

By: Barbara Annis

Financial markets have boomed and gone bust for centuries. This time, we are in a position to re-engineer that roller coaster to prolong the rides up, and reduce the effects of the rides down. How can we improve the decision-making on Wall Street? In part, by strengthening the influence of one key element in the system that is currently marginalized: women.

It's not that women are smarter than men. It's that women are different from men in how they trade off risk and opportunity. The goal, then, is not to eliminate men from financial services as some have suggested, but to balance the mix of men and women at the right levels, allowing both genders to bring their best game, and thus positively affect the dynamics of the all-male team.

What do women bring? The research is clear: as a gender, women take in and process more information, ask more questions, and worry more about details and inconsistencies. Yes, this means that women's style can sometimes slow things down -- maybe even seem off-point to those focused on "the three things that matter here." But when women are included in organizations in a culture where they can be respected as they think, speak, and act in their natural styles, they can bring nuance, richness and perhaps even wisdom to the actions that their go-getting brothers would likely take sooner and with less reflection -- sometimes for great profit, but sometimes with disastrous results.

The Culture of Wall Street: Current vs. Desired

Aside from the exercise yard in an all-male prison or the boys' side of the playground, it is hard to imagine a place that better epitomizes a souped-up masculine ideal of aggression, toughness and hyper-competition than winner-take-all Wall Street. Study upon study shows that aggressive men in a group take on risk for the sake of risk: "go big or go home." Psychologists tell us that men in a group display increasing degrees of overconfidence, a highly combustible fuel in the fire of interpersonal competition. It is this culture that contributes greatly to the booms and busts -- and that barely tolerates women in positions of power and influence, even when the men think they want them (if only the women were tougher...). Some facts:

- As of March 2009, it was reported that 72% of lay-offs on Wall Street hit women, even though women were 64% of employees at the time.

- At the time of the crash, none of the leading Wall Street banks had a single woman in a top-level position. This includes Goldman Sachs, BOA/Merrill Lynch, JP Morgan Chase, UBS, Credit Suisse, and Morgan Stanley. The explanation in Forbes: "Because trading desks reward sharp elbows more than they do brains or managerial skills."
- Today, only 16% of executive and board positions in US financial services are held by women.
- Only 10% of fund managers are women.

How Women in Financial Services Perform

When viewed objectively, women in finance perform well when they get the chance. In fact, they often outperform men. Some examples from recent studies:

- Women-owned hedge funds delivered an average annual return of 9.06%, compared to the 5.82% return of the broader composite index.
- The risk-adjusted returns of ordinary women investors exceeded those of men by about 1% annually, largely because women trade less frequently and hold less volatile portfolios.
- Firms with female CFOs make fewer and higher quality acquisitions, and enjoy consistently higher P/E ratios as rewarded by investors.

Why do women do so well with money? The same studies suggest that women by and large:

- invest differently from men: women hold investments for the longer term, are more risk intelligent, and use more complex and comprehensive decision-making processes
- tend to be less reactive and more focused on the larger picture and the longer term
- are more detail-oriented, and persist in examining conflicting data when making an investment decision -- men are more likely to live with the ambiguity and discount the risks that the conflict may signal

Women's Economic Power is Increasingly Recognized as Huge and Growing

The good news is that the world is slowly waking up to the fact that women have money and make financial decisions. To get a sense of the magnitude of women's increasing economic power:

- In the US, women account for 43% of all Americans with gross assets equal to or greater than \$1.5 million.
- The world's women represent far more buying power than the much-coveted Chinese and Indian markets combined. In 2009, women worldwide are responsible for \$20 trillion in annual spending (\$13 trillion of that is their individual, directly-earned income). By contrast, the combined GDP of China and India is \$5.6 trillion (\$4.4 trillion and \$1.2 trillion, respectively).
- By 2014, women's individually-earned income is projected to rise to \$18 trillion.

Study after study also shows that women are consistently unhappy with how they are treated as investors. They are interested in working with financial services providers that can meet their specific investment styles, interests and values (which tend toward the triple bottom line, but that's another story).

What the Financial Services Industry Needs To Do

Financial services companies may have the best of intentions in wanting to advance and retain women, but these intentions are often based on faulty assumptions, such as focusing on building critical mass, recruitment, and putting the onus on women to fix the problem. (I discussed some of these in our previous newsletter, and will write more about the topic in an upcoming issue.) Many of these initiatives are "built on sand" and have no power to accelerate and sustain results.

Instead, these firms need to recognize the complementary strengths and advantages that women bring to key positions on Wall Street. "Key positions" means the top jobs, where women can work side by side with men and make the best decisions, together. The goal is not for women to rule the financial world, but for men and women to achieve congruence and partnership in their working lives. It is not about tolerating differences, but about using differences to our mutual advantage as we strengthen the talent pipeline, challenge biases and stereotypes, transform workplace cultures, and expand formal and informal networks so that men and women can benefit each other in their careers -- and their company can benefit the bottom line.