

Women Make Better Decisions Than Men, Study Suggests

Science News

... from universities, journals, and other research organizations

Women Make Better Decisions Than Men, Study Suggests

Mar. 25, 2013 — Women's abilities to make fair decisions when competing interests are at stake make them better corporate leaders, researchers have found.

A survey of more than 600 board directors showed that women are more likely to consider the rights of others and to take a cooperative approach to decision-making. This approach translates into better performance for their companies.

The study, which was published this week in the *International Journal of Business Governance and Ethics*, was conducted by Chris Bart, professor of strategic management at the DeGroote School of Business at McMaster University, and Gregory McQueen, a McMaster graduate and senior executive associate dean at A.T. Still University's School of Osteopathic Medicine in Arizona.

"We've known for some time that companies that have more women on their boards have better results," explains Bart. "Our findings show that having women on the board is no longer just the right thing but also the smart thing to do. Companies with few female directors may actually be shortchanging their investors."

Bart and McQueen found that male directors, who made up 75% of the survey sample, prefer to make decisions using rules, regulations and traditional ways of doing business or getting along.

Female directors, in contrast, are less constrained by these parameters and are more prepared to rock the boat than their male counterparts.

In addition, women corporate directors are significantly more inclined to make decisions by taking the interests of multiple stakeholders into account in order to arrive at a fair and moral decision. They will also tend to use cooperation, collaboration and consensus-building more often -- and more effectively -- in order to make sound decisions.

Women seem to be predisposed to be more inquisitive and to see more possible solutions. At the board level where directors are compelled to act in the best interest of the corporation

while taking the viewpoints of multiple stakeholders into account, this quality makes them more effective corporate directors, explains McQueen.

Globally, women make up approximately 9% of corporate board memberships. Arguments for gender equality, quotas and legislation have done little to increase female representation in the boardroom, despite evidence showing that their presence has been linked to better organizational performance, higher rates of return, more effective risk management and even lower rates of bankruptcy. Bart's and McQueen's finding that women's higher quality decision-making ability makes them more effective than their male counterparts gives boards a method to deal with the multifaceted social issues and concerns currently confronting corporations.

The *International Journal of Business Governance and Ethics* is available online.

How do people make decisions?

- **Personal interest reasoning:** The decision maker is motivated by ego, selfishness and the desire to avoid trouble. This method is most often exhibited by young children who largely tend to be motivated to seek pleasure and avoid pain.
- **Normative reasoning:** The decision maker tries to avoid "rocking the boat" by adhering to rules, laws or norms. Stereotypical examples of groups that use this form of reasoning include organizations with strong established cultures like Mary Kay or the US Marines.
- **Complex moral reasoning:** The decision maker acknowledges and considers the rights of others in the pursuit of fairness by using a social cooperation and consensus building approach that is consistently applied in a non-arbitrary fashion.

Why should boards have more female directors?

- Boards with high female representation experience a 53% higher return on equity, a 66% higher return on invested capital and a 42% higher return on sales (*Joy et al., 2007*).
- Having just one female director on the board cuts the risk of bankruptcy by 20% (*Wilson, 2009*).
- When women directors are appointed, boards adopt new governance practices earlier, such as director training, board evaluations, director succession planning structures (*Singh and Vinnicombe, 2002*)
- Women make other board members more civilized and sensitive to other perspectives (*Fondas and Sassalos, 2000*) and reduce 'game playing' (*Singh, 2008*)
- Female directors are more likely to ask questions rather than nodding through decisions (*Konrad et al., 2008*).