Overview of the Glass Cliff Situation in Indian Context

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Abstract

There have been a significant number of research studies that demonstrate that there are a great deal of obstacles or challenges that women managers must overcome in order to achieve top level positions in firms. According to the findings of the study, more women than men are assigned to high-profile leadership roles and then find themselves on a "glass cliff." As a result, their nominations are both risky for the organisation and beneficial to its overall success. The research evaluated the percentage change in monthly stock market performance of BSE 100 businesses both before and after the appointment of a man or woman to serve on the board of directors. The aforementioned study involved searching the annual reports of the BSE 100 companies for data, and the performance of the share prices of the BSE 100 companies was analysed both before and after the appointment of a male or female member of the board of directors at each company. In this manner, two distinct hypotheses have been tested and found to be true: the first is the hypothesis put forth by Judge (2003), which states that women leaders produce relatively poor financial results for their respective organisations; the second hypothesis states that women are appointed in circumstances that involve high risk and relatively poor financial performance.

Key words: Glass cliff, Gender, Corporate Board, firm performance

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Introduction

According to Haslam et al., the word "Glass cliff" is used to define the spectacle in which women have higher chances to be selected for the posts that are generally linked with declining company's financial performance, while men have higher chances to get selected for leadership posts linked with increasing than decreasing company's financial performance. (Bruckmüller et al., 2014; Haslam & Ryan, 2008). The term was introduced by (Ryan & Haslam, 2005). They claim that women may be assigned more riskier and hazardous jobs than men, which suggests that women experience a "second wave" of gender discrimination after flouting the glass ceiling and ascending to leading positions. (Ryan & Haslam, 2007). The phrase "glass cliff" refers to this form of discrimination

In a study (Haslam et al., 2010) confirm Ryan and Haslam's findings in their analysis of appointment female member's appointment on the board in the FTSE 100 companies, London and demonstrate that worse company's financial performance was associated with a higher probability of women getting selected for the leadership position on board. (Glass & Cook, 2020) analysed chief executive transfers in Fortune 500 companies outside the United Kingdom between the year 1996 and 2010 and found that gender and racial minorities had high chances to be selected as chief executive in underperforming companies. The similar pattern can be observed also in politics apart from workplace. Concentrating on the 2005 general election in the United Kingdom, (Haslam et al., 2010) concluded that parties recruit women for the government seats which are tough to win. (Haslam & Ryan, 2008) study the effect experimentally by providing false evidence about the company's financial performance (either increasing or deteriorating) also by advertising a post of senior management. When their performance declined, the female applicants were ranked far higher.

In their study ,(Haslam & Ryan, 2008) found that when financial performance of the company was declining, the women applicant was seen as much more capable than the male candidate for the post. In situations when there was an improvement in company's performance, there was either no significant difference amongst the men and women candidates' alleged eligibility for the role, or the man contender was viewed as more suitable for the position. When the performance of the company began to decline, only then did the applicant's gender become a significant factor in the selection of a leader, with the woman candidate getting considered as additional capable and qualified than the man candidate at that time. In a second experiment which included undergraduate students from a college in the United States, Bruckmüller and (Bruckmüller & Branscombe, 2010) discovered antiquity of leadership as a governing factor. They concluded that glass cliff only arose at the times when the history of leadership had been dominated by men. In situations where men have traditionally held positions of leadership within an organisation, participants elected the woman when performance was getting worse and the man candidate when performance was getting better. When women held the majority of senior positions in corporations, there was no such thing as the Glass Cliff.

In spite of the fact that the experiments that were given earlier offered considerable studies favouring the glass cliff, some scholars were unable to repeat the findings. The glass cliff proposition predicts that women have less chances to be appointed to leadership positions at companies which has better financial performance than companies which appoint men. However, (Adams & Ferreira, 2009) found the opposite to be true when they studied the aggregate performance of stock price of companies in US prior the employment of women and men chief executive through a period of twelve years. They concluded that women have higher chances to be appointed to the chief executive post in the companies that has better financial performance than those that appoint males. Carroll and colleagues examined whether there are differences in the performance of the security market for companies which announce the hiring of a woman member in board as opposed to a male board member using a sample from Canada. They found that there were no significant differences in the return performance of securities prior to the announcement. (Glass & Cook, 2020) conducted an investigation into all CEO transitions that took place in Fortune 500 companies in the United States over a period of twenty years. They found no evidence to support the hypothesis that women have higher chances to get promoted in companies which are failing.

