

# SHOULD I STAY OR SHOULD I GO?

## Culture & Diversity in Financial Services

FEBRUARY 27, 2019

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1 | Why it matters?

Increasing the number of women in corporate leadership positions is a key priority of leading organizations worldwide

**THE WALL STREET JOURNAL.**  
U.S. EDITION Monday, March 7, 2016 As of 5:30 PM EST  
Home World U.S. Politics Economy Business Tech M

**Women in the Economy, April 2011**

**What's Holding Back Women Entrepreneurs**  
By Rachel Eisinger  
At a Wall Street Journal conference, government officials discuss what's holding back women entrepreneurs and what's holding back women entrepreneurs.

**Women Candidates**  
By Gerald F. Seib  
CAPITAL JOURNAL

**Where Are All the Senior-Level Women?**  
Vikram Malhotra sums up McKinsey's research into why women are being held back in the workplace.

**Peterson Institute for International Economics**  
RESEARCH PUBLICATIONS EXPERTS ABOUT FOR PRESS

The Peterson Institute for International Economics is a private, nonprofit, nonpartisan research institution devoted to the study of international economic policy. [More >>](#)

**News Release**  
New Peterson Institute Research on over 21,000 Companies Globally Finds Women in Corporate Leadership Can Significantly Increase Profitability

...ly traded companies in 91 countries... positions of corporate management... ording to a paper published today by the... port, *Is Gender Diversity Profitable?*... d, Tyler Moran, and Barbara Kotschwar... latest and most rigorous data analysis of

**Women Matter**  
Gender diversity, a corporate performance driver

**European Commission**  
Women on boards - Factsheet 1  
**The economic arguments**

**The New York Times Magazine**  
SECTIONS HOME SEARCH  
**Has 'Diversity' Lost Its Meaning?**  
First Words  
By ANNA HOLMES OCT. 27, 2015

company as v... ry attitudes t... on boards r... way

Financial services in particular is at a critical juncture in the war for talent and clients - and diversity will be a key distinguishing factor

## Internal and External Challenges



Diversity has come under greater scrutiny in the financial services industry recently given numerous culture failures, misconduct issues, and the #MeToo movement



## Culture

The norms, values, and implicit rules shared by all employees

For example:

- Customer orientation
- Diversity and inclusion
- Innovation
- Feedback
- Cost consciousness
- Risk appetite

**Drives behavior  
and decision-  
making**

**Provides a lens  
into firm culture**



## Conduct

Observable actions, decisions and outcomes

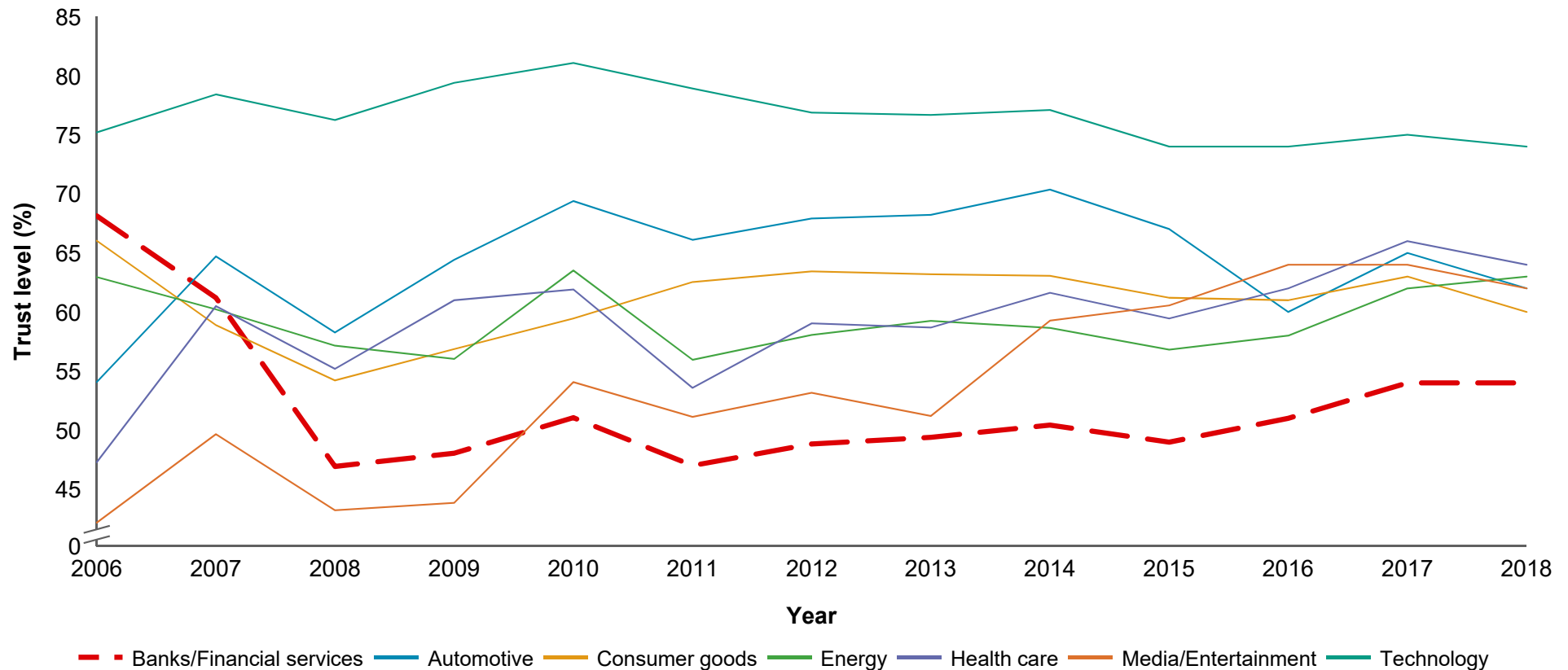
For example:

