

## Risky Business: Busting the Myth of Women as Risk Averse

Media reporting on business and the economy is replete with language illustrating common stereotypes about gender and risk. Depicting Wall Street's unchecked and excessive risk-taking as the culprit for 2008's global financial meltdown, brokers are "credit default swap cowboys" and the entire Street is "the Wild West" with "too much testosterone."<sup>1</sup> On the other hand, speculation abounds as to whether the financial crisis could have been averted had more women been the decision-makers, both domestically and globally. One U.S. investment bank CEO contends that "women are more cautious and thoughtful..." Another financial services sector CEO says, "women... have a greater desire to build firm foundations that will endure."<sup>2</sup> In October 2008, Iceland, after declaring bankruptcy, turned to two women to rebuild its financial system "after the banking

empire built by its young male business-schooled elite collapsed." A government official noted, "Now, the women are taking over... to clean it up."<sup>3</sup> A French business school study reinforces this view of women in finance as risk-averse and therefore better able

than men to "safely" husband financial resources. The study found that for French CAC40 firms, the fewer the number of female managers, the greater the drop in share price since January 2008.<sup>4</sup>

Both the gendered language used to describe the current risk-induced financial chaos and the claims that a greater presence of women would have prevented the crisis reveal a pervasive and enduring conflation between risk-taking and masculinity: men take risks and women do not. Women are risk-averse and take only tiny, incremental risks, if at all.<sup>5</sup>

But are women risk-averse? Or are there gendered dynamics that obfuscate or mislabel their risk-taking? Have scholars inadvertently supported the aversion label by continuing to study risk with conventional questions about hypothetical financial allocation?

Existing empirical research on gender and risk suggests women are risk-averse. This finding is particularly strong in studies that measure risk through financial resource allocation experiments<sup>6</sup> and in studies of health and safety precautions such as seat-belt use and recreational drug use.<sup>7</sup> Existing literature exploring the causes of women's risk aversion indicates that "women appear more fearful of losses" and more "pessimistic" than men.<sup>8</sup> Results from financial scenario experiments about allocating money suggest women may weigh risk disproportionately relative to reward.<sup>9</sup> Further, women's emotional reactions drive risk decision-making more than do their cognitive assessments.<sup>10</sup> Based on prospect theory,<sup>11</sup> a psychological theory from the late 1970s that describes how individuals make choices between alternatives that involve risk, these studies conclude that women underestimate high probabilities of positive outcomes. Women's decision-making about the risky activity under consideration will not change and is not sensitive to an increase in the probability of a positive outcome.<sup>12</sup>

Against the public discourse on women, men, and risk-taking, Simmons School of Management (SOM) collaborated with Hewlett-Packard<sup>13</sup> to explore women's risk-taking behavior. Through a survey administered at the May 2008 Simmons School of Management Leadership Conference, over 650 managerial women<sup>14</sup> responded to questions about risks they had taken, the factors that influenced their decisions, and the outcomes of those decisions. This *CGO Insights* briefing note reports our finding that women do take risks, refuting conventional wisdom about risk aversion, and that their risk decision-

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making is sensitive to many gender-neutral factors. We close with a discussion of why women's risk-taking remains invisible even as they take risks, and offer suggestions on how women and organizations may benefit from women's risk-taking activities.

### **Finding: Women Take Risks**

Traditionally, scholars have measured risk-taking by asking individuals to allocate financial resources across options with varying levels of financial returns and probable success. The more money allocated to options with higher possible returns and lower probability outcomes, the "riskier" the behavior. These studies found that women tend to be risk-averse.<sup>15</sup>

In our survey, we asked the traditional resource allocation question and generated results that confirm the conventional findings of risk aversion. Women were asked what percentage of a fixed sum of dollars they would invest in a new project that might yield up to ten times the normal returns and will not lose any money. None chose to re-allocate the entire budget, and two-thirds of respondents allocated less than 50% of the dollars available, earning them the moniker of "risk averse."