There has been insufficient research done on glass cliff, which has led to the production of contradicting data. This demonstrates the need for additional research regarding the existence of such bias against women leaders. In the present study, glass cliff is investigated within the framework of the BSE 100 Companies. In addition, it is essential to draw attention to that all of the previous studies on glass cliff was done in the area of Western world, and there is no research done in the context of Indian countries. According to Ryan and Haslam (Ryan & Haslam, 2007), glass cliffs should be more seeming and should highlight a greater problem in cultures and industries which are predominately conquered by men and that are patriarchal and conservative.

Is the presence of female leaders a detriment?

A contemporary illustration of the analysis that women on higher positions are subjected to get appointed is provided by The Times (Judge, 2003): Women on Corporate Boards: Help or Hindrance? In spite of the fact that more number of women are obtaining spots on corporate boards, (Judge,2003) maintains that even while this development is viewed favourably by the business community and the general public, the presence of women executives has a detrimental effect on the performance of the company. She makes the assertion, "So much for shattering the glass ceiling and utilising their particular skills to increase the performance of Britain's major corporations." On the other hand, the successful entry of women into boardrooms across the country has been shown to have a negative impact on both corporate performance and stock prices. (Judge, p. 21, 2003).

This assumption is backed up by statistics which show that businesses with female representation on their boards have a tendency to to accomplish less well than those with boards comprised entirely of men. Further, (Judge, 2003) concluded that from top ten companies in the index which had maximum percentage of women on their board, six of them failed compared to the FTSE 100 during the entire year of 2003. The index was gathered by the Cranfield School of Management (Singh and Vinnicombe, 2003) In contrast, Judge claims that the five companies located at the very bottom of the index, all of which are controlled by men, outperformed the overall performance of the FTSE 100 in 2003. The findings of this investigation lead (Judge, 2003) to the inference that "corporate Britain may be better off without women on the board" (p. 21).

A Different Perspective

Despite the fact that Judge (2003) used a reporting licence, the facts that he acquired does not support the conclusion that women are "wreaking havoc" on the financial stability of enterprises. In spite of this, her analysis brings to light serious challenges that call for increased empirical investigation. A more in-depth investigation is required in order to investigate the purported connection that exists between the presence of women in positions of authority within an organisation and the financial performance of that organisation. In addition to this, if such a relationship can be identified, it is necessary to investigate the veracity of several additional possibilities.

To be more specific, reversing the causal sequence would be an obvious alternate explanation for the correlation if the relationship reported by Judge (2003) holds (Haslam and McGarty, 2003). Therefore, it is just as plausible that the poor performance of a company could prompt the appointment of women to the board of directors, as opposed to the appointment of women leaders causing a decline in the financial performance of the company. If this is the case, then a disproportionate number of women may be hired in leading roles that are linked with a higher likelihood of undesirable results. As a result, there is a possibility that leadership roles held by women are more precarious than those held by men in the same capacity. We suggest that you refer to this predicament as a "glass cliff," expanding on the metaphors of the "glass ceiling" and the "glass elevator."

In addition, there is data in the literature that points toward women are appointed to leading posts under diverse conditions than men. This evidence suggests that women are appointed to managing responsibilities under different conditions than male managers. For instance, women directors are more prone to assume support positions in people, training, or marketing as opposed to undertaking important operating and commercial duties. This is because women tend to be less confident in their ability to negotiate pay and benefits (Vinnicombe, 2000). In addition, the percentage of women who hold managerial positions in service industries is higher than it is in manufacturing industries (Davidson and Cooper, 1992; Goodman et al., 2003; Singh and Vinnicombe, 2004).

