THE WALL STREET JOURNAL.

http://www.wsj.com/articles/banks-run-by-women-might-be-less-vulnerable-in-a-crisis-1456110317

BUSINESS | JOURNAL REPORTS: LEADERSHIP

Banks Run by Women Might Be Less Vulnerable in a Crisis

A study suggests female CEOs and directors may follow more conservative strategies

ILLUSTRATION: STEPHANIE DALTON COWAN FOR THE WALL STREET JOURNAL

By **TODDI GUTNER**

Feb. 21, 2016 10:05 p.m. ET

After the bank failures of 2008, Christine Lagarde, managing director of the International Monetary Fund, quipped: "If Lehman Brothers had been Lehman Sisters, today's economic crisis clearly would look quite different."

Was there some truth in her statement? Would the global financial crisis have been any less severe had there been more women in top finance jobs?

Some recent research suggests it might have been.

In a study published in the Journal of Business Ethics in October, a group of researchers from Finland found that U.S. banks with female chief executive officers or chairmen had more conservative capital levels and were less likely to fail during the financial crisis than banks run by men.

The Wall Street Journal spoke with one of the study's authors, Sami Vähämaa, a professor of accounting and finance at the University of Vaasa in Finland, about the team's findings.

Here are edited excerpts of the conversation:

More equity capital

WSJ: *What was the reason for this study?*

MR.

JOURNAL REPORT

- Insights from The Experts (http://blogs.wsj.com/experts/category/leadership/)
- Read more at WSJ.com/LeadershipReport (http://www.wsj.com/public/page/journal-report-leadership.html)

MORE IN C-SUITE STRATEGIES

- Big Pharma's Delicate Dance on Prices (http://www.wsj.com/articles/big-pharmas-delicate-dance-on-drug-prices-1456110323)
- Dress for Success, Be a Success? (http://www.wsj.com/articles/why-dressing-for-success-leads-to-success-1456110340)
- Ford's Road to the Connected Car (http://www.wsj.com/articles/how-ford-is-building-the-connected-car-1456110337)
- How to Avoid Common Merger Mistakes (http://www.wsj.com/articles/four-mistakes-companies-make-in-mergersand-how-to-avoid-them-1456110331)
- Virtual Reality Gets Real in 2016 (http://www.wsj.com/articles/for-oculus-2016-is-the-year-virtual-reality-gets-real-1456110336)

VÄHÄMAA: The purpose of the study was to examine whether the levels of bank equity capital and default risk are associated with the gender of a bank's CEO and chairman.

WSJ: *What did you find?*

MR. VÄHÄMAA: Of the 7,000 U.S. commercial banks we examined, those with female CEOs and chairmen held about 5% to 6% more equity capital than male-led banks and had lower default risk.

This should make these banks safer. This is especially true for smaller banks, or those with total assets below $770 million. Smaller banks are much more vulnerable to external shocks than larger banks. They don't have the capital or the global diversification, so if something goes wrong, it is especially important that they have more equity capital.

There is strong evidence that banks with female CEOs were less likely to fail during the financial crisis. Indeed, male-led banks were six to seven times more likely to fail.

Upside, downside

WSJ: *What is the relevance of your findings?*

MR. VÄHÄMAA: Overall, our study provides support for the idea that female executives and directors may inherently promote more conservative strategies and less risky financial decisions, and it can be beneficial for banks and firms to have females in these positions.

As the European Union discusses implementing a law requiring that at least 40% of a public company's board seats be held by women, the results of this study may help [persuade policy makers] to move forward with gender quotas in the EU.

PREVIOUSLY IN C-SUITE STRATEGIES

- Mary Barra on GM's Long-Haul Plan (http://www.wsj.com/articles/mary-barras-road-map-for-gm-centers-on-customer-data-connectivity-1445824801)
- How Not to Flunk at Failure (http://www.wsj.com/articles/how-not-to-flunk-at-failure-1445824928)
- Minimum Wages and the Casual-Dining Chain (http://www.wsj.com/articles/buffalo-wild-wings-ceo-sally-smith-on-minimum-wages-1445824931)
- A New Way to Sell Oreos (http://www.wsj.com/articles/a-new-way-to-sell-oreos-1445824919)
- The Risk of Employee-Performance Ratings (http://www.wsj.com/articles/how-performance-reviews-can-harm-mental-health-1445824925)

While it is true that willingness to bear risk is a managerial necessity for creating shareholder value, the idea that women may assess risk more conservatively could be good news for companies if it limits excessive risk taking and potential biases in risk assessments.

At the same time, it could be bad news for shareholders if women executives are too cautious and risk-averse.

Ms. Gutner is a writer in Chappaqua, N.Y. Email her at reports@wsj.com.

WHAT TO READ NEXT...

NY KNICKS

Knicks Meet With Frank Vogel, Draw Nearer to Decision on Head Coach

ECONOMY

IMF Approves Second Term for Managing Director Christine Lagarde

CAPITAL JOURNAL

The Tea Party Eyes Donald Trump—Warily

CMO

Facebook To Sell Video Ads On Behalf of Other Firms