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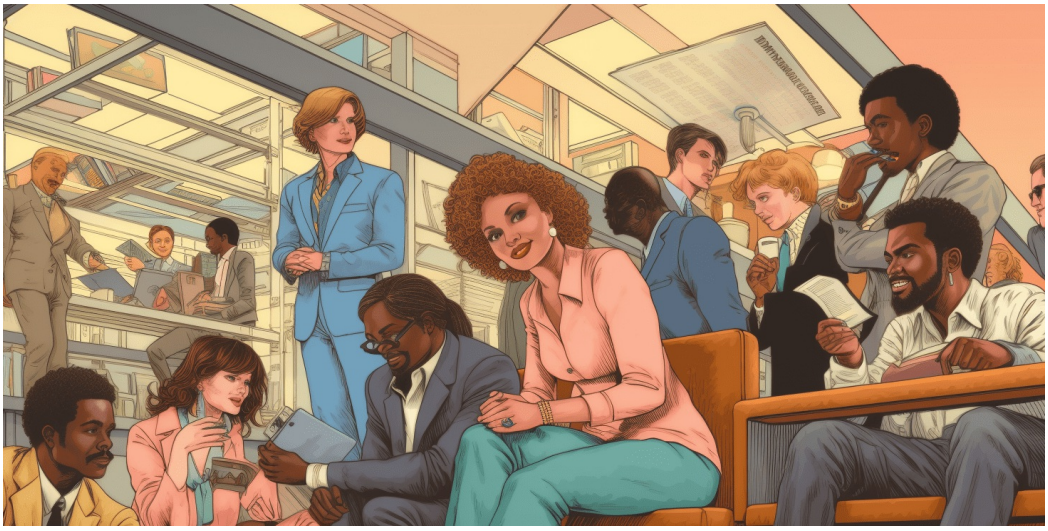

Sustaining Gender Parity in Corporate Leadership Roles by Means of Random Selection

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Abstract

A sustainable way to increase the percentage of females (or others) in corporate board roles is to announce that they will be drawn randomly from pools of qualified candidates. That will induce more women (or members of other groups) to acquire the qualifications because it will increase their expectation of being selected for a board role even when not a member of the “in group.” Random selection will also increase board intellectual diversity.