However, we went on to ask women about the business/professional opportunities they had taken. These opportunities included non-financial options, such as taking on new jobs, assignments, programs, or change initiatives. These options were intentionally not labeled as "risky", although they indeed involved risk. Each involved the investment of personal capital and carried an unknown outcome for both the business and for personal/career development. When asked to reflect on how frequently they had taken on certain business/professional opportunities, women in our survey reported embracing risk: 80% reported "sometimes" or "often" pursuing a major change initiative, 79% a major new program, 77% a new job, 56% a major business development opportunity, and 40% a major investment decision.

As a prelude to exploring what motivates risk-taking activity, we asked women to recall a specific professional opportunity they had pursued "whose success was not guaranteed, that required learning by doing, and where you had to take personal responsibility for failures along the way." In our analysis of these data, we divided these opportunities into two general categories. The first category involved activities that represented a significant

departure from the status quo, such as new jobs, assignments, programs, and change initiatives. Because they bore considerable risk, we labeled these opportunities as "opportunistic" risks. The other category of opportunities involved activities that were outgrowths of current activities, such as next steps in advancing business relationships, assignments, and agendas. Because they carried less risk, we labeled these opportunities as "ongoing" risks.

In our sample, 82% of respondents pursued opportunities that involved "opportunistic" risk, so not surprisingly, 75% chose to report on an opportunistic risk. Looking at the gendered expectation that men take significant risks, a vast majority of women in our survey followed this "male model," embracing professional opportunities that involved high-risk probabilities. "Ongoing" risks, which could be aligned with the stereotypical image of women taking smaller risks, were generally pursued by only 47% of respondents. Consistent with this finding, only 20% chose to report on an ongoing risk. The rest (5%) chose not to report on either type of risk.

By expanding the measure of risk-taking from hypothetical financial allocation scenarios to include business/professional opportunities actually taken, we have found that women do indeed take risks. Our next question was, what prompted them to do so? What factors impacted their decision to take up those opportunities?

### **Finding: Women's Risk-taking Is Sensitive to Many Gender-Neutral Factors**

In examining our sample of women's risk-taking, many factors may indeed be gender-neutral. These include the impact of power, compensation and career rewards, self-efficacy, networks, and organizational culture.

#### *Power*

In our regression analysis, the desire for influence, defined in our survey as "the power to make an impact,"

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strongly motivates women to take “opportunistic” risks. The stronger the desire for power, the more likely a woman will take on the more risky options of major new change initiatives or programs, or new jobs or assignments. In this way, our women’s behavior aligned with the finding that desire for power correlates with risk-taking.<sup>16</sup>

### *Compensation and career rewards*

Our sample of women reported that 60% of the risks they have taken have moved their careers forward; 23% reported that the risks have pulled their careers backward. Further, women attributed their achievement of high compensation to both the opportunistic and ongoing risks they have taken. These data indicate that women are sensitive to the relationship between putting an asset at risk, their investment of time and visible commitment to a particular professional endeavor, and the personal and organizational return on that investment.

### *Self-efficacy*

Another factor is the impact that self-efficacy, the belief in one’s ability to succeed in specific situations,<sup>17</sup> has on risk-taking. If people believe that they have the capabilities to perform the actions required to achieve a goal, they are more likely to take a risk because they believe they can succeed. Our statistical analysis reveals that self-efficacy strongly predicts both opportunistic and ongoing risk-taking. We believe this also shows that women’s decision-making about risk is consistent with “typical” patterns evident in gender-neutral studies showing the strong impact of self-efficacy on risk-taking.<sup>18</sup>

### *Networks*

Women’s networks stimulate risk-taking activity. Regression analysis reveals that while women seek the advice of both family and professional networks in their decision-making about ongoing risks, for bolder, opportunistic risks they turn to their professional networks. While this finding is consistent with literature demonstrating that the use of networks stimulates women’s risk-taking,<sup>19</sup> it challenges conventional expectations that women would heavily weigh family networks in any risk calculation. Research has shown that as women enter the paid workforce, they are still primarily respon-

sible for family care (known as the “second shift”<sup>20</sup>). As a result of this dual responsibility, we expected to find that women would consult with their family sphere when making decisions, seeking to identify how possible risk-taking would affect home as well as work. This was not the case for our sample of women when taking bolder risks: they essentially separated the home sphere from the work sphere, a boundary typically blurred by women.<sup>21</sup>

