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Business School Education and Women's Career Success in the Financial Services Industry

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Abstract. Business schools create the talent pool of future corporate leaders, among whom women are underrepresented, particularly in the financial services industry. Research shows that women report lower financial self-efficacy and less inclination to pursue risky financial services careers compared to men. However, it remains unknown if business schools challenge patriarchal practices that uphold male career advantages. This study measures the effects of a lecture intervention designed to challenge gender stereotypes. Surveying business school students before and after the lecture reveals that certain attitudes to financial decision-making and careers follow limiting, gender stereotypical, patterns. Female students have lower financial risk tolerance and both genders associate financial careers and investing more with the male than the female gender. Reassuringly, these attitudes are somewhat responsive to the lecture intervention. These findings are relevant to the development of effective education strategies at business schools. Strategies that foster a more gender balanced workforce, a workforce that can encourage inclusive practices in the financial services industry.

Keywords: higher education, gender equality, financial services industry, career progression, stereotyping.

1. Introduction

Do attitudes relating to financial decision-making and careers follow gender stereotypical patterns among business school students and are these attitudes responsive to a lecture intervention? Business schools have a central role in reducing gender inequality in senior leadership representation and pay, by preparing all students appropriately for their future careers. This is vital because, notwithstanding increasing proportions of women enrolling at business school, (postgraduate management courses have reached gender parity (GMAC 2019))[1], women still remain underrepresented in highly paid senior management positions. In 2022 the number of women leaders in the world's most prestigious firms actually fell.[2] The 41% female representation on full time MBAs and finance master's degrees (Moules 2023; Time 2021) stands in in sharp contrast to the

6.4% female CEOs of Fortune 500 firms in 2022 (Quantic 2022). Female disadvantage is particularly stark in the financial services industry. This is one of the most financially remunerative industry to work in, but even more so if you are male. Women enter the industry in similar proportions to men, but have roles with lesser career development potential, and in 2021 women only represented 5% of CEOs, 19% of senior managers and 21% of board directors in financial services firms globally (Deloitte 2022). Inequality also extends to remuneration, with women earning disproportionately less than men in financial services, compared to national gender pay gap averages. In 2020, women financial services employees in the United States earnt 53% less than men (Data USA 2021). In the United Kingdom, women in banking were paid 35% less than men, and this widens to 59% when taking discretionary bonus payments into account, compared to the average gender pay gap of 15% (Office for National Statistics 2019).

Research associates long-term malpractice and economic problems in banks with homogeneous male decision-making, overconfidence and excessive risk taking (Ho, Huang, Lin and Yen 2016; Song and Thakor 2019), something that male leadership dominance appears undeterred by. There is therefore an urgent need for female skills at senior levels in the financial services industry especially in relation to governance, long term strategic planning and the tempering of overconfident decision making, traditionally associated with female leaders (Post and Byron 2015). Given the prominence of its position as the facilitator of nearly all societal functions, this underrepresentation of senior female leadership in financial services sees women excluded from powerful strategic decision making that impact society and its people. Gender inequality in financial services is therefore not just a case of social injustice, there is also a strong business case for combatting it at every level, including at business school.

In the wider population, women are characterised as having lower levels of financial risk tolerance (Baeckström, Marsh and Silvester 2021a), knowledge and confidence (Cueva *et al.* 2019; Tinghög *et al.* 2021). Women report lower self-efficacy (Bandura 1982) than men, which further impedes women's trust in their

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1. The proportion of women enrolled in the Financial Times top 100 ranked full-time MBA programs increased from 30% to 36% in the 10 years to 2018 (GMAC, 2019, see https://www.gmac.com/-/media/files/gmac/research/diversity-enrollment/women-and-the-full-time-mba_continuing-the-push-for-progress_march-2019.pdf.). Women enrolled on full-time MBA programmes increased to 41% in 2021, compared to 39% the previous year (Time, 2021, see https://time.com/6116802/women-business-school-record/) and women enrolled in the top seven top business schools globally increased from 30% in 2000 to nearly 50% in 2020.
2. The proportion of women enrolled in the Financial Times top 100 ranked full-time MBA programs increased from 30% to 36% in the 10 years to 2018 (GMAC, 2019, see https://www.gmac.com/-/media/files/gmac/research/diversity-enrollment/women-and-the-full-time-mba_continuing-the-push-for-progress_march-2019.pdf.). Women enrolled on full-time MBA programmes increased to 41% in 2021, compared to 39% the previous year (Time, 2021, see https://time.com/6116802/women-business-school-record/) and women enrolled in the top seven top business schools globally increased from 30% in 2000 to nearly 50% in 2020.

own capabilities and their penchant for making (what are perceived to be) riskier choices both with their personal finances and their careers (Furrebøe and Nyhus 2022). The lack of women in powerful financial services roles is frequently attributed to gender differences in competition preferences and to gender stereotyping (Krishna and Orhun 2020; Niederle and Vesterlund 2007). Women are found to be less inclined to apply for competitive positions, particularly in quantitative domains such as financial services (Homroy and Mukherjee 2021). Coupled with a systemic bias against women in senior executive and board director positions (Peterson and Philpot 2007), these factors can all severely inhibit women's career progression, (see Baeckström, Clinton and Rezec 2024 for a review).

Irrefutably the problem exists already at business school. Undergraduate student data in Sweden show that, while female university students generally outperform male students, female underperformance persists on finance courses (Mavruk 2019). Further, researchers show that 57% of men opt for careers in investment banking or trading compared to just 36% of women, a career choice that is influenced by higher levels of risk tolerance and testosterone (Sapienza, Zingales and Maestripieri 2009). Given women's increased participation in business education over the last few decades both at undergraduate and postgraduate levels, problematising this as a "female pipeline shortage" may be too simplistic. Part of this problem may be a disconnect between education and careers, whereby male business school graduates appear to be granted the opportunity for greater career success in financial services compared to their female peers.