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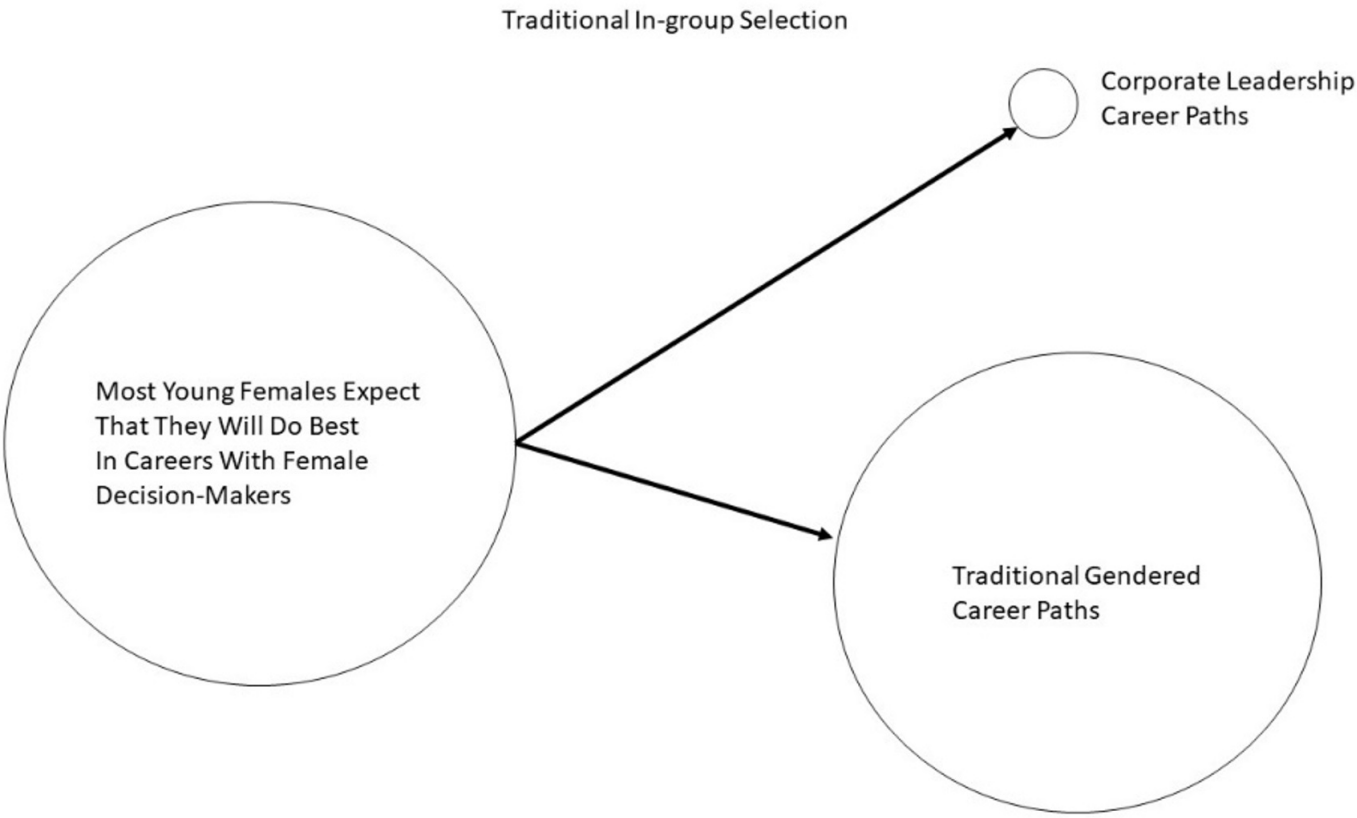
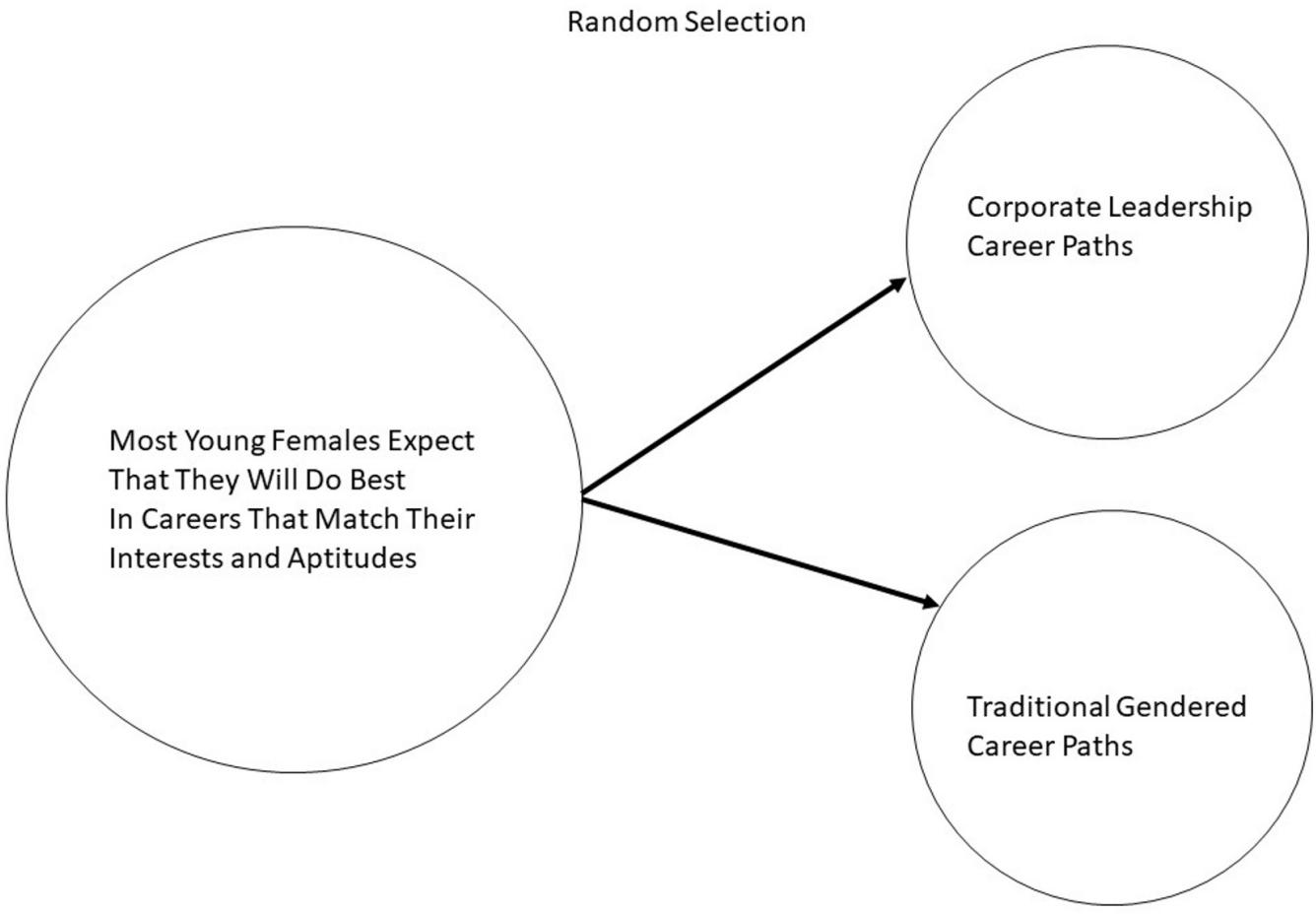
Graphical Abstract