### *Organizational culture*

Conventional wisdom suggests that risk-taking would increase when organizational culture supports doing so. Yet that was not the case for our sample. The supportive nature of a company, evidenced by agreement with the statement “people are rewarded for taking calculated risks, even if they fail,” did not impact the likelihood of taking either opportunistic or ongoing risks. Why did a supportive work culture not foster women’s risk-taking, or a punitive work culture not curtail women’s risk-taking? Perhaps women’s reliance on merit decision-making<sup>22</sup> may obfuscate the impact of culture in the decision-making moment: if it’s a good idea (in terms of return on investment, ethics, or organizational values), it should succeed because it has merit, not because it is an easy sell or has strong political support.

***The desire for influence, defined in our survey as “the power to make an impact,” strongly motivates women to take opportunistic risks.***

### **Why Are Women Still Seen as Risk-Averse?**

Despite strong support in our survey findings that women embrace risk, and that an overwhelming majority embrace activities involving what the press might consider “cowboy” levels of high risk, in the business world women are still viewed as risk-averse. There may be two explanations for this: first, women’s actual risk-taking may be invisible and so goes unrecognized; second, women may be enacting role-congruent behaviors that are interpreted, through a male lens, to be risk-averse.

Regarding invisibility, society may not see women taking risks because American culture doesn’t expect them

to take risks. Entrenched societal expectations, which define the behaviors and roles appropriate for men and women, dictate that men are risk-takers and women are not.<sup>23</sup> Women's actual risk-taking may remain unseen just because it is unexpected. While acting unexpectedly (in this case, by taking risks) may create "hyper-visibility" for women,<sup>24</sup> usually, as humans, we tend to see what we look for—and conversely miss what we don't look for.<sup>25</sup> Risk-taking may even be invisible to the female risk-taker: research shows that women pursue more risk than even they themselves acknowledge.<sup>26</sup>

Additionally, two role-congruent behaviors may render risk-taking invisible. First, consistent with our findings,

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women do not seek visible measures of successful risk-taking found in most organizations, namely promotions to high-status positions. When asked to identify factors influencing their risk-taking decisions, "increasing status and prestige" was ranked 10<sup>th</sup> out of 12 factors. Not using positional markers of success is consistent with the 2006 SOM conference survey in which women rated "advancing to a prestigious position" 15<sup>th</sup> out of 16 possible career goals.<sup>27</sup> Without that tangible marker of successful risk-taking, women's risk-taking may be less visible and less recognized even when it occurs.

Second, a lack of self-promotion due to women's gendered socialization to "not brag"<sup>28</sup> about themselves may further hide their successful risk-taking. If they do not call attention to the accomplishments produced by the risks they have undertaken, the risks may go unnoticed.

Women may engage in additional role-congruent behavior that leads to the perception that they are risk-averse. In our sample, risk-taking women tap into their professional networks and seek advice. We can reasonably assume that they are asking questions while doing so. Observers, looking at this advice-seeking through a gendered lens, may see asking questions as revealing

indecisiveness; it may make women seem afraid of making decisions alone.<sup>29</sup>

Role incongruence may penalize women who overtly act against gendered expectations and do engage in risk-taking activities. Without a gender-neutral definition of risk, women are left with the classic "double bind": act like a woman and be called risk-averse, or act like a man and be called "cocky", as Carly Fiorina was labeled for the decision she made to merge with Compaq Computer when she was CEO of Hewlett-Packard.<sup>30</sup>

Yet ironically, female role-congruent behaviors, such as inclusive decision-making and collaboration, are cited as the reason women are often asked to take on the high-risk situations of turning around organizational crises and dysfunction. Iceland wasn't unique in tapping women for help in a crisis: Anne Mulcahy was tapped to be CEO of Xerox when the company was facing bankruptcy, saddled with \$17 billion in debt, an SEC scandal, and five consecutive quarters of losses. Brenda Barnes took over the top spot at Sara Lee in time to divest multiple companies to make a smaller and more profitable company.<sup>31</sup> Termed the "glass cliff"<sup>32</sup> in recognition of the high-risk nature of the opportunity, researchers found that in times of positive performance, organizations "think opportunity, think men." Yet in times of high risk, organizations "think crisis, think women" and often put women into top leadership, relying on their relational skills to turn the organization around. The former case results in an "under-gendered" risk stereotype where women are denied risky opportunities; the latter case results in an "over-gendered" risk stereotype where women are expected to have special powers to navigate the crisis.

