Stuart, it was noted that the demand for experienced CEOs had almost quadrupled since the turn of the century, rising from four percent in 1997 to 16 percent in 2019. According to executives consulted by the firm, those in charge of selection processes assume that prior CEO experience is a predictor of the impact a candidate will have on shareholder value.

[The findings of another study](#) carried out by the same firm on the life cycle of CEOs and their performance cast doubt on the assumption that there is a link between prior experience and shareholder value.

After analyzing the performance of 855 S&P CEOs over a 20-year period, the firm found that first-time CEOs produced a higher rate of shareholder return (TSR) than did experienced CEOs. These non-experienced CEOs had also demonstrated the advantage of staying in the job longer and having a less volatile performance overall.

[According to the results of another study](#) carried out a few years ago by Professors Michel Magnan of Concordia University and Sylvie St-Onge of HEC Montréal, less than 10 percent of the differences in the stock market performance of the major Canadian banks can be explained by

factors specific to each bank. These include the decisions and initiatives of the incumbent CEO, as well as the bank's employees, customer base, business location and business mix.

The criterion of prior CEO experience, and the importance attached to it, is a factor of indirect discrimination that prevents women, members of cultural communities and young talent from having access to these positions. In addition to being discriminatory, this criterion perpetuates the status quo and limits access to such positions to a restricted group of individuals.

Hiring people who look like us

The concept of "cultural fit" aims to select talented individuals who are in line with the company's culture, i.e. its values, vision, role, objectives and other elements that make up its character.

While using this criterion to recruit has the advantage of attracting talent who will integrate and perform quickly, it has the disadvantage of favoring the status quo and majority rule. It also means we surround ourselves with people who resemble us, whether in terms of gender, age, cultural origins or other differences [that might be seen as disrupting the status quo](#).

[A study](#) from the Center for Talent Innovation clearly shows that innovation thrives in an environment where leaders accept difference, are open to change and disruption, and encourage free expression.

The underestimated financial value of diversity

A group of researchers from Bryant University and Concordia University [carried out an empirical study of the financial performance](#) of

CEOs at the head of publicly traded U.S. companies. More than 11,600 observations were made each year over a 15-year period (1998-2013).

They found that women of color and white women outperformed men of color, who outperformed white men. According to the authors, these results can be explained by the fact that from a very young age, people from minority backgrounds are told by those around them that they need to develop resilience, and that if they want to succeed, they need to be smarter and do better than anyone else.

More human leadership

In a world where volatility, uncertainty, complexity and ambiguity prevail, the leadership qualities that are appropriate to such a context should guide selection processes. These qualities—agility, adaptability, empathy, humility—can be found in both men and women. These are what we call "soft skills."

[According to a study published in August 2022](#), the quest for these qualities has become increasingly important in job descriptions for senior management positions over the past decade. Prioritizing the qualities that allow us to identify the best candidates is the only way we will ensure a level playing field for [women](#) and men alike.

Companies can benefit from recognizing the importance of diversity in talent and leadership styles. By promoting the best people to positions of power, companies will become more efficient and more humane.

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Provided by The Conversation

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