
The Miami Herald

Do Men or Women Make Better Corporate Leaders? The Evidence to Date

July 19, 2021

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One of the hallmarks of corporate leadership over the last two decades has been the ascendancy of women to the top ranks of major companies. Until 1972, no Fortune 500 company had a female CEO. Katherine Graham of the *Washington Post* was the first. Today, 41 Fortune 500 companies have female CEOs, including Citigroup, Walgreens, CVS, GM, Clorox and General Dynamics.

Indra Nooyi of Pepsico and Ursula Burns of Xerox were trailblazers in this regard, and one can only expect that with the accelerated and broadened expansion of diversity, inclusion and equity in corporations during the last several years that the ranks of female CEOs will grow markedly.

With an increasing number of women at the CEO level or in other leadership positions, inquiring minds often broach the question of male vs. female performance: Do women make better leaders than men and do firms with a greater number of females in senior management perform better?

Let's start with financial performance. S&P Global Market Intelligence found that public companies with women CEOs or CFOs often were more profitable and produced better stock price performance than many companies that had appointed men to those roles. McKinsey's study of *Women in the Workplace* found that in financial services firms, for example, companies in the top quartile of gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to demonstrate superior value creation.

What about women's contribution to human capital? They hold 57% of all undergraduate degrees and 59% of all master's degrees. In the U.S. workforce, they account for 48.5% of all law degrees and 47.5% of medical degrees. Still, CEO statistics still show that only 31% of CEO positions are women.

According to Kweilin Ellingrud of McKinsey, women leaders can change company dynamics, improving effectiveness and EXPANDING the paths to company transformation. Indeed, transformational leadership has repeatedly been found to be the style to which employees respond the best.

It is, at its core, a process that involves an exceptional form of influence that motivates workers to change to accomplish more than what is usually expected of them. As business professor Judy Rosener reported in the *Harvard Business Review*, when asked to describe themselves in ways that

characterize "transformational" leadership, the consensus was it involves getting subordinates to convert their own self-interest into the interest of the group through concern for a broader goal. Moreover, women leaders ascribe their power to personal characteristics like charisma, interpersonal skills, hard work, or personal contacts rather than to organizational stature.

One additional important study merits attention, Zenger Folkman Extraordinary Leader 360 Survey. The firm evaluated male vs female top leader performance comparing them by function (sales, engineering, legal). The results reveal that in 12 of 15 functions women outperformed men; interestingly men outperformed women in two functions—clerical and customer service—that are stereotypically associated with women.

If women, indeed, are better leaders, then why do men still account for the majority of leadership roles?

The obvious answer is *bias* (a less polite term is *prejudice*). Stereotypically masculine traits concerning leadership strength, such as confidence, assertiveness and quick decision-making, are often prized over stereotypically feminine traits like cooperation, deliberation and compromise. Another advantage males have is the “old school ties” network, especially among upper middle-class graduates of elite undergraduate and graduate schools.

So, what can be done to create equal paths to leadership for women?

The good news is that the increasing wave of diversity, inclusion and equity sweeping corporate America is opening up opportunities for women at all levels. As leading leadership consultant Avivah Wittenberg-Cox notes: the big asset managers, including Blackrock, AXA and others worth a combined \$13 trillion, have publicly said they will not invest in companies that are not gender balanced. Adding momentum to opportunity for women, nearly 40% of MBA students and 54% of masters of accounting students are women. Finally, the mentoring of women in companies — by both men and women — can also pave a path to senior leadership for women in corporate America.

The evidence is in: Companies and their shareholders would benefit significantly from aggressive recruitment, selection and promotion of high-potential women to their corporate ranks. Such an investment will surely provide a high return.

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