The challenge for women might not be how to take risks, as they already do so. Instead, it may be making those risks visible and capturing the credit for risk-taking in ways that signal their success to those around them. Given that leaders are expected to take risks,<sup>33</sup> being acknowledged as a risk-taker is essential for a woman's professional growth. Women may want to enhance their career potential by

1. **Using the language of risk.** When speaking about their work or taking on a task, women should name the risk and articulate the cost-benefit calculation.

2. **Promoting their accomplishments.** Women need to let senior decision-makers know about their work, including the uncertainty surrounding some decisions, the challenges overcome, and the accomplishments produced.

3. **Aligning with other risk-takers in the organization.** Doing so not only may enhance a woman's reputation as a risk taker by way of association, but more importantly, it puts her in proximity of risk-taking activity, increasing the likelihood that she will be assigned to and involved in the risky opportunities critical to career development.

The challenge for organizations, on the other hand, is to prevent over-gendered and under-gendered stereotypes

*The challenge for organizations is to prevent stereotypes from diverting risky (and career-enhancing) opportunities away from their female employees.*

from diverting risky (and career-enhancing) opportunities away from their female employees. When making decisions to allocate promotions, new initiatives, and other high-risk assignments, senior managers need to consciously control the impulse to make assumptions about women's unwillingness to take on risk. By not doing so, they will fail to tap women who want to take risks, do take

risks, and can do so successfully. Conversely, organizations must also guard against stereotyping men as risk-takers; by making these assumptions, the wrong person may be asked to take risks to achieve organizational goals. Blaming "cowboys" for the 2008 financial meltdown and relying on women to ride in and save the day are both risky business.

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## Endnotes

<sup>1</sup>"Cowboys" and "wild west": Morgenson, G. 2008. Naked came the speculators. *The New York Times*, 10 Aug.; "testosterone": Syed, M. 2008. What caused the crunch? Sex in the city. *The Times London*, 30 Sept.

<sup>2</sup>Both quoted in De Vita, E. 2008. Let women tame the macho excess. *Management Today*, 1 Dec. Retrieved Mar. 4, 2009 from <http://www.managementtoday.co.uk/search/article/865053/let-women-tame-macho-excess>.

<sup>3</sup>O'Connor, S. 2008. Iceland calls in women bankers to clean up 'young men's mess.' *Financial Times*, 14 Oct.: 17.

<sup>4</sup>Ferrary, M. 2009. Why women managers shine in a downturn. *Financial Times*, 2 Mar.

<sup>5</sup>Slovic, P. 1966. Risk-taking in children: Age and sex differences. *Child Development*, 37(1): 169-176; Wagner, M. 2001. Behavioral characteristics related to substance abuse and risk-taking, sensation-seeking, anxiety sensitivity, and self-reinforcement. *Addictive Behaviors*, 26(1): 115-120.

<sup>6</sup>Eckel, C.C. & Grossman, P.J. 2003. Men, women and risk aversion: Experimental evidence. *Handbook of Experimental Economic Results*. New York: Elsevier. Retrieved Mar. 4, 2009 from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.121.1951&rep=rep1&type=pdf>; Levin, I.P., Snyder, M.A., & Chapman, D.P. 1988. The interaction of experiential and situational factors and gender in a simulated risky decision-making task. *Journal of Psychology*, 122(2): 173-181; Powell, M. & Ansic, D. 1998. Gender differences in risk behavior in financial decision-making: An experimental analysis. *Journal of Economic Psychology*, 18(6): 605-628.