- Treatment of customers and colleagues
- Employee engagement
- Decision-making practices
- Issue escalation
- Adherence to policies/procedures

# The industry suffers from significant loss of public trust since the financial crisis

## Trust in banks remains low compared to other industries, far from recovering to pre-crisis levels

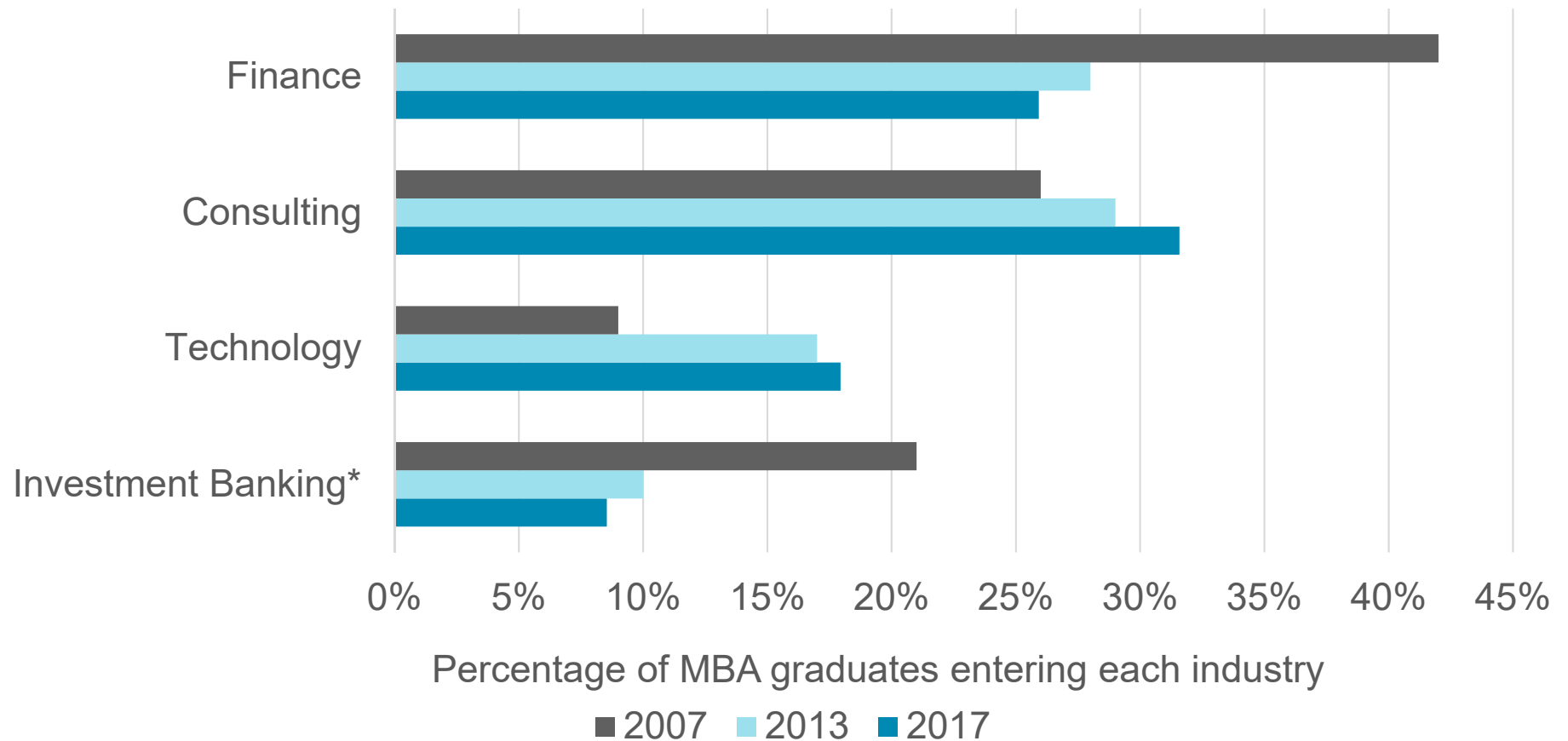
### Edelman Trust Barometer levels by industry, 2006-2018



Source: Edelman Trust Barometer Archive; [www.edelman.com](http://www.edelman.com). Trust level results are distinguished between two populations: “Informed public” (ages 25-64, college-educated, in top 25% of household income per age group/country) and “general population” (all population ages 18+). Due to differences in publicly disclosed results by Edelman, years 2006-2011 of this chart show informed public results; years 2012-2015 show a blend of informed public and general population results; years 2016-2018 show general population results.

