

GENDER DIFFERENCES IN LEADER'S COMPLIANT BEHAVIOUR

AN INTERVIEW WITH KERSTIN GROSCH AND HOLGER A. RAU

INTERVIEW PARTNERS

Dr. Kerstin Grosch specializes in behavioral and experimental studies and is particularly experienced in the design, conduct, and analysis of lab and field experiments. Her research examines how individual preferences and gender can explain behavior under different incentives in realms of compliance and labor market outcomes such as occupational choice or collegiality at the workplace. Dr. Kerstin Grosch received her M.Sc. in Economics from the Technical University in Dresden. During 2014 and 2017, she mastered her Ph.D. in Economics at the University of Göttingen and became a post-doctoral researcher. Since May 2017, she is a researcher at the Institute for Advanced Studies (IHS) in Vienna. In January 2021, she has become head of the research group Behavioral Economics. Prof. Dr. Holger A. Rau specializes in laboratory and field experiments in behavioral economics, labor markets, and behavioral finance. He is interested in the explanatory power of economic preferences predicting outcomes in organizations, behavioral health economics, and financial markets. In a labor-market agenda, he focuses on gender differences in the reactions to institutions, studying gender gaps. Holger Rau received a diploma in Economics from the University of Heidelberg and a Ph.D. in Economics from the University of Düsseldorf. He was a visiting scholar at Chapman University and became a postdoctoral researcher at the University of Erlangen-Nürnberg. Since 2014 he is a Juniorprofessor at the University of Göttingen. From 2017-2018 he was a visiting Professor at the University of Mannheim.

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What inspired you to look into a possible connection between gender and dishonest behavior?

Kerstin Grosch: We know that women and men differ in several preferences and their behavior in different domains. Women behave on average less dishonestly (or more compliantly) than men and we know that dishonesty (compliance) can have consequences on other people as well. When I do not comply with several rules, others may be affected by it. For instance, if I'm a rich person and do not declare my taxes correctly, it may affect society by lower public revenues.

We know from studies that women are more prosocial than men. This means that they on average care more about the welfare of others than men. Holger and I brought these gender differences in preferences together in one study. In this study, we found that women's lower levels of dishonest behavior relative to men's can be explained by this more pronounced concern for others. The results from that study coupled with the scandals that you can follow up in the daily news, where mainly men are on the forefront (e.g. scandals of tax evasion), inspired us to study dishonesty in a leadership context.

Holger Rau: The study focuses on these two gender differences in preferences in a setting, which creates tension and conflicts. On the one hand, this tension can result from the wish to please the stakeholders by dishonestly increasing payoff numbers and the personal dislike of this unethical behavior. On the other hand, the already mentioned more prosocial behavior of women and therefore their preference to help others could motivate unethical behavior in payoff reporting. In other words, in our simple experiment, we test a trade-off in leadership decisions, in contexts where common gender differences in preferences exist.

Did you expect these findings?

Holger Rau: The two reporting decisions we analyzed in the study design focus on subjects' dishonest behavior when reporting payoffs for themselves and when reporting payoffs for groups. Our main focus was on potential changes in dishonesty in these two contexts.

For the first instance, the individual decision, we actually confirmed what we expected, that women behave less dishonestly.

However, when women decide on responsibility for others, like in the second setting, they may think about what is expected by the group. This is what we call group norm. Members of a group anticipate that they are evaluated more positively if they behave in line with the group's social role. That's a theory in psychology, the so-called role congruity theory. Inspired by this theory we did expect a behavior change. Our idea was that women may anticipate the social role of leadership decisions, which implies a belief in other group members' expectations.

How does the social role influence leadership behavior?

Holger Rau: Leadership positions can be characterized by masculine gender roles and the masculine type of behavior is more or less the unethical style. If a woman selects into a leadership position, maybe she thinks because of this responsibility that she needs to be living up to this kind of social

role. This could explain why we only find a change of behavior when leadership is applied for.

In the context of compliance, one key factor is the person of the compliance officer. Could compliance be a matter of gender?

Kerstin Grosch: Generally speaking, I would say gender matters. Maybe that's a bit surprising at first, but compliant behavior and behavior and preferences are also a matter of socialization. Societal norms and their stereotypes form people's behavior from early on. This starts as early in life as we can think of.

There is growing literature in behavioral and experimental economics supporting that development of certain preferences and behavior among girls and boys start to differ in kindergarten and school.

This is because children start to find their identities. Gender is a big part of identity which is still strongly stereotyped. Girls are expected to be more obedient and comply with rules than boys, whereas boys are more expected to break rules and behave in an untamed manner than girls. This means compliant behavior evolves in the early years, is internalized, and is relevant for how people behave later on when they get into positions such as compliance officers. In other words, behavior in the present is (partly) the result of learned behavior in the past.

Women may have internalized behavioral rules such as compliant behavior from early on in their life. They may take the position as compliance officers on average more seriously and enforce the rules and control compliance maybe more correctly than men would. However, I want to emphasize that we are talking about the results of (experimental) studies. That said, we always talk about *findings* in a specific society and context and behavioral observations *on average*.

Does the change in behavior when women are in a leadership position bring an internal conflict between the preference for honest behavior and doing what's best for the company?

Kerstin Grosch: My response becomes quite hypothetical now, as this specific question is not covered by our study. Maybe as a consequence of stress that women experience in top positions due to this internal conflict between a preference for honesty and support for the company, they resign more often from top positions than men do. In other words, they don't want the position anymore because they have to bend their honesty preferences too much to support the company or their team. This is a conflict between their relatively high prosocial preferences and their honesty preferences that we have talked about at the beginning of the interview.

Another thought that I have about the consequences of the internal conflict is that it may not end in resignation but that conviction of the rules in place plays a role. If someone is very convicted of something they might want to go through with it although it is an unpopular action among the staff. I don't know if there's any research on this but if we assume that women are more compliant than men coupled with a stronger conviction that the compliance rules are meaningful, they might be more willing to take unpopular decisions than men.

The position of a compliance officer is special as it is technically not a leadership position, but it also is a position where you need to make decisions for others. Do you think this could be different with this position?

Kerstin Grosch: To answer this question, we would first need to study the influential factors of behav-

ior in a position of a compliance officer. These could be feelings of identity with the company, for instance, and must not be limited to the preference for honesty. There are many more influential factors that could influence behavior in such a position apart from feelings of identity and support with the company and individual preferences. To only name a few, it could be, again, the conviction whether someone thinks their behavior as a compliance officer is important for the company or society or both. It could be influenced by the potential beneficiaries on non-compliance – are they close to me or not so close to me? – Am I a subordinate to them and dependent in certain ways and, in the worst case, could lose my job if they dislike my compliant decision? We would need to learn about all these potentially influencing factors to measure up the behavioral consequences on the work of a compliance officer.

Could your findings be used to further evolve the process of promotion and assigning leadership

Kerstin Grosch: Our findings show the women's behavior changes when they get into a leadership position they applied for. That may elude us to some kind of solution for promotion procedures that could be maybe more random, meaning appointed externally.

There are already models like this, for instance, sortition in politics, where people engaging in politics are randomly selected from citizens to preserve democracy and represent the citizens' interest. In the industry, it's more complicated and complex.

Holger Rau: Changing the institutional setting is a very interesting idea. Other than assigning people randomly, qualification and leadership skills should also play a role. The idea is to combine these two things and as a result, have a pool of people to choose from rather than applying directly to positions. This is a way to disable a selection process influenced by discrimination and nepotism.