In conclusion, research in the field of finance has established a correlation between the success of an organisation and the frequency of managerial changes. To be more specific, Kaplan (1995) discovered that firms are more prone to replace their boards of directors when stock performance is declining as opposed to when their financial performance is stable or improving. There is also data that advocates there is a positive correlation between the success of a firm and the number of repeated directorships that its directors have held in that company (Fama and Jensen, 1983; Ferris, Jagannathan and Pritchard, 2003). Directors of corporations who perform very well are frequently offered positions on other boards, but directors of companies that perform inadequately are typically "scarred for life." These kinds of statistics show that the performance of a company shouldn't just be viewed as the conclusion of appointment decisions; rather, it should also be considered the foundation and motivation for future decisions of the same tendency.

As a result, it is absolutely necessary to take into consideration not only the women who hold leadership positions but also the circumstances that surround their nomination.

Theoretical Background

Role congruity theory (Eagly et al., 2000), provides the understanding of why from time-to-time women face hurdles while attaining to the top positions in the organizations ((Wicker, Breurer, & von Hanau, 2012), also provides a theoretic aspect to gain more understanding of why women are seen as better fits for leadership roles in certain kind of scenarios or situations similar to Glass cliff. (Eagly & Karau 2002). As per the theory, individuals are evaluated based on the congruence between their gender stereotype-determined attributes and the requirements of the service role they fill (Eagly et al., 2000).

Gender stereotypes consistently describe the characteristics of men and women throughout countries (Eagly & Karau, 2002; Heilman, 2012). Typically, gender stereotypes are characterised in terms of agency and communality (Bakan, 1966). Affectionate, helpful, kind, sympathetic, interpersonally sensitive, nurturing, and gentle are characteristics of communality. The characteristics of agency include being assertive, ambitious, domineering, forceful, independent, self-sufficient, self-confident, and inclined to assume a leadership role (Eagly & Karau, 2002). In Agency and communality, men are seen to possess agency but lack communality, while women are believed to own agency but then again there is a deficiency of communality.

Women are regarded as having communal characteristic but there is a lack of autonomy (Eagly, 1987; Heilman, 2001; Sczesny, 2003). Thus, as per gender stereotypes men are supposed to demonstrate autonomy while women are expected to demonstrate collectivism. Positions at the workplace are given on the basis of type of gender and the feminine and masculine attributes are viewed as essential for performing a role successfully (Garcia-Retamero & López-Zafra, 2006; Heilman, 1997; Stulmacher & Poitras, 2010).

Thus, the theory proposes that due to the incongruence between the male and female stereotype, women's leadership potential is likely to be assessed negatively, and their access to leadership positions is likely to be restricted compared to potential of men (Eagly & Karau, 2002). While the majority top positions roles are understood in male terms, some may be characterised in feminine ones and believed to require feminine attributes (Bosak & Sczesny, 2011; Eagly & Karau, 2002; Lips & Keener, 2007).

According to Bruckmüller and Branscombe (2010) and Ryan and colleagues (2011), leadership responsibilities may be regarded as feminine rather than masculine during periods of falling organisational performance. Both findings indicate that declining organisational performance may be connected with a communal description of the leadership role, the successful performance of which needs stereotypically feminine characteristics such as a focus on relationships, sensitivity, caring, and service.

The Present Study and Development of Hypotheses

The purpose of the present study is to investigate the glass cliff hypothesis, which states that women are disproportionately recruited to top leadership roles when organisational performance is dropping as opposed to rising. According to the glass cliff literature and role congruity theory, gender stereotypes may lead to the perception that women are more equipped with the required qualities to deal with inadequate performance. A deeper analysis of women at leadership positions and company performance is required to confirm the probability given by Judge (2003). This type of analysis must be able to consider situational factors, such as the time at which appointment was done and variations in company's financial performance, and therefore highlight the relationship amid the employment of women leaders and a company's financial performance. As a result, it is possible to evaluate two different hypotheses: the one that was proposed by Judge (2003), which is that women CEOs deliver disproportionately worse financial results to their companies, and another explanation, which is that women are selected under situations of comparatively declining company's financial performance. To further investigate whether women are appointed at the time of declining financial performance of firm, first we need to evaluate whether there is a relationship between the firm's financial performance and appointment of women on board. To examine a relationship between appointment of women in leadership role and company's financial performance the following hypothesis is tested:

H0: There will be a significant relationship between appointment of women on board and company's financial performance.

and for examining another explanation, which is that women are selected under situations of comparatively declining company's financial performance, following hypothesis is tested.