In response, this study investigates whether attitudes to financial decision-making and careers follow gender stereotypical patterns among business school students and then whether these attitudes are responsive to a lecture intervention that aims to challenge gender stereotypes. Following previous research, this study specifically investigates gender differences in financial risk tolerance, confidence and knowledge as well as gendered attitudes to words related to financial careers and financial investing. Survey data were collected from 114 international students enrolled in a 2019 summer school at a well reputed business school in the UK. The method involved surveying students before ("pre-lecture survey") and after ("post-lecture survey") participating in a two-hour lecture about portfolio management and gender differences in financial decision-making and careers. The lecture, delivered by a woman with a previous career in financial services, was designed to both increase students' investment literacy and to challenge gender stereotypes in relation to careers in finance. It is therefore possible to test the students' initial attitudes and whether these attitudes alter following a simple lecture intervention. With an average age of 21, more than two thirds (72%) of participants were female and the vast majority (83%) had completed their undergraduate degrees. Worryingly, the pre-lecture survey indicates the prevalence of limiting gender beliefs, suggesting that undergraduate degrees might be unsuccessful in equipping their students for more gender equal careers. The post-lecture survey results show that gender stereotypes are somewhat less marked following the lecture and therefore some attitudes appear elastic to the intervention. Mindful that the post-survey only measures attitudes immediately after a relatively minor one-off intervention, this can be cautiously interpreted as an indication that business schools will benefit from developing more extensive and influential inclusive education strategies.

Societal gender role expectations mean that men are granted better career opportunities in financial services than women. This means that it is critical to understand what role business schools play in mitigating this. Given the leadership overconfidence problem in financial services (Song and Thakor 2019), trying to remould women to fit into the current financial services culture, by creating a talent pool of overconfident future female leaders, is not an optimal strategy. A better strategy is to encourage women to pursue long term careers in the industry and bring in those (female) skills that the industry needs. To further understand the links between gender inequality in financial services and the education system, this study draws on research that investigates gender in relation to financial decision making and financial services' careers as well as existing pedagogical literature that discusses the role of education in preparing female and male students for their future careers. This research makes a specific contribution to literature in the pedagogy domain that investigates gender and the associations between students' experiences during higher education, their choice of career and their career success. This includes the identification of women students' lower confidence, self-efficacy and risk tolerance (e.g., Jouini, Karehnke and Napp 2018; Reuben, Wiswall and Zafar 2017). Researchers shows that women tend deprioritise careers in male-dominated quantitative fields (Blackburn 2017), have lower future employment earnings expectations, and believe they are less likely to secure senior management positions compared to men (Adamecz-Völgyi and Shure 2022; Flanagan and Palmer 2021). All of these sequelae are in part attributable to these recognised gender difference among students in higher education. Such expectations of course reflect present reality, especially in financial services. The findings in this paper evidence the presence of gender stereotypes among students that may limit women's career success. Additionally, this study responds to work that calls for more research exploring career decision self-efficacy (Falco and Summers 2019), particularly in the finance domain (Mavruk 2019). Another contribution is to design and then measure a simple teaching intervention aimed at increasing students' financial knowledge and encourage them to consider careers in financial services.

The initial effects of the lecture are an excellent motivation to develop more rigorous interventions. The results of this study can be an important resource for business schools as they develop their education strategies. Business schools are well placed to challenge pre-existing gender stereotypical attitudes and behaviour, and have an important role in evaluating and adjusting pedagogical practices to improve women's opportunities for career success, especially in the financial services sector. Adjustment to the curriculum can be informed by the assessment of current student attitudes and the intervention outcomes presented in this paper. By highlighting the presence of limiting gender-based attitudes prior to students commencing their careers, and the possibility these can be shifted, the results presented here might suggest that business schools (and indeed other educational establishments) may be holding on to outdated practices that are tailored towards creating male career advantages. The findings are also relevant for financial services firms, for governments and regulators as well as students considering careers in the industry – all of whom need to work hard to challenge attitudes and encourage female talent.

2. Literature Review and Hypotheses

2.1. The Financial Services Industry: Gendered Careers

A specific focus on gender stereotypes relating to financial attitudes is warranted because of the persistent and acute gender inequality in financial services. Women's careers in finance professions substantially trail behind those of men. While in 2020, women had 36% representation in senior management across all industries, their representation was a mere 20% in financial services (Catalyst 2020). Statistics show that women disappear with rising seniority levels, making up only 5% of the CEOs, 19% of senior managers and 21% of board directors in financial services globally in 2021 (Deloitte 2022). Female CEO representation in European banks actually fell in 2023 and now only two of the twenty-five largest European banks have a woman leader, compared to just three in 2023[3]. With women being 24% less likely than men to be promoted even at the most junior levels, the female talent pool is being culled very early on (Catalyst 2020). Across the board, i.e., when also including administration and operations roles, women join the industry in similar proportion to men. However, there is a particular shortage of women in those client-facing quantitative roles that have good future career progression potential. Female representation is as low as 10-20% in professions such as fund management, financial advising, and financial brokerage (Bellstrom and Hinchliffe 2019; Niessen-Ruenzi and Ruenzi 2018).

With lower representation in senior management positions, women are paid less and report a range of disparate barriers to career progression (Dambrin and Lambert 2008; Homroy and Mukherjee 2021). The greatest female talent loss occurs around mid-30s to mid-40s when women tend to have young children.

3. Women made up 6.4% of Fortune 500 CEOs in 2022 - down from 8.4% the previous year (Quantic 2022, see https://quantic.edu/blog/2022/08/05/the-rising-number-of-women-in-business-school-explained/).