Traditional In-group Selection
Corporate Leadership Career Paths
Most Young Females Expect That They Will Do Best In Careers With Female Decision-Makers
Traditional Gendered Career Paths


Random Selection
Corporate Leadership Career Paths
Most Young Females Expect That They Will Do Best In Careers That Match Their Interests and Aptitudes
Traditional Gendered Career Paths

Introduction

Many for- and non-profit corporations purport to seek to diversify their boards and executive leadership (Gopalan and Watson 2015) but few gains have been made in terms of gender, race, sexual orientation (Nourafshan 2017-18), or other major categories (Tinsley et al 2017). The #MeToo and #BlackLivesMatter movements, combined with the George Floyd protests, have rendered that failure more palpable and salient, stirring renewed thought and action (Dickerson and Stippich 2020). Following Boyle (1998) and Goodall (2020), this paper argues that random draws from qualified applicant pools will eventually achieve parity across all human characteristics, including gender, not directly tied to leadership capability. In addition, selection by lot meshes nicely with rapidly emerging, though still sometimes flawed (Dastin 2018), AI-enabled recruiting (Black and van Esch 2020).

Materials and Methods

Slightly more than half of the population is female, yet females make up a much smaller percentage of corporate directors, CEOs, and corporate leaders. They have more education than males on average, too, yet allegedly a dearth of qualified female candidates exists. Qualified African-Americans and members other groups are also allegedly too few (see, e.g., McDermott 1997). Why does the corporate leadership pipeline “leak” so much? To address that question, a net cost-benefit model with rational expectations is appropriate because people, especially the type of people who could aspire to leadership positions, tend to make accurate career predictions (Perrone et al 2010).

As formally expressed in Equation 1 below, rational decision makers form expectations about the costs and benefits of available alternatives and pursue the alternative with the highest expected net benefit.