H1: There will be a significant difference in the company's financial performance according to the appointment of a man or a woman as a member of the board.

Methodology

In the current study, the performance of the share prices of BSE 100 companies on the Bombay Stock Exchange has been analysed both earlier and afterward the appointment of men or women board members. For this study, the websites of all BSE 100 companies were scoured to identify those who appointed a woman to their board of directors during the 2020-2021 fiscal year, as well as the month in which these appointments were made. 52 companies out of 100 have appointed either a male or a woman to their board between April 1, 2020 and March 31, 2021. Annual reports and the BSE website were utilised to collect pertinent information. In 2020-2021, a total of 26 women were appointed to corporate boards: 15 firms appointed one woman, 4 companies appointed two women (at various times), and 1 company appointed three women. In orde r to make meaningful gender comparisons, a search was conducted to identify BSE 100 companies that had a male on their board of directors in 2020-2021. 35 males were appointed at different times in 52 companies.

Company performance

Calculations for the broad measure of annual corporate performance were carried out using a procedure that was comparable to the one used by Judge (2003). The performance of each company was evaluated by calculating the percentage change in stock price that occurred in the 12 months prior to the time when a man or woman was appointed to the board of directors using the Bombay Stock Exchange Share Monitoring Service (BSE, n.d.), which is available online. A score that is negative means that the share price fell during that time period, whilst a score that is positive shows that the share price rose during that time period.

Analysis

Differences and correlations in Company Performance

To examine a relationship between appointment of women in leadership role and company's financial performance, a correlational analysis was undertaken to evaluate the strength of the correlation between the number of women appointed to a company's board in 2020-2021 and the percentage change in monthly stock performance. Table 1 presents the outcome based on the percentage change in stock price of BSE 100 companies in which $r(52) = -0.419$, $p=0.029$ (one-tailed) indicated a significant negative correlation between the number of women selected for leader's position and the performance of the organisation. So, higher the proportion of women in a company's leadership, lower its performance.

In addition, a t-test was carried out to see whether or not the performance of a company varied according to appointment of men or women as a member of the board. The results of this test were analysed. The analysis indicated (Table 2 & 3) $t(54) = 1.158$; $p=0.252$, which highlights that there is no significant difference in stock performance in the year 2020-21 between the times when males are chosen to leadership positions and the times when women are assigned to leadership positions.

Discussion of Result

The glass cliff

This research of the performance of the BSE 100 enterprises strengthens the very basic idea that women leaders are blamed for low company success. Instead, a more complicated narrative develops, stressing the requirement to incorporate contextual elements when studying organisational and leadership outcomes (Haslam, 2001) Similar to what Judge (2003) claimed, the nomination of a woman to a business's board of directors was not connected with a later fall in company performance. In 2020-2021, a more intriguing pattern of results evolved for firms that added women to their boards of directors. During a period of widespread stock market decline, companies that appointed women had relatively bad performance (Figure 1) and men were appointed at the time when company's performance was relatively less poor (Figure 2) in the 12 months preceding the appointment (Figure 1) of man or woman. In other words, it implies that women are more likely to be selected to positions of leadership when the economy and company performance are in decline. In this viewpoint, these women might be understood as being placed on a "glass cliff" in the sense that their leadership selections are made under challenging organisational settings and are, thus, involves more risk.

Implications of the study

There is a common assumption that positions on glass cliffs are very treacherous for women. Consequently, in comparison to men, women who get leader's position may be get criticism and run a higher threat of being held accountable for unfavourable consequences that were well underway before they entered their new positions. This is mainly challenging in situations which indicates that directors who resign from the boards of poorly performing companies are likely to suffer from a "tarnished reputation" and are less likely to be appointed to future directorships (Ferris et al., 2003).

