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Women CEOs: Why companies in crisis hire minorities - and then fire them

So-called 'non-traditional' CEOs - like Yahoo's Marisa Mayer - are often hired in bad times, then replaced by white males

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When a company gets its first female or minority CEO, that might not set the business on a more diverse path for long. A recent PwC report has found that although the number of women CEOs at large companies is growing, more women leaders are forced out of the office than men (38% of female CEOs versus 27% of male CEOs in the last 10 years).

Now another study - published in the Strategic Management Journal in July - by Utah State University researchers has found that, in the vast majority of cases, Fortune 500 companies replace female and minority CEOs with white men.

Women or minority CEOs succeeded other "non-traditional" CEOs in only four of 608 transitions from 1996-2010, according to the research. The study also found that boards are more likely to promote women and minorities to top leadership roles when an organization is in crisis, and when companies led by minority and women leaders decline, boards are more likely to replace these leaders with white males.

The researchers, Utah State University professors Ali Cook and Christy Glass, conducted three separate studies looking at the ways that women and minorities secure leadership roles. Their findings - published in trade journals *Strategic Management Journal*, *Social Problems*, and *Group, Work, & Organization* - examined the glass cliff theory, which holds that boards of directors are more likely to appoint minorities or women to companies flailing from financial difficulties, mergers or acquisitions.

Cook and Glass found another intriguing phenomenon. “When a leader comes in when a company is struggling, their term typically is shorter and these leaders are then typically replaced by white males, especially if the firm doesn’t improve under their leadership,” Glass says. The professors coined this the “savior effect”.

One major cause for the glass cliff phenomenon and the savior effect is that women and minorities are more likely than traditional candidates to accept a CEO position at a troubled company, often because they view it as “their only chance”.

“Traditional CEOs may view the offer as too risky and say no,” Glass says. Additionally, boards may view women as having the upbeat nature and warmth necessary to motivate employees and pull a high-risk company through. “Therefore, women CEOs and minorities are more likely to be tapped for these positions and more likely to accept them too,” Glass adds.

Prominent examples include Robert Nakasone, an Asian American, who took over struggling retailer Toys R Us in 1998. After the company’s position stabilized, its board reinstated former CEO Michael Goldstein. And Patricia Russo, former CEO of Lucent Technologies, fits both the glass cliff and savior effect: she led the company through three consecutive years of negative shareholder returns before the board hired Dutchman Ben Verwaayen.

The stakes

Not all glass cliff examples are negative, Cook says. Xerox’s board appointed Anne Mulcahy as CEO when the company was nearing bankruptcy. After helping the company overcome its troubles, she was succeeded by Ursula Burns, the first African-American female of a Fortune 500.

Annette Zimmerman, who became CEO of PrimeWay Federal Credit Union when it merged with a failed credit union, epitomizes the glass cliff effect. Noting that her enthusiasm and expertise secured her the job - and helped her succeed at it - she argues that women work well in these potentially tense situations.

Zimmerman says that boards probably appoint women to lead companies through hard times in part because today’s generation of workers - which includes more women - responds better to emotional excitement than it does to the traditionally masculine dictator-leadership style of previous generations. Women - and some men - successfully create a family relationship in the workplace and community. Their messaging might be “we will overcome this”, versus “do this because I’m boss”, Zimmerman adds.

One major risk with the corporate savior effect is that CEOs might face a double bias, Glass says. Initially set up to fail, they are then blamed when failure occurs, thereby confirming the assumption that they aren't suitable leaders in the first place. "Appointing a woman or minority as CEO may resemble an experiment," she says.

Additionally, women and minorities in these visible positions face unreasonable and unequal pressures that traditional CEOs don't experience, Glass explains. "These CEOs recognize they must be perfect and mustn't derail," she says. "They have shorter tenures than traditional CEOS, less time to showcase their talents and often can't bring their companies out of crisis."

And placing women or minorities in positions where they are likely to fail could result in a potentially deeper negative stereotype of women being incapable leaders, says Elizabeth Dickinson, assistant professor of communication at the Kenan-Flagler Business School at the University of North Carolina Chapel Hill. "If you do well, it's because of your gender. If you don't do well, it's because of your gender," she says.

It isn't hard to find examples of this. In 1999, when Carly Fiorina was brought on as CEO at Hewlett-Packard, she famously claimed that "there is no glass ceiling". Seven years later, she reported that, to her surprise, the media and many of her employees were less interested in her objectives and perceived role in the company, than in her gender. "It sounds so naive," she said in an NPR interview. "But the thing that frankly surprised me the most was how much attention people paid to the fact that I was a woman."
A similar, more recent, example is Marisa Mayer, who was criticized for - among other things - only taking two weeks of maternity leave, refusing to dwell on the issue of sexism and for banning telecommuting, a policy that, critics said, inordinately punished woman workers. Employees and the media attacked these policy changes on the basis of gender, criticizing Mayer for being insufficiently female, excessively female, or a "Queen Bee", a term often used to describe female leaders who ask too much of their employees. Addressing these sorts of double standards, Dickinson says: "The question is: are those women judged for the jobs that they do, their skills, or their experience? Or are they judged first for being women?"

Improving the status quo

To increase the number of non-traditional CEOs, boards themselves must become diverse, Cook says, and they must look beyond their own network for new recruits. "Sentiment such as boards wanting directors with board experience, and with similar interests and experiences to their own perpetuate predominantly white males serving that board," she explains.

PrimeWay's Zimmerman suggests that current leadership could do a better job mentoring both women and young men. She also suggests that more women need to view themselves as having leadership potential. In Zimmerman's case, her mentor, Doug Cline, vice president of the Utah State Credit Union, promoted her to a supervisor position at a young age. Combined with her own hard work and drive, this set her on the path to her ultimate CEO position.

Dickinson adds that it's important to work towards changing the workplace versus the individual. In practice, this means not training women to embrace masculine traits in order to "make it in a man's world", but rather changing how we view gender at work.

For instance, making paternity leave available and encouraging employees to use it could make it clear that family life is a priority for both genders. Consequently, that could send the message that mothers and fathers who make time to drop their children off at preschool, take time off to care for them when they're ill or take family vacations aren't slacking, but rather are performing important, vital work.

Some of these changes extend beyond the office. For example, Dickenson suggests, corporate leaders should support legislative changes, such as the Social Security Care Credit Giver Act, which tries giving women who take time off to raise children credit for their social security.

In future studies, Cook and Glass plan to explore mechanisms that either hinder or help nontraditional leaders succeed. Cook says that it is already clear that board diversity is key: “Cream doesn’t rise to the top; it gets pulled to the top. We must have that awareness.”

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