

# women

in financial services

2016

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# FOREWORD

This is our second report on Women in Financial Services. We'd be glad if we could say it was our last. Unfortunately, we can't. The industry is still far from where we believe it should be on gender balance.

Following the publication of our first Women in Financial Services report at the end of 2014, we had many executive discussions that revealed a real hunger to move the dial on gender balance. There is intense focus on this question in the industry. We offer this second report in the hope of advancing the discussion on this important topic and supporting change in the industry.

In our main article, we analyze the state of gender balance in financial services. Our findings are drawn from extensive research and multiple sources: We analyzed female representation on the Boards and Executive Committees of 381 financial services organizations in 32 countries (a significantly augmented sample compared to our 2014 report). We surveyed 850 financial services professionals around the world. We worked closely with our sister company Mercer to leverage their extensive internal labor market data, allowing us to make comparisons between the progression of women in financial services and other industries. We interviewed a large number of senior female and male leaders in the industry – over 100 interviews in more than 20 countries – and conducted focus groups and roundtables.

In a series of shorter articles we more closely examine the situation in individual countries, sub-sectors and roles. We look at areas where there may be cause for concern (Germany and Switzerland, asset management and risk functions), where there are more women in leadership positions (the public sector) and where a new dynamic may be emerging (China's Fintech sector and millennial women in the US). We look at specific aspects of diversity (pay equity, leadership styles) and how to get there (a call for action by Tamara Box of the 30% Club).

We explore the topic of the financial inclusion of women building on a roundtable that we conducted in collaboration with Women's World Banking. At Oliver Wyman, we are also working on the issue and still have too few senior women. Our President and CEO, Scott McDonald, shares his views on our own progress.

Preparing this report has been an insightful and encouraging journey. We would like to express our thanks to all our interviewees and focus group participants and to our collaborators in creating this report: the 30% Club, Women's World Banking, and our sister company Mercer.

We were inspired by the caliber, dynamism and stories of the women we talked to. Our overarching conclusion is that there is a mid-career conflict for women in our industry that still need to be addressed. However, our work on this report leaves us confident that, by improving the cost-benefit trade-off women face when it comes to a career in financial services, we can unleash underutilized leadership potential that will help the industry to transform in these challenging times.

We hope you find this publication useful for yourself and for your organization, and that it thereby contributes to making financial services a more gender balanced industry.

## **Astrid Jäkel**

Partner, Financial Services

Lead author, Women in Financial Services

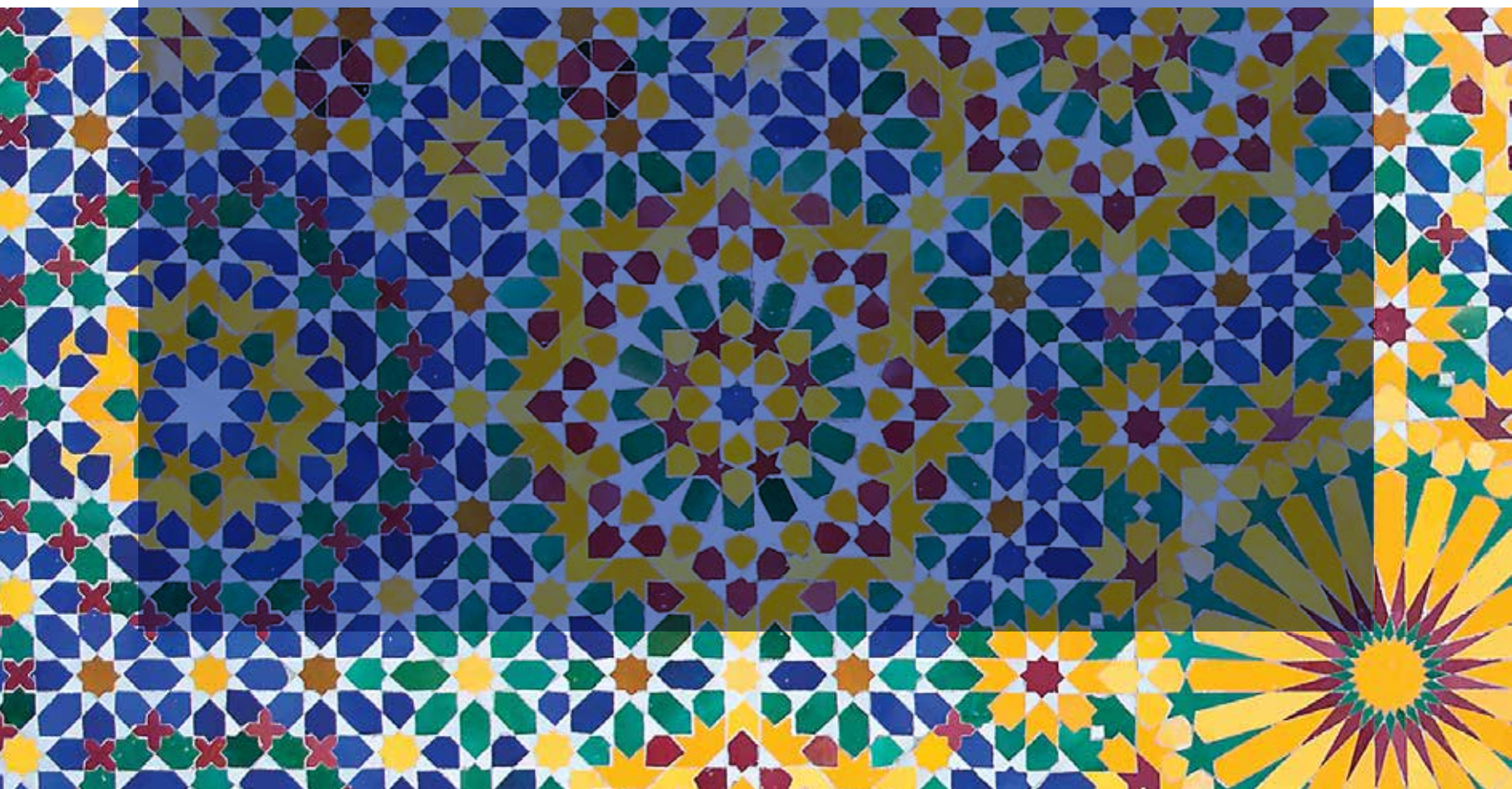
## **Ted Moynihan**

Managing Partner, Financial Services



# WOMEN IN FINANCIAL SERVICES

TIME TO ADDRESS THE MID-CAREER CONFLICT



# EXECUTIVE SUMMARY

Female representation is growing on financial services Boards (20 percent in 2016) and Executive Committees (16 percent in 2016), but progress is slow. At current rates of growth, financial services globally will not reach even 30 percent female Executive Committee representation until 2048.

Our analysis of 381 financial services institutions in 32 countries shows two concerning patterns: First, female representation on Executive Committees is growing much slower than on Boards. Second, the growth observed comes only from some countries. In many countries, there is little, no, or even negative growth in female representation on Executive Committees.

Without doubt, there has been significant effort and investment in attracting more women to financial services and in developing more of them into leaders. Many organizations have initiated recruiting, networking, sponsorship and training programs targeted at women. Many of the visible processes have been improved for equal opportunity. So why has the industry not been more successful in progressing towards gender balance at the top?

Our global survey of financial services employees shows that women enter the financial services industry with the same ambition level as men, retain this ambition for the first years of their career, and usually also have similar ambition later in their careers. However in mid-career, a significant gap opens between men and women in their willingness to make sacrifices in their private lives and in their career ambition levels.

It is at this point in their career that women vote with their feet. Internal labor market data from our sister company Mercer shows that the exit rates of women in financial services in the mid-part of their careers are not only higher than those of their male colleagues, but also significantly higher than in other industries. Female managers, senior managers and executives in financial services are 20 percent to 30 percent more likely to leave their employer than their peers in other industries.

Our statistical data, survey responses and interviews suggest that many women face a mid-career conflict. At this point, the costs of a career, especially the sacrifices in their personal lives, seem too great in relation to the uncertain benefits of pressing on. Women face a less attractive career trade-off than men – a difference to which the following factors contribute:

- Insufficiently flexible working options and stigma for using them
- Insufficient support for family responsibilities, for both women and for men
- Shortcomings with regard to predictable, transparent and equitable promotion processes and equal pay
- Persistent sources of low inclusion in culture affecting women such as invisible unconscious biases and traditional assumptions.

Moving financial services firms towards gender balance will require a mix of bolder structural solutions and more profound underlying cultural change. Our key recommendations:

**Bolder structural solutions:** Set an Executive Committee talent pipeline strategy. Develop bolder structural solutions by providing more flexible working options at all levels, and finding ways to remove the stigma associated with using them. Encourage men and women to take parental leave and develop better returnship programs. Address the promotion and pay gap, understanding that this is likely to be driven by invisible cultural factors.

**More profound underlying cultural change:** Build an inclusive culture that recognizes and promotes the value of diversity along all dimensions, is free from unconscious bias and therefore supports gender balance. This means putting practice ahead of theory, supporting men to support women and seeking enlightened leadership.

# INTRODUCTION

Placing more women in senior roles has been a priority in many countries for the past decade. Targets have been set and initiatives launched in financial services, along with other industries where women are under-represented at the top. Yet progress remains slow.

*“Despite a lot of effort, most financial services companies are stuck below 25 percent female representation at the top”*

**Alessa Quane, Executive Vice President and Chief Risk Officer, AIG**

*“Progress to gender balance is slow in financial services. Whilst awareness is increasing, real change is only catching up slowly”*

**Anne Marion-Bouchacourt, Group Chief Country Officer for China, Société Générale**

The problem is not that the financial services industry does not recognize the benefits of diversity. Many of those we interviewed, women and men, acknowledge them. Gender balance is an important aspect of diversity. It provides access to the full talent pool, better decision making by bringing together different perspectives, better service to customers by better representing them, and a stronger economy, thanks to greater and more effective participation in the workforce by women.

*“Diversity is not just about doing the right thing – but about attracting and retaining the best talent. We must also reflect the diversity of our clients. A diverse clientele expects diversity in its service providers, someone they can relate to and who understands them”*

**Sergio P. Ermotti, Group CEO, UBS Group AG**

*“Half of the highly educated population is underutilized. We educate women to a high standard, but don’t get enough back. That’s not good for women or the economy. I want to see greater diversity because of the business benefit”*

**Chairman of a FTSE 100 company**

*“Diversity is a good thing. To have all of the same type of people in the same environment does not necessarily bring the best point of view or the challenge that is needed”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**

*“Our clients are diverse, so we have to be diverse to serve them properly”*

**Karen Fang, Managing Director, Head of Americas FICC Sales, Bank of America Merrill Lynch**

What is slowing the progress of gender balance in financial services? Partly, it is that well-intentioned organizations have not found the right recipe for advancing women and the right way of combining the various ingredients, such as flexible working arrangements, sponsorship, and cultural change. Partly, the problem is that diversity is too often seen as part of corporate social responsibility or fairness in the workplace, rather than as a commercial imperative. The appreciation of diversity’s value exhibited by our interviewees does not yet pervade the industry.

*“Unfortunately few organizations seem to really pursue diversity for the sake of unlocking business performance. Many appear to be doing diversity as a box ticking exercise – this will not turn the dial”*

**Katherine Grantham, Balance Network, HSBC**

Much work remains to be done. We hope this report will help by providing a better understanding of where things stand, the obstacles to progress, and how they can be overcome. In this first chapter of the report, we provide gender balance statistics from a number of countries and sectors of the industry before examining the points at which women exit the industry or stop progressing, and what kinds of support would enable women to keep progressing to the top.



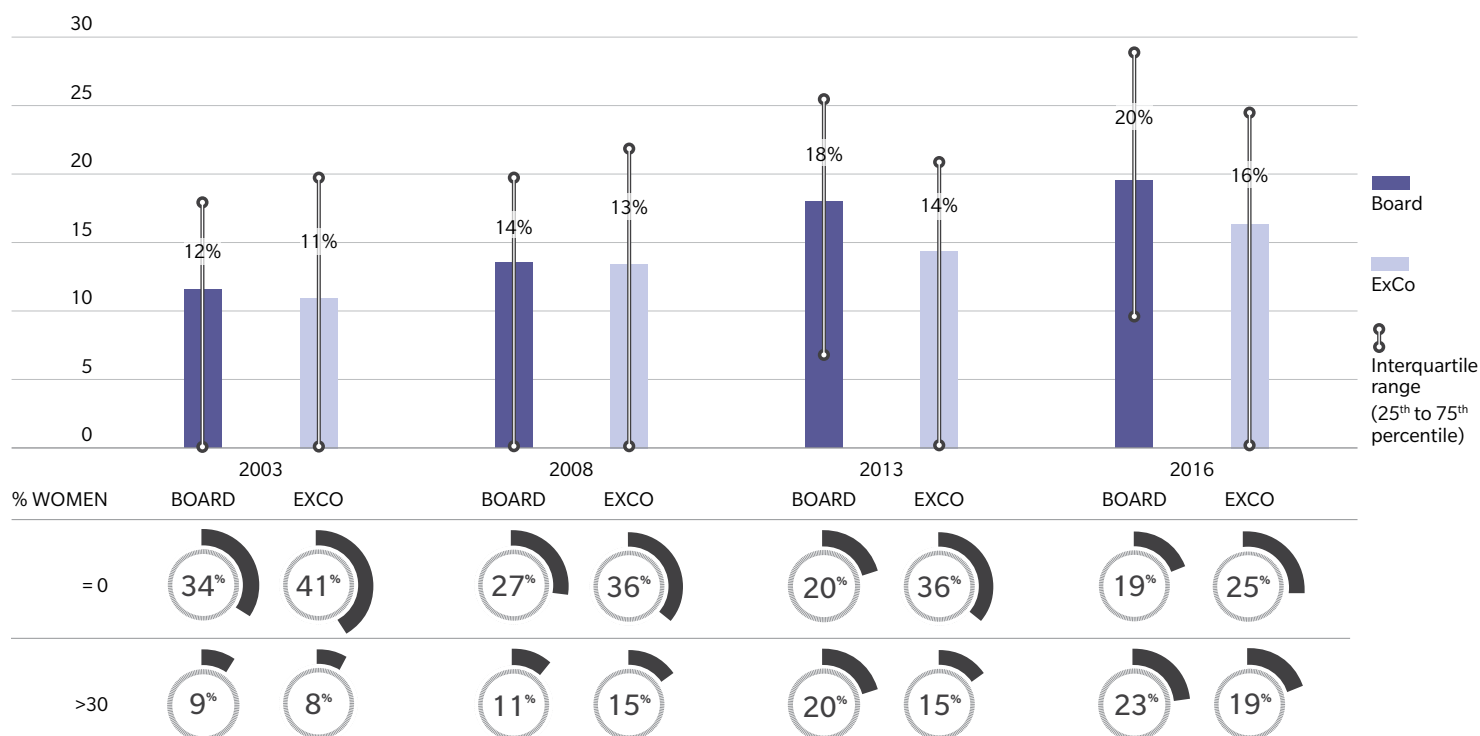
# OVERVIEW OF THE STATE OF WOMEN IN FINANCIAL SERVICES

In this second edition of the report, our analysis of female representation at Board and Executive Committee (ExCo) level in the financial services industry has been expanded. The sample now covers 381 organizations in 32 countries, across six sectors and four time periods, looking back over 13 years.<sup>1</sup>

Female representation in leadership roles has continued to grow, but slowly. Globally, women occupied 20 percent of Board level positions at the beginning of 2016, up from 18 percent in 2013; 16 percent of ExCo members are women, up from 14 percent in 2013. At the growth rates observed over the

## EXHIBIT 1: PERCENTAGE OF BOARD AND EXCO MEMBERS IN MAJOR FINANCIAL SERVICES ORGANIZATIONS WHO ARE WOMEN

FEMALE REPRESENTATION ON BOARDS AND EXCOS (INCLUDING 381 FIRMS ACROSS 32 COUNTRIES)



Source: Oliver Wyman analysis of organization disclosures

<sup>1</sup> The sample for this report contains the organizations from the 2014 report and adds organizations from new geographic regions (Middle East & Africa, Latin America) and new FS subsectors (Asset management, Market Infrastructure and Public Sector). The sample includes top financial institutions in each subsector in each country, targeting market coverage of greater than 50 percent for each market in terms of bank balance sheets, insurance premiums, and about 40 percent coverage of global assets under management of Asset Managers. The enlarged sample may have changed some historical data points from the 2014 edition.

last decade, women on ExCos are not likely to reach even 30 percent globally until 2048.<sup>2</sup>

These aggregate, global numbers conceal considerable national variation. Unsurprisingly, women have the highest representation on ExCos in the Scandinavian nations of Norway and Sweden. But they are also relatively well represented in the Asian nations of Thailand and Singapore and in South Africa, Israel, Canada, and Poland. Japan and South Korea have the lowest representation.

*“Many other Asian countries I visit have more female senior management in Financial Services than Japan. Japan is more masculine. One of the reasons might be the Japanese traditional ‘lifetime employment system’, under which organizations pay enough to nurture a family, meaning wives do not have to work outside the home – it is expected that they will stay at home to support their hard-working husbands. But we are seeing this situation slowly change as increasing numbers of highly educated women want to build or restart their careers and the labor market becomes more fluid”*

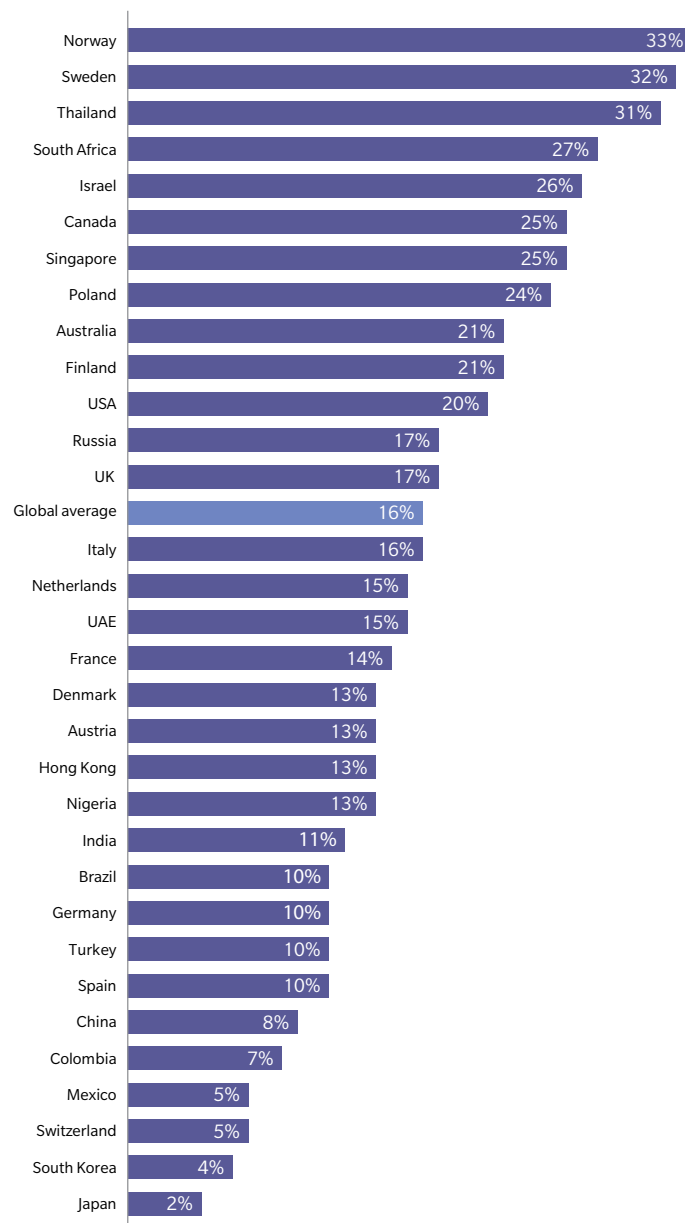
**Chie Toriumi, President & CEO, Nomura Trust and Banking & Senior Managing Director, Nomura Holdings**

*“In Korea, whilst it is not as strong as in the past, there is strong tradition or culture that child care and homecare is the woman’s job. This cultural pressure is the reason that so many women leave their potentially successful careers, even when they don’t want to”*

**Seon -Joo Kwon, Chairman & CEO, Industrial Bank of Korea**

Global averages also disguise variation by role and industry sector. ExCo female representation continues to be dominated by HR, Marketing and compliance roles. 50 percent of HR heads are women. Only 8 percent of CEOs are women. However, it is encouraging to see that growth in female representation at ExCo level between 2013 and 2016 primarily stemmed from roles that have not traditionally been held by women, including CFO and CRO, an area we zoom in on in our article on women in risk management on page 58.

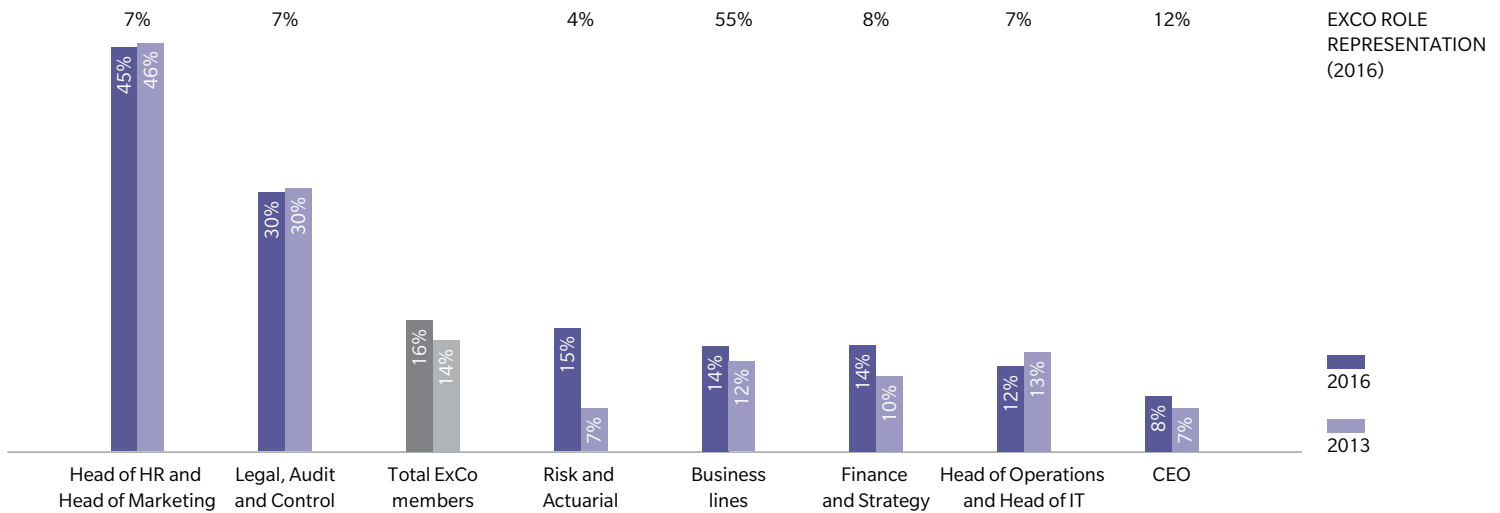
EXHIBIT 2: PERCENTAGE OF EXCO MEMBERS IN FINANCIAL SERVICES WHO ARE WOMEN, BY COUNTRY (2016)



Source: Oliver Wyman analysis of organization disclosures

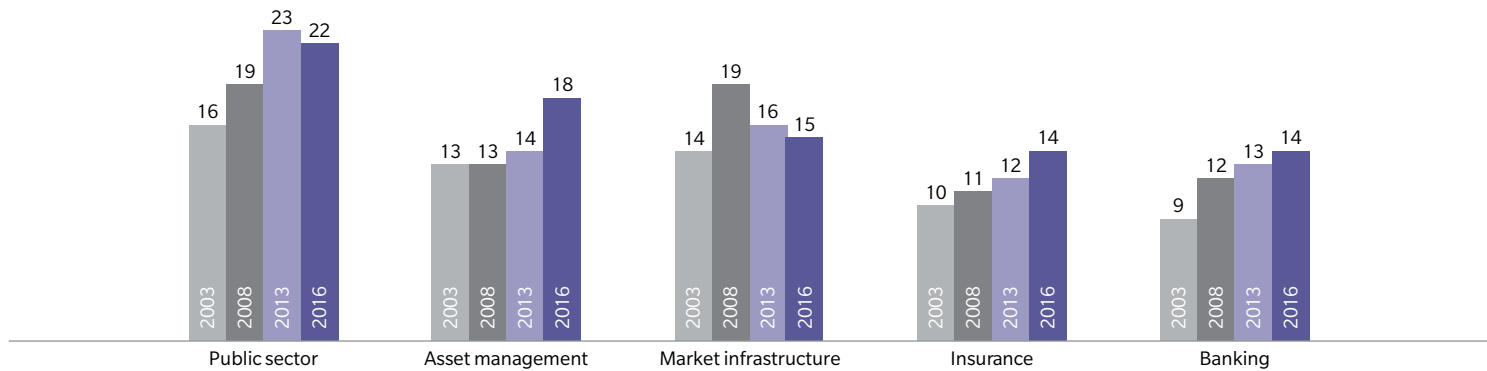
2 Based on a linear inference from growth rates between 2008-2016 and does not reflect any assumptions for tipping points or exponential growth (e.g. as a result of critical mass of role models)

EXHIBIT 3: FEMALE REPRESENTATION FOR VARIOUS EXCO ROLE GROUPS IN MAJOR FINANCIAL SERVICES ORGANIZATIONS (2016)



Source: Oliver Wyman analysis of organization disclosures

EXHIBIT 4: PERCENTAGE OF EXCO MEMBERS WHO ARE WOMEN, BY SECTOR



Source: Oliver Wyman analysis of organization disclosures

Women are best represented in the public sector (central banks and supervisory authorities), a fact that holds true in almost every country surveyed (see our deep-dive article on women in the public sector on p.40). In each sector, ExCo female representation is greater in 2016 than it was in 2003.

Broadly, things are moving in the right direction. But a closer look at the data reveals two causes for concern.

## CAUSE FOR CONCERN #1: EXCO REPRESENTATION CONTINUES TO LAG BEHIND BOARD REPRESENTATION

While Board representation globally has reached 20 percent, only 16 percent of ExCo positions are held by women. In 2013, the gap was only 1 percentage point. It is now 4 percentage points. In two-thirds of the countries in our sample, the percentage of women on ExCos is lower than on Boards.

The stronger growth of Board representation has clearly been driven by the introduction of Board quotas in 13 of the countries in the sample (including France, Italy, and Denmark), and nonbinding targets in some others, such as the UK. Quotas for ExCos, by contrast, are rare. The Netherlands is the only country in the sample with a formal ExCo target set. And, even in this case, organizations that do not meet the requirements are only obliged to explain why in their annual report and outline future measures to meet the target.

This is not to say Board positions are unimportant. Appointing women to Boards sends a signal internally and externally about an organization's intent on gender balance – even if in response to a quota. And time-lagged regressions on the data suggest that increasing female Board representation has a positive effect on female representation on ExCos.

Nevertheless, the low representation of women on ExCos is a problem. Diversity improves decision making by bringing a variety of perspectives to bear, expanding the range of information available, and helping to avoid groupthink.<sup>3</sup> While gender balance is not the only aspect of diversity, it is an important one.<sup>4</sup> But gender balance will improve an organization's business decisions only if women occupy roles that contribute to those decisions. An organization's key business and strategic decisions are made by its ExCo, with the Board having only a supervisory responsibility. ExCo members are also more visible than Board members, both

internally and externally, making them more effective as role models and sponsors.

*“Our campaign is focussing more and more on the ExCo and senior management, as this is where decision making and influence originates”*

**Brenda Trenowden, Global Chair at 30% Club and Head of Financial Institutions, Europe at ANZ**

*“Women bring something different to leadership meetings. Men can sometimes focus exclusively on numbers, whereas women are more likely to take a wider view that includes numbers, but also customer service and morale in the office. I find that greater gender balance means both financial and non-financial issues are more likely to be discussed in depth”*

**Isabel Hudson, Chairman of NHBC and Non-Executive Director at Standard Life**

*“Board gender balance changes the way organizations are managed only to a certain extent. If you want change, you need to go to ExCo level and below. Board representation is important, but the diversity dial will truly begin to move if you start seeing women at ExCo level as well”*

**Sara Ferrari, Head of UBS Global Family Office**

Getting women onto ExCos is more difficult than getting them onto Boards. It requires organizations to build a strong female talent pipeline below senior executive levels. Anyone appointed to an ExCo position must have demonstrated their ability to perform the role. By contrast, Board members are often recruited from other industries, from non-business roles (academia, for example) or, in countries with co-determination rights, from the employees.

Even if the promotion pipeline includes women, there is often a perception of risk associated with appointing them to the ExCo. The famous 1980s marketing axiom, “Nobody ever got fired for buying IBM,” applies just as much to senior leadership. Going against tradition and against the obvious choice is risky.

<sup>3</sup> Why Diversity Matters, July 2013, Catalyst Information Center

<sup>4</sup> Also see the article on gender vs. leadership diversity on p. 70

*“There still seems to be a view that women in leadership are an unknown quantity and somehow more of a risk. So there has to be a higher degree of certainty that a woman is going to perform, than if you were looking at a man for the same job”*

**Nicola Foster, Head of Transformation, Shared Services, HSBC**

*“Financial Services is still very male dominated, and women are therefore often not part of the ‘dominant’ group. This matters, because, as Laura Liswood describes, if you are not in the dominant group you have an extra hurdle to jump: You are perceived as less competent and less trustworthy than those in the group, until you demonstrate otherwise. If you are the only person in a room wearing a skirt, you have extra work to do to prove that you have a right to be there”*

**Anne Richards, CEO, M&G**

*“It is my experience that people perceive it is less risky to pick a man. If a woman is promoted and then fails, it is much more visible than if a man fails”*

**Head of department, European bank**

## CAUSE FOR CONCERN #2: A NUMBER OF COUNTRIES ARE “STUCK IN THE MUD”, WHILE OTHERS HAVE HIT A CEILING

Countries can be classified into three groups based on their level of female ExCo representation and its growth rate.

### Hitting a ceiling

In some countries, such as Canada, Nigeria, and Russia, female representation was relatively high in 2013 (between 20 percent and 30 percent) but has subsequently stopped growing or even gone into reverse. In these countries, gender balance has hit a ceiling and, often, bounced off it (see Exhibit 5).

Research suggests that when a minority’s membership of a group reaches 30 percent, they come to be heard in their own right rather than being perceived as “the voice of the minority” or feeling pressure to conform to the dominant group.<sup>5</sup> Some

countries have crossed the 30 percent tipping point, none of them, however, are pushing on with material positive growth rates for female representation.

This phenomenon is observable not only for ExCos but also for Boards. Countries where female representation on financial services Boards exceeded 25 percent in 2013 had an average growth rate of only 0.2 percentage points between 2013-2016, compared to 2 percentage points for countries where female representation was less than 25 percent.

As always, these statistics do not reveal their cause. However, some reasonable hypotheses may be hazarded. It may be the result of a managerial attitude: “We’ve hit the target so we don’t need to focus on it anymore.” Equally, it could be the result of an insufficient number of women in the pipeline to ExCo. Or it could be the result of characteristic preferences of women and men in these countries.

### Stuck in the mud

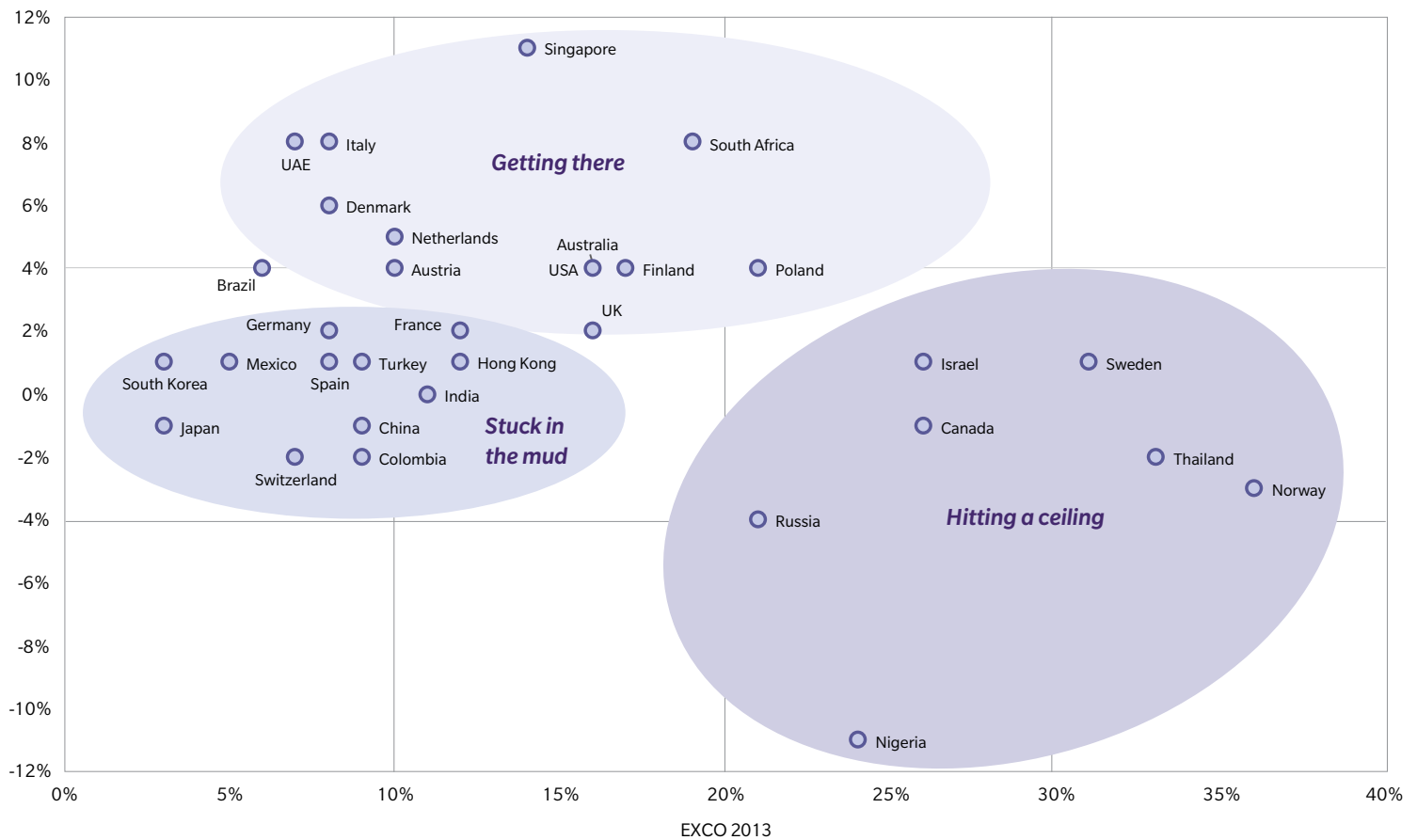
This group of countries is the most worrying. They had low female representation on ExCos in 2013, all between 2 and 12 percent, and have made no material progress from there. Some are even going backwards.

It is a diverse group: Switzerland, Germany, Colombia, China, India, Japan, Spain, Mexico, Turkey, Hong Kong, South Korea, and France. These countries have no common language, political culture, predominant religion, or level of economic development. The explanation for low female representation is unlikely to be the same in each country. In some, it may be the result of political indifference to the issue; in others, it may be the result of a masculine or patriarchal culture; in others, it may be the result of inadequate resources to support working mothers. Some of these issues are explored in our article on Germany and Switzerland on p. 52.

<sup>5</sup> Jasmin Joecks, Kerstin Pull, and Karin Vetter, *Gender diversity in the boardroom and firm performance: What exactly constitutes a “critical mass?”*, Journal of business ethics, 2013

## EXHIBIT 5: PERCENTAGE OF WOMEN ON EXCOS IN 2013 VS. GROWTH BETWEEN 2013 AND 2016

GROWTH 2013-2016 IN PERCENTAGE POINTS



Source: Oliver Wyman analysis of company disclosures

## Getting there

The countries in this group are starting from a low base but show some signs of positive growth. Indeed, they are the only countries showing growth in female representation. If the number of females on ExCos continues to grow at the current rate, these countries will reach the 30 percent benchmark within the next one to two decades.

# ZONING IN ON A CRUCIAL PROBLEM: THE MID-CAREER CONFLICT

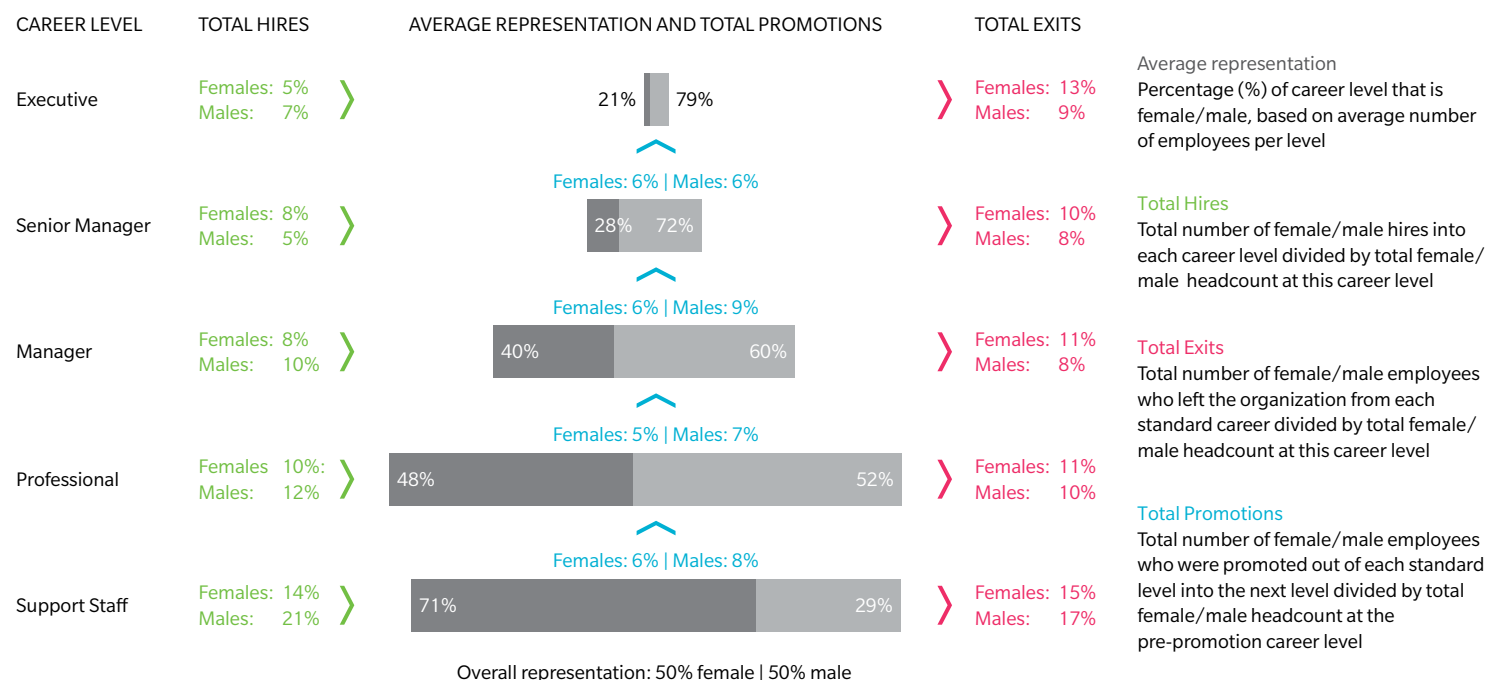
While the share of senior leadership positions occupied by women is increasing, the preceding analysis shows that there are still structural obstacles to gender balance becoming the norm in the highest management positions of financial services firms. To investigate the problem points, we draw on Internal Labor Market (ILM)<sup>6</sup> data for financial services from “When Women Thrive,” a study conducted by Mercer (a sister company of Oliver Wyman). We also conducted a large online survey with 850 responses from professionals working in the financial

services industry across many countries and interviewed more than 100 senior industry leaders.

The ILM map for financial services in Exhibit 6 shows that:

- