

# Glass cliffs: firms appoint female executives in times of crisis as a signal of change to investors

*The glass cliff hypothesis suggests that female executives are more likely to be put in charge when the company is already in a crisis. Yet research has found mixed evidence for the existence of glass cliffs in the business world. **Max Reinwald, Johannes Zaia, and Florian Kunze** analyse 26,156 executive appointments of public companies in the United States between 2000 and 2016 and show that crisis firms are about 50% more likely to appoint a female executive than noncrisis firms to send a signal of change to their investors.*

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Most top management teams worldwide are still a male domain. Female underrepresentation has remained relatively stable in recent years despite efforts from policymakers and activists. The disappointing status quo: There are fewer women among CEOs of Fortune 500 companies than [men named James](#). While at first glance the appointment of women in times of crisis may increase female representation in top leadership positions, a second look suggests that it may be a poisoned gift. If “glass cliffs” are real and widespread, women are being disproportionately appointed in failing companies to top executive positions set up for failure. Women who take those positions may then be blamed for leadership failure and be dismissed. In short, the glass cliff may be one reason for the stagnating numbers of women in executive positions.

High-profile cases seem to support the glass cliff notion: Marissa Mayer became Yahoo’s first female CEO when the web pioneer was already clearly outcompeted by Google. Anne Mulcahy became CEO of Xerox when the workplace technology company faced bankruptcy and was confronted with an expanding SEC investigation. And Christina Riley was appointed as Deutsche Bank’s only female executive right when the bank was stumbling from crisis to crisis and had already been in the red for five consecutive years.

Yet, beyond anecdotal high-profile cases, we know relatively little about the pervasiveness of the phenomenon and the size of its impact. The glass cliff notion, introduced by social psychologists Michelle Ryan and Alexander Haslam in 2005, has attracted substantial attention among researchers, but still after 17 years of research, the evidence is thoroughly mixed, and some researchers have questioned the glass cliff’s existence altogether.

To find out, we devised a large-scale study reconsidering why and when glass cliffs may occur and used cutting-edge statistical analyses to obtain robust insights. Past work suggests that glass cliffs emerge because women are thought to have more emotional sensitivity and a relational leadership style – two leader attributes valued in times of crisis. In other words, women are more associated with caring qualities, and if a company is fatally ill, they may be appointed to cure it. But this rationale would also mean that investors think that one woman can single-handedly steer a company out of the crisis, a not very plausible assumption.

Another explanation is that investors are looking for signs of willingness to change before deciding whether they should maintain their financial engagement in a company in crisis. Accordingly, the company may use appointing a female as a powerful signal that it is willing to break up existing hierarchies and adapt to evolving social norms.

To test this idea, we compiled a unique dataset of 26,156 executive appointments of public companies in the United States between 2000 and 2016 and made use of a natural experiment. We used Altman Z-score as a crisis measure widely used by financial investors, which marks companies below a certain threshold as companies in crisis and potentially at risk of default. We took advantage of the fact that companies just below and just above the threshold do not differ in key features such as company size or company culture, but contrast only in the salient “crisis” label, providing us with a quasi-experimental setting. The result: The probability that a woman will be appointed to a top position is around 50 percent higher in companies in crisis than in companies that are not currently in crisis.

Our findings support not only the existence of the glass cliff, but our explanation of it as a signalling effort. In a fine-grained analysis of press releases on the executive appointment, we find that firms in crisis use more change-related words like “change,” “transform,” or “innovate” when appointing a female executive. In contrast, for male executive appointments, we did not observe any increase in change-related wording in response to a crisis.

As firms take a strong interest in signalling change when in crisis, it is also not too surprising that they are likeliest to do this when they expect to benefit most from the signal. We find that firms without any women in the top management team, where the signal is particularly novel and is a fundamental deviation from the status quo of male leadership, are especially likely to create glass cliffs. The same is true for firms that are under investor scrutiny and experience above-average Google search queries.

What can we do to address glass cliffs? Here are a few science-backed suggestions:

**Be aware of glass cliffs:** Companies can actively address glass cliffs by making hiring and staffing processes more transparent and formalised. From decades of research, we know that opaque and non-standardised recruitment and selection processes are fruitful grounds for discrimination, especially against minority groups and women. Because most staffing decisions for top executive positions happen behind closed doors and after extensive bargaining, signalling decisions may undermine fair staffing practices. Diversity officers and members of executive staffing committees should be aware of glass cliff tendencies and intervene when purely signalling arguments are raised.

**Develop an inclusive company climate:** Research on pro-diversity and inclusive company climates suggests that women can unleash their true potential only when the company is organised inclusively. Companies building inclusive climates make sure to avoid implicit discrimination, such as hiring women in precarious situations just to signal change to outside investors. Instead, they try to create organisational environments where minority groups are valued and supported, and to get people into positions where they can succeed.

**Keep asking questions:** Women should keep asking questions when being offered a position. Female leaders may have fewer options to reach the top, and thus they may hesitate to say no to an executive position. Female candidates who are unsure whether they are being offered a glass cliff position and whether they should take it should keep asking questions. In doing so they may find out whether they are getting the job because the company truly believes in them and they can expect to work with colleagues who are truly supportive, or whether the company is just looking for a fresh face.



Notes:

- This blog post is based on [Shine Bright Like a Diamond: When Signaling Creates Glass Cliffs for Female Executives](#). *Journal of Management*.
- The post represents the views of its author(s), not the position of LSE Business Review or the London School of Economics.
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