Equation 1: Relative Expected Cost-Benefit Model of Corporate Leadership

$$\beta - \delta \quad \rho - \sigma$$

Where:

- β = expected benefit of the corporate leadership tract (e.g., money, power, prestige)
- δ = expected cost of the corporate leadership tract (e.g., formal education, extended work hours)
- ρ = expected benefit of alternative career opportunities (e.g., flexibility of work hours, ownership of own business)
- σ = expected cost of alternative career opportunities (e.g., income fragility)
- = value comparison

Source: Formal depiction of Social-Cognitive Career Theory (SCCT) described in Brown and Lent (2019).

Results

Rational potential corporate leadership aspirants compare the expected benefits and costs of becoming a corporate

leader (CXO, board member) with the expected benefits and costs of dropping out of the proverbial corporate rat race in various ways (leaving the labor force, staying in middle management, starting their own companies, etc.). One of the latter choices will dominate if potential aspirants believe that they can never become a corporate leader (i.e., $\beta = 0$) because they are not part of the in-group from which leaders at target corporations are drawn and have no reasonable expectation of being able to join the in-group because they believe that membership requires a specific gender-at-birth, skin color, or other ascribed characteristic (Burzynska and Contreras 2020). Under those conditions instead of developing the requisite education, experience, and skills needed to qualify as a corporate leader, rational aspirants will take another path (so long as $\rho > 0$ and σ does not exceed δ, which are reasonable assumptions in most real world scenarios [Langbert, Quain, and Klein 2016]).

The expectation of the “glass ceiling” causes the “pipeline” to “leak” enough that a genuine dearth of qualified female candidates exists (Repetti and Hoffman 2018). To slow the pipeline leak, women’s expectation that they may become corporate leaders (β) must be made greater than zero. Nothing corporations *say* can change aspirants’ rational expectation of exclusion from the top slots. To induce them to acquire the requisite qualifications for corporate leadership positions, corporations must *credibly* commit to hire on the basis of something other than in-group status.

One method of making commitments to hire more female corporate leaders credible would be passage of a law mandating a quota. Such a law, however, would likely be struck down as unconstitutional under the equal protection clause of the Fourteenth Amendment, the Dormant Commerce Clause, and (corporate) internal affairs doctrine (Meland 2019). Another approach would be to seek a binding stockholder resolution (Gopalan and Watson 2015), perhaps after shareholder activists have rendered corporate leadership diversity a more salient issue (Marquardt and Wiedman 2016). The method proposed here is for corporations to credibly commit, perhaps backed by a corporate malfeasance bond (Wright 2019), to make hiring and promotion decisions solely on the basis of a random draw from a pre-qualified pool of candidates.

Note that randomly drawing *selection committees* has been tried in Italian academe and failed to show any significant gains due to homophily, or love of people like one’s self (Cecchi, Poli, and Rettore 2018). The proposal here is for human resources personnel and/or AI-enabled bots to screen for minimum qualifications, from which pool the successful candidate will be randomly selected. Gaming of the selection pool by the in-group is possible but more difficult/costly than choosing the “best” available candidate because pool inclusion is more objective and comparisons at the include/exclude margin are relatively easily done.

Candidates could then expect, contingent upon acquiring the necessary qualifications, to become, say, CEO in any given draw with a probability of 1 over the number of expected qualified candidates. The denominator, the pool of qualified candidates, should grow due to the change in expectations but the number of draws will be a function of CEO turnover rates times the number of corporations that the candidate is qualified to lead over the span between attainment of pool qualifications and retirement. The overall probability that any given aspirant will be drawn as CEO before retirement will vary with circumstances, but it can be estimated and will be greater than zero so long as there is at least one draw during the aspirant’s time in pool.

Discussion

In-groups may try to oust any randomly drawn outsider candidate but that would soon prove cost-prohibitive in terms of leadership instability and stock prices. Moreover, in-groups will soon disappear as their ability to influence hiring and promotion decisions is lost to random selection.

Relatedly, random draws would reduce “fit” as a selection criterion. Diversity benefits decision-making only if it brings genuinely different perspectives to the decision-making table (Reges 2018). Allowing in-groups to select those who think like them but who happen to be female or dark-skinned does not disrupt the patterns of “groupthink” that infect many corporate boards and executive suites (Krawiec, Conley, and Broome 2013).