<sup>7</sup>Barksy, R.B., Juster, F.T., Kimball, M.S., & Shapiro, M.D. 1997. Preference parameters and behavioral heterogeneity. *Quarterly Journal of Economics*, 112(2): 537-579; Harrant, V. & Vaillant, N.G. 2008. Are women less risk averse than men?: The effect of impending death on risk-taking behavior. *Evolution and Human Behavior*, 29(6): 396-401; Hersch, J. 1996. Smoking, seat belts, and other risky consumer decisions: Differences by gender and race. *Managerial and Decision Economics*, 17(5): 471-481; Pacula, R.L. 1997. Women and substance use: Are women less susceptible to addiction? *The American Economic Review*, 87(2): 454-459.

<sup>8</sup>Schubert, R. 2006. Analyzing and managing risks – On the importance of gender differences in risk attitudes. *Managerial Finance*, 32(9): 706-715.

<sup>9</sup>Prince, M. 1993. Women, men and money styles. *Journal of Economic Psychology*, 14(1): 175-182; Schubert, R., Brown, M., Gysler, M., & Brachinger, H.W. 1999. Financial decision-making: Are women really more risk-averse? *The American Economic Review*, 89(2): 381-385.

<sup>10</sup>Loewenstein, G.F., Weber, E.U., Hsee, C.K., & Welch, N. 2001. Risk as feelings. *Psychological Bulletin*, 127(2): 267-286.

<sup>11</sup>Fehr-Duda, H., de Gennaro, M., Schubert, R., & Linxweiler, F.-E. 2004. Gender, financial risk and probability weights. Working Paper No. 04/31, Institute for Economic Research, 2004.

<sup>12</sup>Schubert, 2006.

<sup>13</sup>We gratefully acknowledge Hewlett-Packard's support in the administration of these electronic surveys. SPSS was used to conduct frequencies, regressions, and correlations of the data.

<sup>14</sup>The conference attendees who completed this survey are employed full-time (92%) and have significant work experience (36%, 11-21 years, and 41%, more than 20 years). Supervisory level positions have been achieved by 30% of respondents, 44% are employed in middle management (director, middle manager, assistant vice president), and 14% are in more senior

positions. Compensation exceeded \$100,000 in 2007 for 61%, and 88% contributed 50% or more of their household's income. Most respondents were married or living in a committed relationship (67%) and 80% identified themselves as Caucasian.

<sup>15</sup>Prince, 1993; Schubert et al., 1999.

<sup>16</sup>Anderson, C. & Galinsky, A.D. 2006. Power, optimism, and risk-taking. *European Journal of Psychology*, 36: 511-536; Gaubatz, K.T. 2008. Maastricht and motivations: An empirical lever for understanding European integration. Paper presented at the International Studies Association's 49th Annual Convention, "Bridging Multiple Divides," San Francisco, CA. Retrieved Mar. 4, 2009 from [http://www.allacademic.com/meta/p253146\\_index.html](http://www.allacademic.com/meta/p253146_index.html).

<sup>17</sup>Bandura, A. 1997. *Self-Efficacy: The Exercise of Control*. New York: W.H. Freeman and Company.

<sup>18</sup>For example, Llewellyn, D.J., Sanchez, X., Asghar, A., & Jones, G. 2008. Self-efficacy, risk taking and performance in rock climbing. *Personality and Individual Differences*, 45(1): 75-81.

<sup>19</sup>Existing literature suggests that the more a woman is familiar with the decision context, the more risk-loving she will be. See Levin et al., 1988; and Johnson, J.E.V. & Powell, P.L. 1994. Decision making, risk and gender: Are managers different? *British Journal of Management*, 5(2): 123-138. Our finding that consultation with professional networks stimulates risk conforms to the idea that women have high information demands in their risk decision-making. A recent study of gender differences in success outcome for firm-hopping financial managers indicates that women are more likely to succeed in their new organizations than are men because they engage in more extensive information-gathering about the new firm before jumping. This result may also reflect another claim in existing literature on gender and risk that women tend to focus on future consequences while men focus on probabilities; see Yates, J.F. & Stone, E.R. 1992. The risk construct. In J.F. Yates (Ed.), *Risk-Taking Behavior*. New York: John Wiley & Sons, pp. 1-25.

