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Myth that deters women

Testosterone is not the key to success, the best traders avoid making off the cuff decisions

By Steve Coomber

Deirdre Kenny
Partner, CTPartners

When it comes to apportioning blame for the economic crisis it seems, in some quarters at least, that the thousands of MBA graduates working in the financial world, mostly men, feature high on the list of culprits. It is the actions of testosterone-driven, bonus-fuelled, risk-taking MBAs, argue some, that led to the near collapse of the global banking system. Indeed, had there been more women with MBAs working in banking and finance, we might have avoided the credit crunch altogether.

So is there any validity in such a view? It is true that fewer women MBA graduates enter the finance sector and there are far fewer women in senior leadership positions. More men take MBAs specifically so they can switch to finance.

At London Business School women account for up to 28 per cent of the MBA class and about 20 per cent of students on the masters in finance programme, says Diane Morgan, director of career services.

She notes that there is a clear division when it comes to career choice, with women steering clear of finance.

A research paper published by business school academics in January offers one reason for the gender imbalance — hormones, more particularly levels of testosterone, the male hormone associated with risk taking and competitive behaviour.

The testosterone levels of about 500 MBA graduates were tested using saliva swabs and they were also assessed for risk aversion. Researchers concluded that women with more testosterone than their fellow female MBA graduates were more likely to pursue "a risky" finance career.

Why risky? Because there is greater variability of earnings for MBA graduates entering the finance field, says Luigi Zingales, one of the authors of the paper and a professor of finance at Booth School of Business, University of Chicago. You might earn millions but, as employees of Lehman Brothers discovered, you might end up without a job.

Given that men have more testosterone than women, it is not a huge step to suggest that this might explain the greater numbers of men with MBAs in banking and finance. The link between testosterone and risk taking might give some credence to the suggestion that employing more women in the finance industry could have staved off financial turmoil.

But testosterone is unlikely to be the only factor determining MBA career choice. Perceptions about career progression, working environment and role are all important.

"A lot comes down to role models," Morgan says. "Do women look around the room but not see anybody else like themselves? There is also the question of image: that finance is aggressive and all about risk. But within investment banking, for example, there are plenty of different positions and a huge emphasis on communication skills and critical thinking."

The encouraging news for women with MBAs who consider a career in finance — and perhaps for society as whole — is that even with roles such as trading, there is much misconception about what it takes to do well.

"There is a stereotype of what a trader should be, the testosterone-fuelled aggressive male," says Michael Smith, a former equity trader who teaches at the International Capital Market Association Centre at Henley Business School, University of Reading. "There are plenty of those but you do not need high testosterone levels to succeed as a trader. For me, the best traders are the quiet ones who do not make rash, off the cuff decisions but are far more measured."

This message is reinforced by the recruitment market. Deidre Kenny, London Managing Partner at CTPartners, the global search firm, says: "The old myth that a dose of swagger and confidence is a key element of working in finance makes provocative media headlines but the best people I meet are thoughtful, analytical and pretty humble about the challenges of operating in today's market.

"Risk and reward are a highly dynamic equation with multiple variables that move rapidly and independently. Managing that kind of complexity is something we measure across an individual's performance in their career, not in a blood or saliva test."