# The industry is also losing its edge in terms of its ability to attract talent

## Career destinations chosen by MBA students



Sources: 2007 and 2013 data: “Business education: Banks? No, thanks!,” *The Economist*, October 11, 2014. 2017 data: average employment data from Chicago Booth, Wharton, Harvard, London, and INSEAD.

Note: \* “Investment Banking” is a subset of the “Finance” category



The Financial Services industry is not the only one that has suffered from cultural breakdowns – an analysis of industries prone to conduct issues (e.g high tech and automotive) shows some similarities

1. **Lack of diversity:** Homogeneity in backgrounds, education, gender, and racial/ethnic composition remains prevalent and can foster groupthink
2. **Presence of dominant companies:** A few successful players dominate and may lead to deprioritizing culture given that these companies are able to attract customers and talent based on brand power
3. **High dependence on specialized skills:** High-quality, well-educated candidates with specialized knowledge are critical in these industries: distorted views of individuals' contributions can lead to the “cult of personality”
4. **Misaligned incentives:** Performance and remuneration schemes are often aligned with quantitative or financial targets. And average annual wages for many positions in these industries tend to be significantly higher than mean annual national wages
5. **Ineffective leadership and management skills:** Board members, senior leaders, and middle management of fast-growing and highly successful firms may over-estimate their own and their company's capabilities and be ill-equipped and too inexperienced to recognize potential risks and complexities of their operating and revenue models

Source: Oliver Wyman analysis

Ultimately, there are significant economic and financial gains to be had from increased female participation and from overall diversity

INCREASED SALES  
REVENUE

15x



Companies reporting the **highest levels of racial diversity** brought in **nearly 15 times more sales revenue** on average than those with the lowest levels of racial diversity

- *American Sociological Review*

INCREASED  
PROFITABILITY

15%



An **increase** from no women in corporate leadership (CEO, Board, other C-suite positions) to a **30% female share** of these roles is associated to an increase in net margin and profit

- *Peterson Institute*

INCREASED ABILITY  
TO INNOVATE

83%

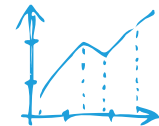


When employees believe their organization is committed to inclusion, employees report **better business performance in terms of ability to innovate**

- *Deloitte*

INCREASED RETURN  
ON EQUITY (ROE)

5%



Companies with more than 15% of women in top management had a 2013 ROE of 14.7% compared to 9.7% for those where women represent less than 10% of the top management

- *Credit Suisse*

## 2 | The current state

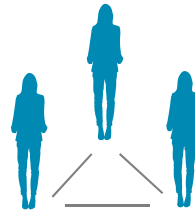
Firms across the industry have invested significantly over the past decade in programs and structural changes to be 'more welcoming' to women...

In addition to family and work-life flexibility structures (that benefit both male and female employees), the industry has invested in female recruitment, retention, and development programs



### Recruiting

- College campus recruiting
- Panels on campuses hosted by executive women
- Back-to-work programs
- Postings through women's organizations



### Networking

- Formal mentoring and sponsorship programs
- Women's networks
- Speaker series and panels
- "Lean In Circles"