<sup>20</sup>Hochschild, A.R. 1989. *The Second Shift*. New York: Penguin Books.

<sup>21</sup>Fletcher, J.K. 1999. *Disappearing Acts: Gender, Power, and Relational Practice at Work*. Cambridge, MA: MIT Press; DeGroot, J. & Armando, T. 2005. Historical perspective on social change. Retrieved May 22, 2007, from [http://wfnetwork.bc.edu/encyclopedia\\_entry.php?id=1690&area=All](http://wfnetwork.bc.edu/encyclopedia_entry.php?id=1690&area=All). Following WWII, DeGroot writes, "society adjusted to a completely new approach to work and family, one that was defined by two distinct 'separate spheres,' where paid work was the ideal man's job and unpaid care work was the ideal woman's job. As women entered the workforce, they stepped into the sphere of work while often retaining their responsibility for the sphere of home."

<sup>22</sup>Merrill-Sands, D., Kickul, J., and Ingols, C. 2005. *CGO Insights* No. 20: Women pursuing leadership and power: Challenging the myth of the "opt out revolution." Boston, MA: Center for Gender in Organizations, Simmons School of Management.

<sup>23</sup>Tuddenham, R.D. 1952. Studies in reputation, I: Sex and grade differences in school children's evaluations of their peers. *Psychological Monographs*, 333: 1-39. This study found that women who took risks were looked down upon as unpopular whereas the opposite occurred for men.

<sup>24</sup>Blake-Beard, S. & Roberts, L.M. 2004. *CGO Commentaries* No. 4: Releasing the double bind of visibility for minorities in the workplace. Boston, MA: Center for Gender in Organizations, Simmons School of Management.

<sup>25</sup>In the article "What it takes to survive" (*Newsweek*, Feb. 2, 2009), Ben Sherwood quotes Professor Daniel Simons' research findings that "distinctive and unusual objects do not automatically capture our attention" (p. 52).

<sup>26</sup>Moreschi, R.W. 2005. An analysis of the ability of individuals to predict their own risk tolerance. *Journal of Business & Economics Research*, 3(2): 39-48.

<sup>27</sup>Shapiro, M., Ingols, C., Blake-Beard, S., & O'Neil, R. Under review. Canaries in the mine shaft: Women signaling a new career model.

<sup>28</sup>Tannen, D. 1995. The power of talk: Who gets heard and why. *Harvard Business Review*, 73(5): 138-148 (p. 142).

<sup>29</sup>Tannen, 1995.

<sup>30</sup>Lashinsky, A. 2002. Now for the hard part. *Fortune*, 18 Nov.: 94.

<sup>31</sup>Anne Mulcahy: George, B. 2008. America's best leaders: Anne Mulcahy, Xerox CEO. *U.S. News & World Report*, 19 Nov. Retrieved Mar. 4, 2009 from <http://www.usnews.com/articles/news/best-leaders/2008/11/19/americas-best-leaders-anne-mulcahy-xerox-ceo.html> and Tsiantar, D. 2006. Anne Mulcahy. *Time*, 30 Apr. Retrieved Mar. 4, 2009 from <http://time.com/time/magazine/article/0,9171,1186972,00.html>; Brenda Barnes: Warner, M. 2005. Reorganizing at Sara Lee includes a new chief. *The New York Times*, 11 Feb. Retrieved Mar. 4, 2009 from <http://www.nytimes.com/2005/02/11/business/11sara.html>.

<sup>32</sup>The term "glass cliff" was coined by M.K. Ryan & S.A. Haslam from their research investigating the context in which women (and other minorities) are appointed to leadership positions. For a discussion of their research and current citations, go to <http://psy.ex.ac.uk/seorg/glasscliff>.

<sup>33</sup>Kouzes, J. & Posner, B. 2007. *The Leadership Challenge*. New York: John Wiley & Sons.

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