Put Women in Charge of Uber

By Rachael Noyes , INSEAD Knowledge Europe Editor

Putting women on boards and in executive positions could be the quick fix that sexist Silicon Valley needs.

The tech industry is often parodied as a place for men with limited social skills. But now it's become clear that its problems go far beyond awkward geekiness. One recent survey uncovered a "**bro culture**" in which well over **half of women** in Silicon Valley were subject to demeaning comments or unwanted sexual advances at work.

Of all the tech companies, Uber has had the worst PR of late. There had been rumblings about the behaviour of CEO and co-founder Travis Kalanick even before Susan Fowler's **blog** about her year at Uber and the jaw-dropping reactions of the company's HR department to reports of sexism in the workplace. In 2014, when a **GQ** reporter teased him about his success with women, Kalanick made a wisecrack about women on demand, a concept he referred to as "Boob-er". The CEO wasn't the only exec who bred this culture; Emil Michael, former SVP of business, had suggested in 2014 that one Uber strategy could be to **dig up dirt** on journalists, especially one female journalist who found the culture discriminatory. Uber had also **complained** that leaked internal data about rape complaints were “highly misleading” as the word “rape” could mean any number of things and was supposedly a common typo for complaints related to “rate” (as in the fare).

A backlash against sexual harassment has begun. This year has seen **departures** – some forced due to complaints, others in response to the toxic culture – from Uber’s very top.

When an Uber board director was forced to resign after he made a sexist **comment** during a meeting on company culture, Professor Herminia Ibarra proposed an effective way forward for the company – and Silicon Valley as a whole: Replace all those who quit or who were pushed out with women.

> Uber is looking for a CEO, COO, CFO, CMO, engineering head & general counsel. Why not hire 6 women? Instant change. **https://t.co/wTYkgvAScx** — Herminia Ibarra (@HerminiaIbarra) **June 14, 2017**

A radical solution?

Why not? And why would this even be considered a radical solution? It seems the culture that has bred sexist executives continues to spread the idea that women are not good leaders nor capable of steering organisations through hard times.

At Davos in 2013, on a panel chaired by Ibarra, Facebook COO Sheryl Sandberg **said**, “The main difference between men and women in the workplace is that success and likeability are positively correlated for men and negatively correlated for women. As a woman becomes more successful, she is less liked.”

Predominantly male-dominated networks, therefore, tend to exclude women. Professors Theo Vermaelen and Theodoros Evgeniou found that men on boards have an information advantage over women. In one study on **share buybacks**, they showed that short-term as well as long-term excess returns after announcing buybacks are smaller when there are more women on the board. They argued that since long-term performance after buybacks is usually down to market timing based on superior inside information, men have access to better information that helps them to more correctly judge whether their stock is undervalued. They call this the “male information advantage hypothesis”.

The connections men make do not only help them with buybacks. Professor Lily Fang’s research has shown that men reap more benefits from **connections** than women on Wall Street, both in terms of job performance and in terms of subjective evaluation by others.

Professor Ludo Van der Heyden **found** that women’s lack of sponsorship was one of three things keeping them from the C-suite. Bias, both conscious and unconscious, and the way that top careers are modelled for men are the other two stumbling blocks that keep women away from the top.

The problem in these cases is that men and women are often evaluated using different criteria due to unconscious biases. In the venture capital world, research shows that all else being equal, men fare better than women when it comes to getting funding. One study found that the same **video pitch** for a start-up was twice as likely to be funded by investors when it was narrated by a male voice as opposed to a female one.

Vermaelen and Evgeniou go on to argue that the debate should move to how to facilitate the access of women to the rich, predominantly male-dominated information (and social) networks.

Better decisions

Research has not only shown the benefits of diverse workplaces and women on boards, but also how they can change risky behaviour and make more thorough decisions.

Professor Guoli Chen found that when women sit on boards, their companies are more likely to participate in small acquisition **deals**, which aren’t as risky as large deals for a firm’s long-term health. This is especially pertinent since most acquisitions **fail**. Boards with at least one woman director have more comprehensive discussions when making decisions than non-diverse boards.

Furthermore, women and men directors are likely to have had different career experiences, and thus often hold different opinions in terms of strategic options.

Research has shown that men directors are more likely to engage in their duties more diligently and miss fewer meetings when women directors are on the same board. These findings make it highly likely that increasing the representation of women on a company's board will make board decision-making processes more thorough, comprehensive and accountable.

Better performance

If Uber is serious about an initial public offering (IPO) in the near future, the company might also consider a recent study from the Chinese University of Hong Kong (CUHK). Professor Paul B. McGuinness found that firms have more resilient performance post-IPO when they invite a greater gender mix and exclude family ties between directors in Hong Kong. But this uplift in returns disappears when family associations crowd the boardroom.

According to McGuinness, his study "supports a growing view that gender bias imposes sizeable economic cost on society and corporate stakeholders more specifically."

That cost can impact profit, which is enhanced with efficient board decision-making. As Henley Business School's Caroline Rook found, companies with more women on the board are more successful in terms of ROI and return on invested capital (ROIC).

When women do have the opportunity to lead, they do it well, Professor Annet Aris noted. With more than 50 percent women on its board, Wolters Kluwer managed to grow from €3.66 billion in revenue in 2014 to €4.3 billion in 2016.

Disrupt for cultural change

Silicon Valley could therefore improve workplace conditions and create more stable growth by encouraging women to fill the recently freed up seats at the top table.

Ibarra's proposal that the six available positions at Uber be taken up by women should not be remarkable. Truly disruptive actions – in this case, hiring – could lead to real change.

Change can start at Uber and ripple through the Valley. Sarah Kaplan at the Rotman School of Management found that simple changes to the language used by start-up accelerators when soliciting applications can encourage more women to step forward.

Uber board member Arianna Huffington told the ***Financial Times*** that the company’s troubles demonstrate the need for cultural repairs: “The goal should be not just to fix Uber but to fix the systemic culture of Silicon Valley. Otherwise, every year we will produce new reports asking why aren’t women advancing,” she said.

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About the author(s)

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INSEAD launched "iW50" in 2017 as a year-long celebration of the anniversary of the first female students to attend the school's MBA programme. Our research reflects INSEAD's ambition to achieve a gender-balanced business world.