Future Research Directions

Even if this historical examination of the performance of the businesses that make up the BSE 100 seems to allude to the existence of a glass cliff, it is obvious that this is just a preliminary investigation into the topic. Because of this, more study has to be done in order to give a more in-depth investigation of the psychological processes that lead to these findings. This can be accomplished by conducting interviews with people who have experienced these psychological processes. The nature of the corporate (and general) motivations that inspire the selection of women to insecure positions is an obvious problem that needs to be addressed.

Conclusion

Women face a greater number of challenges than males do on their way to the top of the hierarchy, and this makes it more difficult for women to achieve their goals. This is a reality that has been known for a very long time and is generally recognised. It is evident that women will continue to be subjected to a higher level of scrutiny and criticism than men, as well as receive fewer positive assessments, irrespective of whether they occupy the same kind of leadership posts as men, even if they achieve the same level of success as men (Eagly et al., 1992). It is now evident that in addition to these obstacles, the leadership jobs that women occupy are likely to be less promising than those that their male counterparts occupy. This is a situation that has long been the case. Despite the fact that women make up a greater number of those working in management positions, this remains the case. Therefore, it is probable that in addition to having to deal with a glass ceiling and the fact that they do not have access to a glass elevator, they will also be positioned on a glass cliff. Both of these hindrances are going to be tough for them to overcome.

Table I Correlations

		Women Appointment in year 2020-2021	% Change in stock performance
Women appointment in year	Pearson Correlation	1	-0.419*

2020-2021	Sig.(1-tailed)		0.029
	N	52	21
% Change in stock performance	Pearson Correlation	-0.419*	1
	Sig.(1-tailed)	0.029	
	N	21	21

**Correlation is significant at the 0.05 level (1-tailed).*

Table II T test

Group Statistics

	Gender	N	Mean	Std. deviation	Std. Error mean
% Change in stock performance	Male	35	0.6680	5.0143	0.8475
	Female	21	-0.7548	3.2871	0.7173

Table III Independent Sample Test

									95% confidence interval of the difference	
		F	Sig.	t-	df-	Sig.(2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
% Change in stock performance	Equal Variances Assumed	3.901	0.053	1.158	54	0.252	1.4229	1.229	-1.0416	3.8874
	Equal Variances not assumed			1.281	53.494	0.206	1.4229	1.1103	-0.8037	3.6495

Figure 1

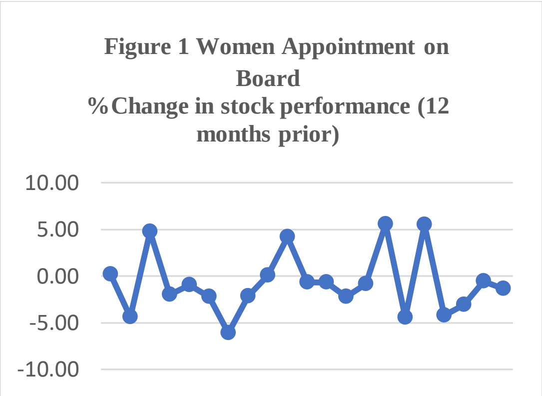
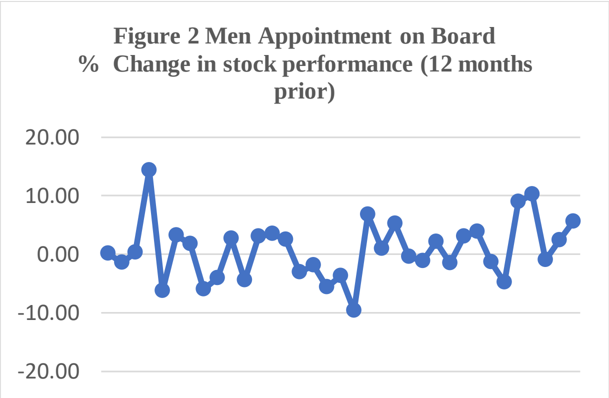


Figure 2



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