Random selection may also lead to higher-quality hires on average because corporate decision-makers often do not hire the best candidates, they hire adequate candidates who they think will remain on-the-job longest and pose the least threat to them (Galperin et al 2020). As Danish mathematician Johan Jensen showed a century ago, randomization leads to hiring the average candidate on average because it draws from across the entire distribution without eliminating the right tail (highly qualified candidates) or candidates from across the distribution for spurious reasons like sexism (Oswald 2019).

If random candidate selection is such a good idea, why has it yet to be implemented? Boyle’s website (https://www.conallboyle.com/index.html) shows that lottery-like systems have a long history (e.g., trial juries) and are becoming increasingly popular across multiple institutions (e.g., school admissions, hunting licenses, immigration admission, subsidized housing vacancies) despite the fact that when it comes to making important decisions many humans wrongly believe, or at least assert, that they can do better than chance (Mohrmann 2013). Incredibly, however, the outcomes of hiring decisions in most American companies are not carefully quantified or assessed (Grossman 2006), even though Type I and II errors are known to be rampant (Bhave 2019).

A random draw would also reduce the role of emotion, which currently taints many hiring and promotion decisions. A recent study based on 120 research interviews of hiring managers charged with filling entry-level positions at top investment banks and management consulting and law firms reveals that four in five rely in part on their emotional response to candidates during job interviews. Only homophily constituted a more prevalent selection criterion. Although only entry-level, the positions studied are highly competitive and high profile picks with much at stake for the firms, yet one hiring manager said she went by “gut instinct” while another likened the screening process to romantic dating – sometimes you just find yourself attracted to some people and not others and you need to go with your “heart.” Often, hiring managers make decisions within *seconds* of meeting candidates (Rivera 2020).

In short, current hiring practices are non-random, and hence potentially racist, sexist, ageist, and so forth, and non-objective, and hence also likely inefficient. Certainly, nobody in the extensive career advice/hiring advice market wants to simplify or reform the hiring process (see, e.g., Sahay 2017) and decision-makers wish to preserve the rents they extract by retaining control over hiring and promotion. Finally, candidates in the in-group have a vested interest in maintaining the status quo.

Such shortcomings, however, represent simple agency problems that current corporate leaders truly dedicated to gender and racial parity can eliminate once they understand the power of expectations and random selection. Random hiring will immediately increase the diversity of candidates and leaders by inducing more of those who already have the requisite qualifications to apply. Longer-term, random hiring practices will produce additional diverse candidates by inducing more people from out groups (women, racial and ethnic minorities, LBGTQ+ persons, the physically unattractive, or simply bad interviewees) to obtain corporate leadership credentials.

Conclusion

If widely adopted, random selection of candidates from qualified pools of corporate leaders would achieve rational parity across not just gender but all conceivable diversity variables, including age, beauty, credit history, hair (color, style, texture), race, religion, sexual orientation, skin color, trans status, weight, and any other attribute in-groups apply, unwittingly or not, to differentiate between applicants. Ability, education, and experience will remain important, however, in order gain admittance to the pool.

Diversity variables must be treated carefully because they differ in the determination of rational parity. It is clearly 50 percent in the case of gender-at-birth but not all groups can be expected to hold corporate leadership roles in proportions equal to their representation in the overall population. Members of the Amish community, for example, will not seek to qualify themselves for corporate leadership pools because they place no value on β. Similarly, people with low IQs or high propensities for violence will be unable to qualify for pools, even if they seek to. Random selection cannot aid such situations, nor should it try to as it runs contrary to public policy to force people to seek corporate leadership roles or to force corporations to hire unqualified or uninterested individuals simply for diversity's sake. What policymakers should want to achieve is precisely that achieved by random selection, an actuarially fair chance that anyone qualified for a corporate leadership role will obtain one regardless of irrelevant personal characteristics.

Back Matter

Supplementary Materials: None

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