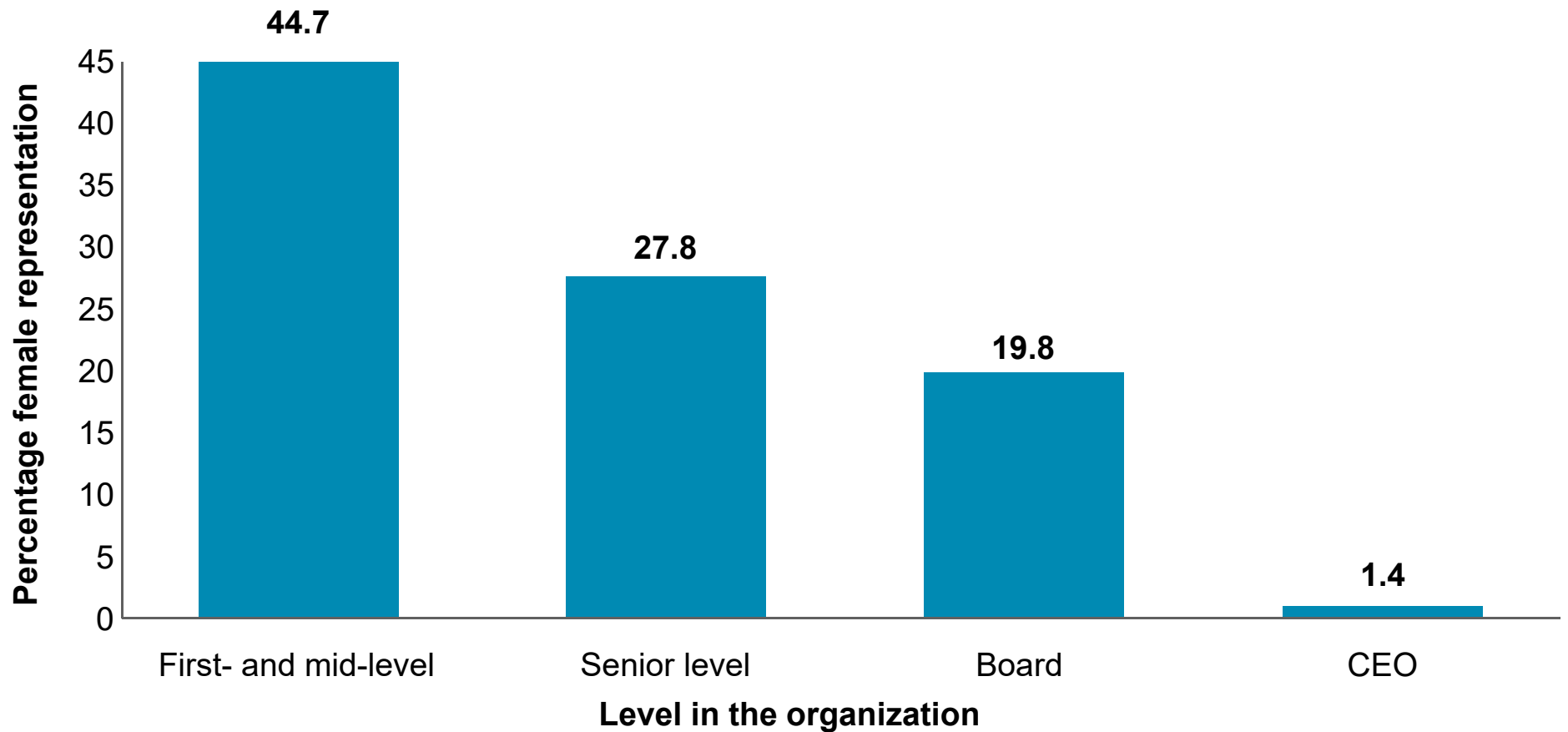
### Training

- Executive training programs
- Women's leadership training
- Workshops for building personal brand

Source: Oliver Wyman

...but we are not seeing the progress we would expect given the levels of investment and effort

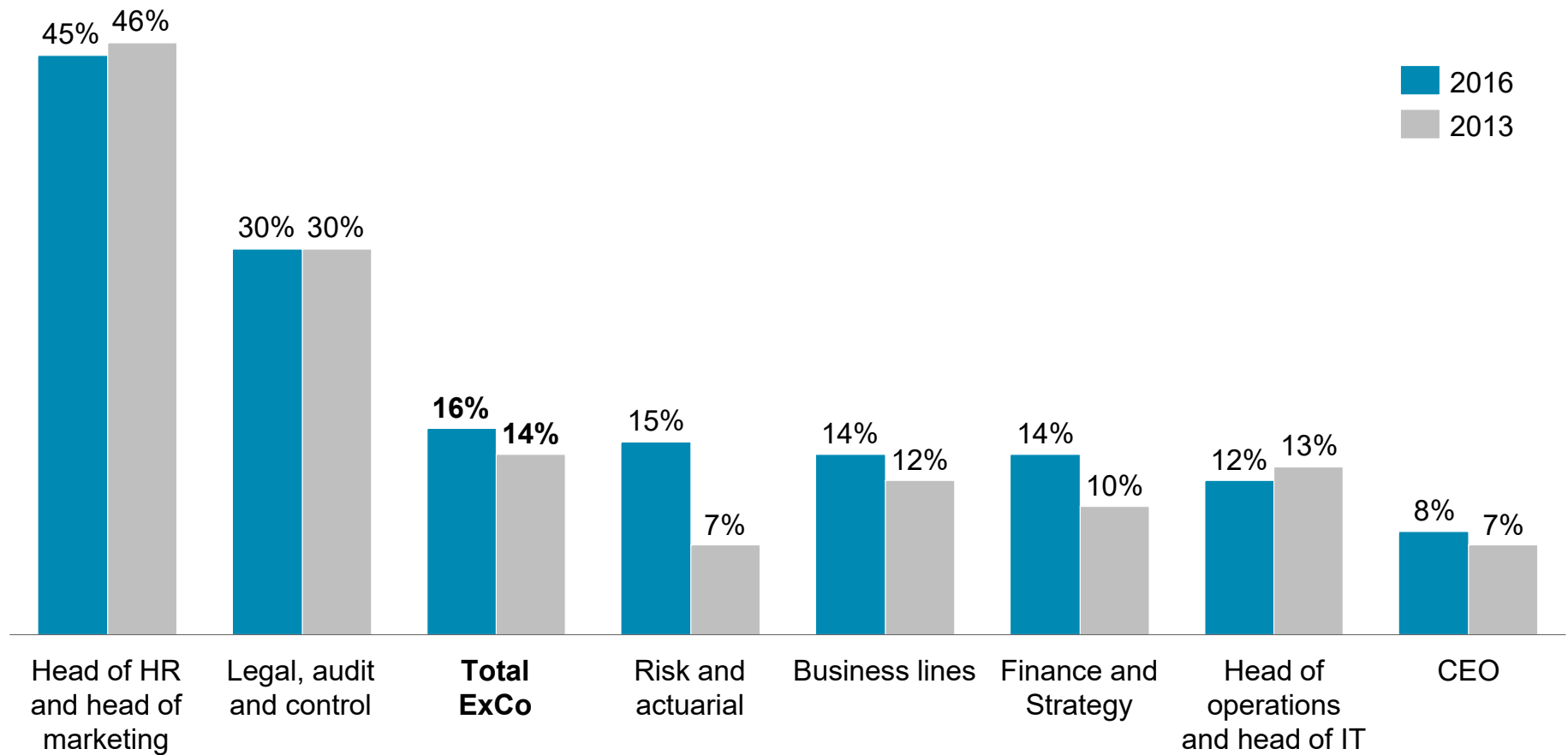
## Percentage of women in S&P 500 finance industry By level



Source: Catalyst

The aggregated numbers also don't tell the full story – as they hide the fact that female representation tends to be segregated in certain functions

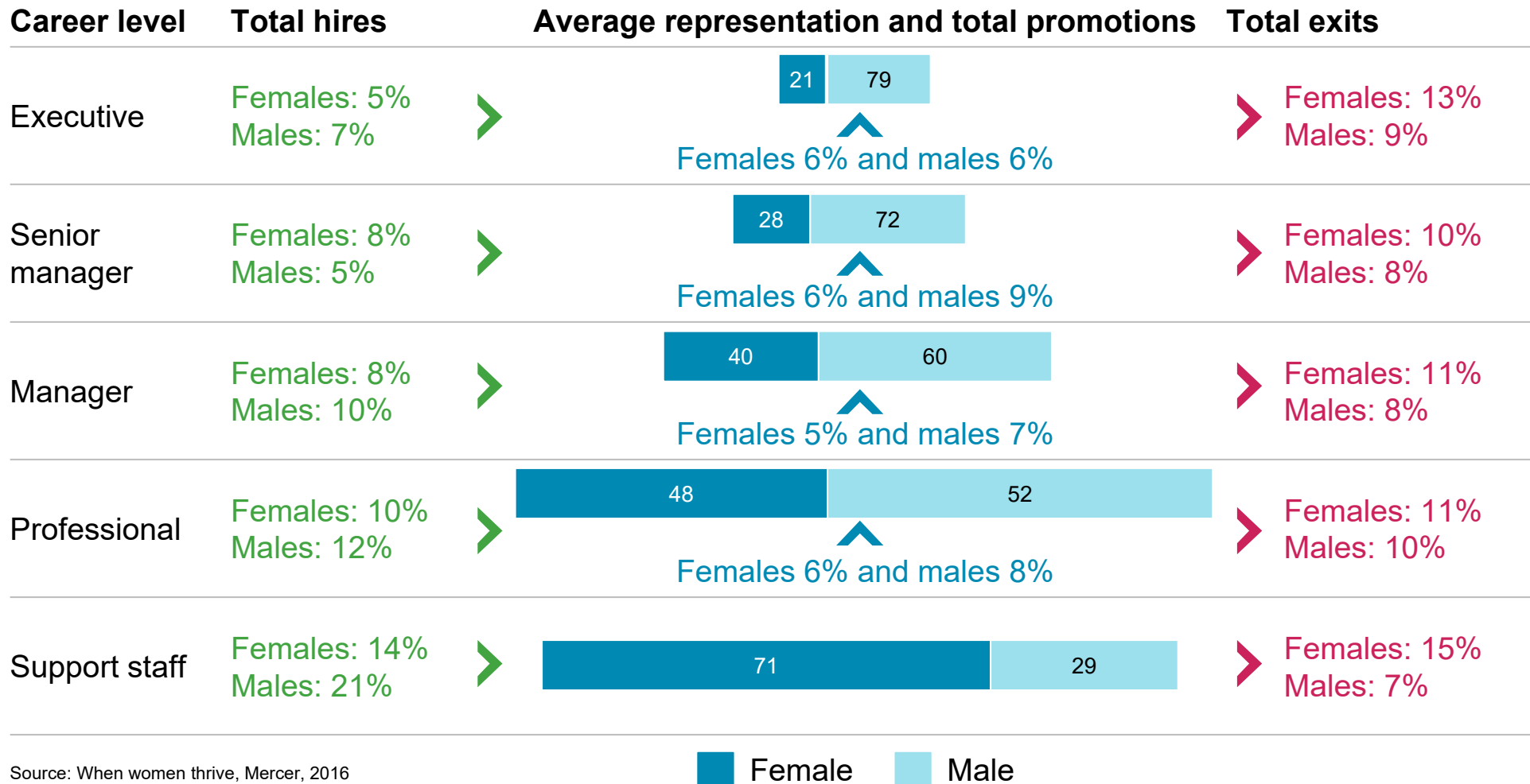
### ExCo female representation by functional area



Source: Oliver Wyman analysis of organization disclosures

And while we might be tempted to assume that in time, the numbers will organically right-size, the reality is that at every level women are entering at a slower rate and leaving at a higher rate than their male peers

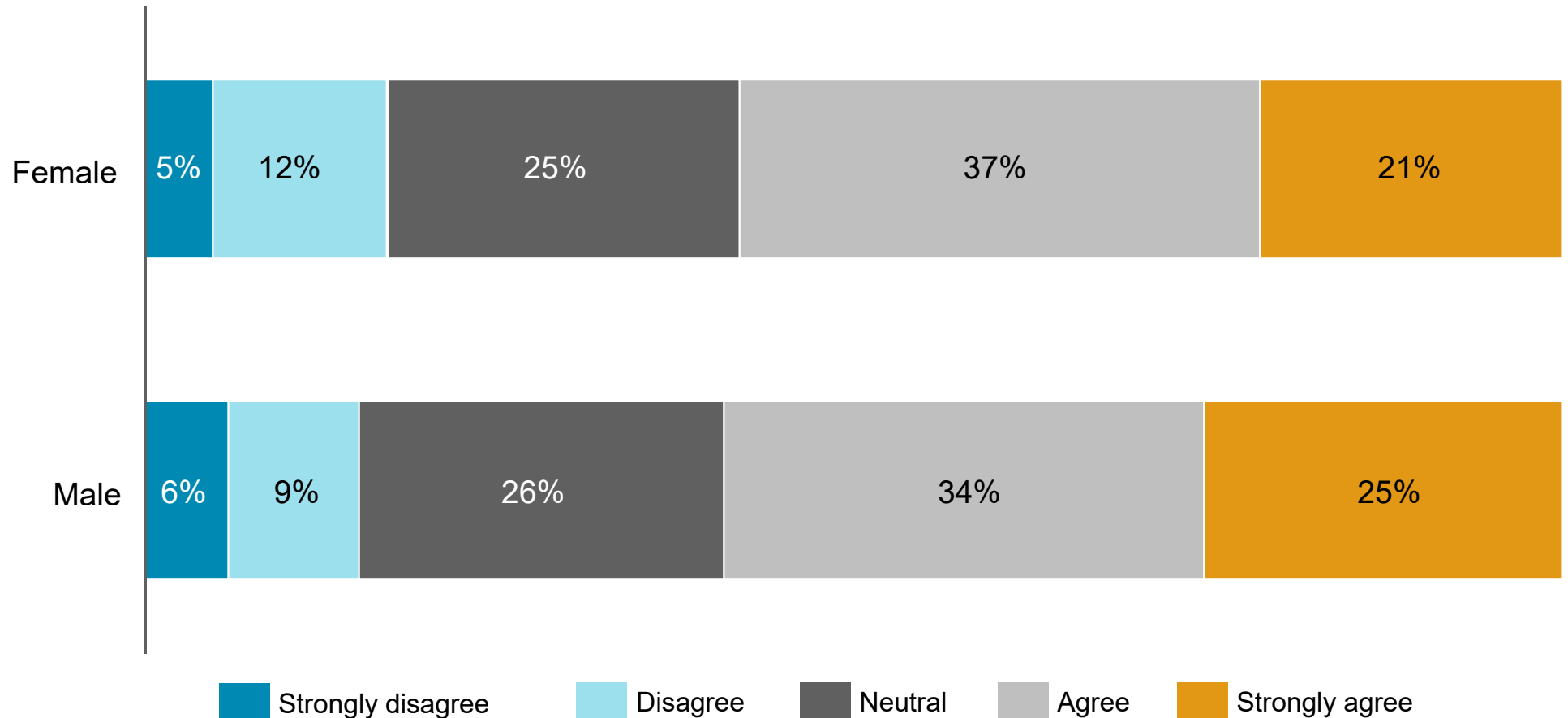
### Financial Services internal labor market



Source: When women thrive, Mercer, 2016

Another “easy” explanation we often hear is that women are less ambitious than their male peers – but our research shows that both genders are similarly driven

**Overall survey response to question:  
“I want to reach a senior position in my organization”**



Source: Oliver Wyman survey



## So what is happening?



### Myth busted

Women are overall as ambitious as men, but face a mid-career conflict



### Voting with their feet

In financial services, women are 'voting with their feet' – they are leaving with 20–30% higher probability than their peers in other industries

*“I came into my career in financial services with aspirations to make it to the top. But now, five years into it, I am planning my escape.”*

*“When I came into this bank, I believed that someday I would be the one leading it”*

*“After a few years, you reach a point where you realize you don’t want to put up with this nonsense anymore...The opportunity cost of doing the job just gets too big, so you leave.”*

Source: Oliver Wyman focus groups with Millennial women in US financial institutions

Only by questioning beyond the ‘superficial,’ do we find that many issues still remain for women in the industry – leading to a **cost-benefit decision**

## What has changed

Visible and tangible organizational structures, programs, and processes



## What has not changed

Invisible assumptions, values, perceptions, and biases

*“It’s hard to put up with the uneven treatment – and if you have no role models of women who have made it, and people at the top don’t believe you are fully dedicated, why would you keep trying? Why not follow another path that would be less difficult and just as fulfilling?”*

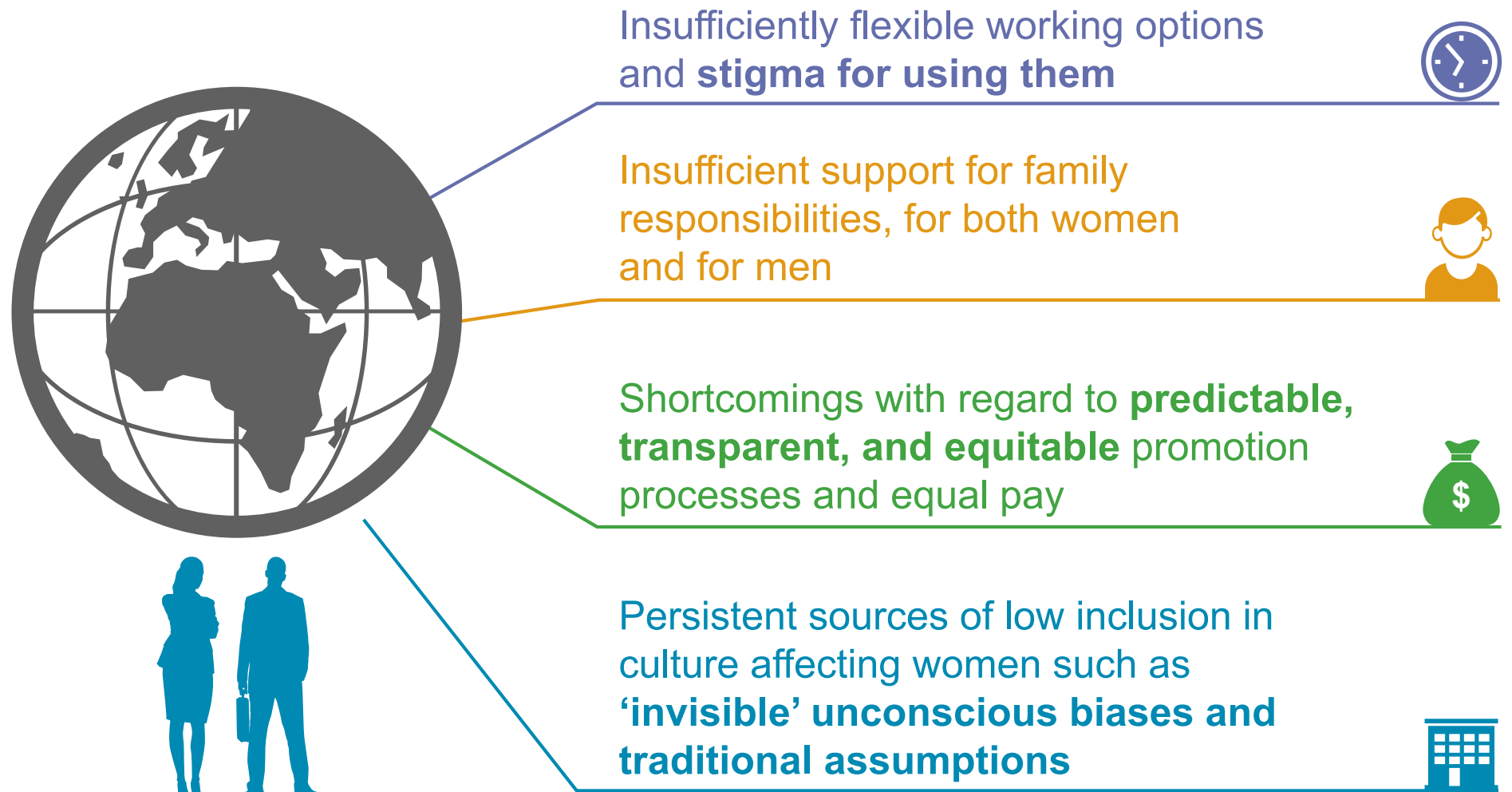
*“All of our senior leaders are older, white, males – they are the ones who set the culture that we experience every day, despite any programmatic efforts by the bank.”*

Source: Oliver Wyman focus groups with Millennial women in US financial institutions

4 | Where do we go from here?

There are a number of issues affecting women's career choices – in solving for diversity, it is important to remember that 3 of the 4 involve elements of, or are directly related to, invisible cultural drivers

## Key issues reported by women in their “cost-benefit analysis” of career choices



# We believe these issues can only be addressed with concerted (and integrated) efforts along six key dimensions

## Know What You're Solving For

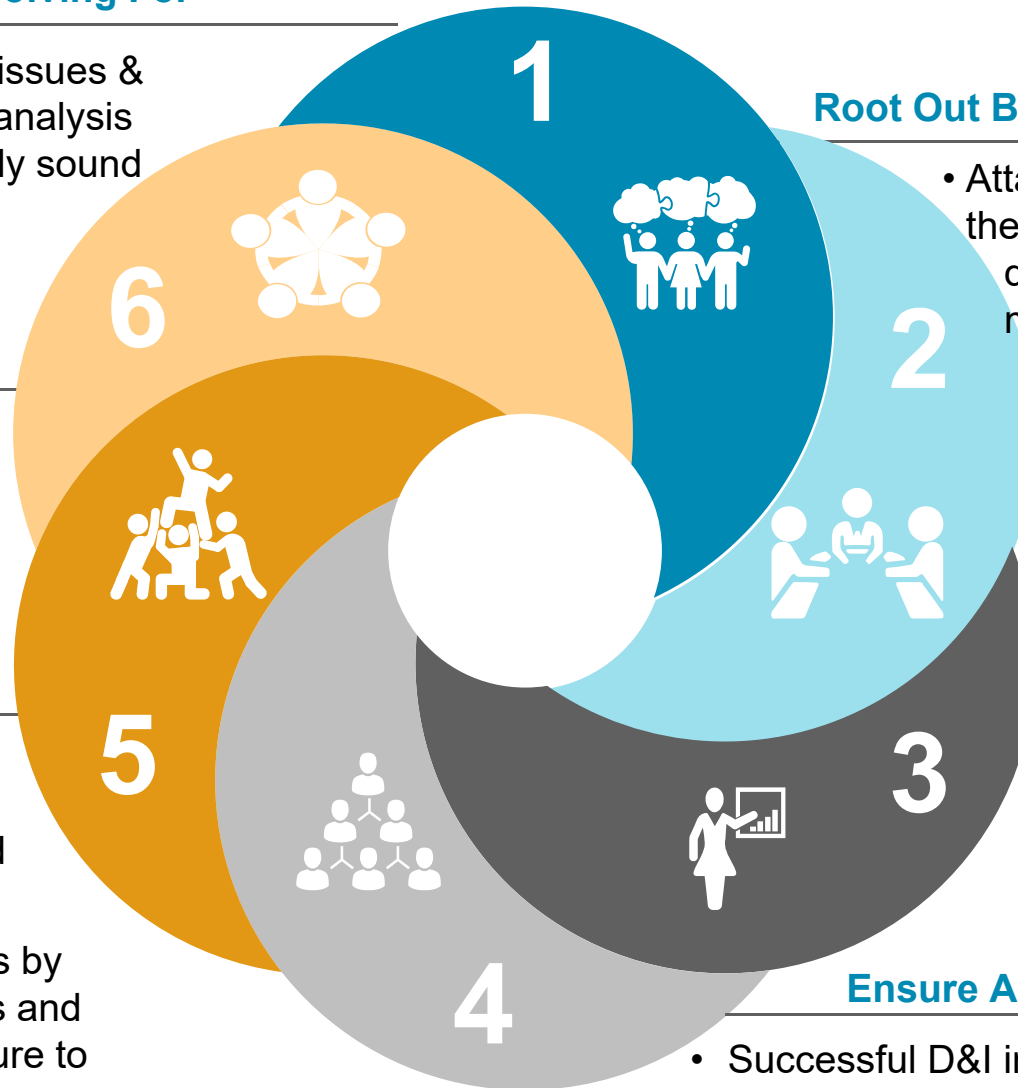
- Deeply understand issues & goals through data analysis and methodologically sound inquiry

## Create an Inclusive Culture

- A culture of inclusion is essential for women to be successful and efforts to bear fruit

## Focus on Talent

- Focus on meaningful investments, based on employee feedback and outside research
- Develop women leaders by expanding opportunities and broadening their exposure to sponsors



## Root Out Bias in Talent Processes

- Attack and disrupt all parts of the talent and leadership development process that may have disparate impact
- Focus especially on how potential and leadership is identified

## Establish Clear Goals

- Leadership must make strategic choices about what success means and what they are personally willing to commit to
- Define metrics and measure progress

## Ensure Accountability

- Successful D&I initiatives are driven by business leaders with support from HR, not the other way around

# | Appendix

The Oliver Wyman findings and recommendations presented in this document is based on extensive research across the industry

## Our research



ExCo and Board data of **381 companies** in **32 countries**



>**100 interviews** with female and male senior leaders of the industry in >**20 countries**



Survey of **850** financial services professionals



Collaboration with **Mercer, the 30% Club, and Women's World Banking**



Multiple **focus groups** with **Millennial women**

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