Women in the Finance Industry: Rebuilding Trust

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Darden Business School
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In the News -- Recent Crises
Defining Crisis

A business crisis is any situation that threatens the financial well being, reputation, or survival of the organization.

Crises may be sudden or smoldering in nature.
Sudden Crisis

Natural disasters
Terrorist attacks
Plant explosion
Executive death

Product tampering
Sabotage
Technology
Workplace violence
<table>
<thead>
<tr>
<th>Smoldering Crises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product defects</td>
</tr>
<tr>
<td>Sexual harassment</td>
</tr>
<tr>
<td>Rumors</td>
</tr>
<tr>
<td>Consumer activism</td>
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<tr>
<td>Safety violations</td>
</tr>
<tr>
<td>Mismanagement</td>
</tr>
<tr>
<td>Labor disputes</td>
</tr>
<tr>
<td>Class action lawsuits</td>
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</table>
Characteristics of a Crisis

- Highly ambiguous situation
- Low probability of occurrence
- Offers little time to respond
- Often takes organizational members by surprise
- Requires decisive action to improve the situation

PRESSURE
Sudden vs. Smoldering Crises

Source: Institute for Crisis Management.
Origin of Crises

![Pie chart showing the origin of crises with Management at 53%, Employees at 28%, Other at 19%. Source: Institute for Crisis Management.](image)
Crisis Consequences

- Decline in available resources
- Job loss
- External intervention/ regulation
- Expense
- Employee morale
- Competitive strength
- Legal Action
- Loss of Reputational Capital
- Mistrust
Key Concerns in the Finance Industry

Business Roundtable Institute for Corporate Ethics reported the following most important issues:

3) Effective management of investor expectations
2) Ensuring integrity of financial reporting
1) Regaining public trust
The Bad News

Reputation and Trust are the two easiest forms of capital to lose and the hardest to earn or regain.
The Good News

“Feminization of management seems to protect against financial crisis”

Michael Ferry, Financial Times, 2 March 2009

and financial mismanagement

Amanatullah, Shropshire, James, Lee, 2010
Research

Study of French firms found…
• Firms with more women managers fared better in the global recession than firms with mostly male management

Study of Danish firms found…
• Proportion of women in top management is positively related to firm performance

Study of American firms found…
• During economic downturns, firms with a greater number of women holding top management and director positions outperformed firms with fewer women in top management.
The ♀ Factor

Why women may outperform men:

• Women focus on others more, and self less
• Women make more conservative decisions when managing other’s investments relative to men
• Women are more long-term focused than men
The Leadership Factor

LEAD UNDER PRESSURE
## Early Reactions to Crisis

<table>
<thead>
<tr>
<th>Emotional Reactions</th>
<th>Behavioral Reactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fear</td>
<td>• Paralysis</td>
</tr>
<tr>
<td>• Shock</td>
<td>• Non-response</td>
</tr>
<tr>
<td>• Disorientation</td>
<td>• Denial</td>
</tr>
<tr>
<td>• Depression</td>
<td>• Panic</td>
</tr>
<tr>
<td>• Anxiety</td>
<td>• Defensiveness</td>
</tr>
<tr>
<td>• Despair</td>
<td></td>
</tr>
</tbody>
</table>
## Later Reactions to Crisis

<table>
<thead>
<tr>
<th>Emotional Reactions</th>
<th>Behavioral Reactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anger</td>
<td>Damage Control</td>
</tr>
<tr>
<td>Guilt</td>
<td>Impression Management</td>
</tr>
<tr>
<td>Anxiety</td>
<td>Revenge</td>
</tr>
</tbody>
</table>

Typical Crisis Management Reaction to Crisis
Consequences of Early Stage Crisis Management Responses

<table>
<thead>
<tr>
<th>Emotional and Behavioral Responses</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fear</td>
<td>• Betrayal</td>
</tr>
<tr>
<td>• Denial</td>
<td></td>
</tr>
<tr>
<td>• Anxiety</td>
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<td></td>
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<tr>
<td>• Panic</td>
<td></td>
</tr>
<tr>
<td>• Damage Control</td>
<td></td>
</tr>
<tr>
<td>• Impression Management/PR</td>
<td></td>
</tr>
</tbody>
</table>

Betrayal
Betrayal

- An actual or perceived breach of trust

<table>
<thead>
<tr>
<th></th>
<th>Intentional</th>
<th>Unintentional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor</td>
<td>• Gossip</td>
<td>• Tardiness</td>
</tr>
<tr>
<td></td>
<td>• Secrets</td>
<td>• Not honoring commitments</td>
</tr>
<tr>
<td>Major</td>
<td>• Disclosing confidential</td>
<td></td>
</tr>
<tr>
<td></td>
<td>information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Delegating without giving</td>
<td>VABE Violation</td>
</tr>
<tr>
<td></td>
<td>authority</td>
<td></td>
</tr>
</tbody>
</table>
Betrayal: A Continuing Engagement

Betrayal
  ↓
  VABE Violation
  ↓
  Conclusion
  ↓
  Feeling
  →
  Negative Behavior
A Leadership Approach to Crisis

- Crisis Leadership is the:
  - Ability to scan and see possibilities from crisis
  - Ability to reflect, learn, and adapt from challenging situations
  - Ability to build trust and respect across stakeholders
  - Ability to recognize and manifest opportunities
  - Ability to engage in quick and ethical decision making
Surviving & Thriving in a Crisis

- Alien just landed in your neighborhood. How would you respond:
  - Run in horror?
  - Celebrate and rush forward with open arms?
  - Do nothing and ignore the Aliens?
- What is your leadership style for managing this crisis?
## Typical Leadership Styles under Pressure

<table>
<thead>
<tr>
<th>The Warrior</th>
<th>The Healer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assertive, active, decisive</td>
<td>• Build relationships to accomplish tasks</td>
</tr>
<tr>
<td>• Likes to determine course of events and be in control</td>
<td>• Integrates others input in determining direction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Teacher</th>
<th>The Visionary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides planning and resources</td>
<td>• Generative and creative thinker, able to think outside the box</td>
</tr>
<tr>
<td>• Uses data analysis, procedures and logic to make decisions</td>
<td>• Very idea-oriented; focuses on future thought</td>
</tr>
</tbody>
</table>
Life’s Journey

- Transformation: From “I” to “We”
- Rubbing Up Against the World
- Stepping Up
- The Crucibles
- Generativity: Wisdom and Giving Back

Age

Preparation for Adulthood
- Phase I

Mid-Life
- Phase II

Maturation
- Phase III

George & Sims, 2007
Crises as Crucibles – Periods of Intense Heat

• All individuals go through crucible moments in their lives -- periods of intense heat.

• A crucible is a bowl that is highly resistant to heat and is used to burn off the impurities from a compound. For instance, when you melt silver ore, the stuff that isn’t silver will float to the top allowing the silversmith to easily skim it off leaving only the pure silver.

• Periods of intense heat bring that which is undesirable to the top of our lives. We have a choice, deal with it or burn up.
Crisis: Being Between a Rock & a Hard Place…

“The brick walls are not there to keep us out. The brick walls are there to give us a chance to show how badly we want something. Because the brick walls are there to stop the people who don’t want it badly enough.” – Randy Pausch
Your Crucible Story

Tell the story of a crisis that is testing your core being. It is forcing you to examine your character and values in a new light, and come to grips with who you are.
## Role of Balance When under Pressure

<table>
<thead>
<tr>
<th>Life Wellbeing Factor</th>
<th>Balanced</th>
<th>Imbalanced</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Career</strong> - How you occupy your time – simply liking what you do</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Social</strong> – Having strong relationships with friends and colleagues</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Financial</strong> – Effectively managing your economic life</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Physical Health</strong> – Having good health &amp; energy to get things done</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Community</strong> - The sense of engagement you have with the area where you live</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Family</strong> – Having strong and balanced relationships with significant others and family members</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Living Space</strong> – A physical/geographical space that supports and enhances your lifestyle</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
Change Equation

Change occurs when…

\[ D \times V \times F > R \]

- \( D \) = Dissatisfaction with Status Quo
- \( V \) = Vision (where we’re going)
- \( F \) = First (or next) steps
- \( R \) = Resistance to change
What has to change?
Finding Your Energy Sources for Change
(Schwartz, 2010)

- Physical: Empty------------1/2------------Full
- Emotional: Empty------------1/2------------Full
- Mental: Empty------------1/2------------Full
- Spiritual: Empty------------1/2------------Full

AFP® Annual Conference
THE EMOTIONS THAT FUEL YOU
from the Energy Project workbook by Tony Schwartz

Survival Zone
FEARFUL
WORRIED
FRUSTRATED
ANGRY
DEFENSIVE
ANXIOUS

Performance Zone
ENTHUSIASTIC
OPTIMISTIC
CHALLENGED
CONFIDENT
ENGAGED

NEGATIVE
EXHAUSTED
EMPTY
DEPRESSED
SAD
HOPELESS

Burnout Zone

HIGH

LOW

POSITIVE
CAREFREE
PEACEFUL
RELIEVED
MELLOW
RECEPTIVE

Recovery Zone
Resilience

Ultimate Goal:

– Become better than you were before the crisis by striving for POSITIVE DEVIANCE
A Continuum Illustrating Positive Deviance

<table>
<thead>
<tr>
<th>Negative Deviance</th>
<th>Normal</th>
<th>Positive Deviance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physiological</td>
<td>Illness</td>
<td>Health</td>
</tr>
<tr>
<td>Psychological</td>
<td>Illness</td>
<td>Health</td>
</tr>
</tbody>
</table>

**Individual:**

- **Physiological:** Illness, Health, Vitality
- **Psychological:** Illness, Health, Flow

**Organizational:**

- **Economics:** Unprofitable, Profitable, Generous
- **Effectiveness:** Ineffective, Effective, Excellent
- **Efficiency:** Inefficient, Efficient, Extraordinary
- **Quality:** Error-prone, Reliable, Perfect
- **Ethics:** Unethical, Ethical, Benevolent
- **Relationships:** Harmful, Helpful, Honoring
- **Adaptation:** Threat-rigidity, Coping, Creating/Inviting

Deficit gaps | Abundance gaps
--- | ---

Opportunities
Opportunities to be Realized

1. Decrease the frequency, likelihood, or impact of future negative events

2. Increase the frequency, likelihood, or impact of future positive events.
Organizational Opportunities

- Organizational learning
- Profitability increases
- Product improvement
- Operational enhancements
- Reputation improved
- Technological advances
- Unifying vision
- New market opportunities
- Individual leadership development
- Team bonding and development
- Innovative culture
- Employee morale
- Stakeholder support increases
Opportunity for Trust

- Organizational learning
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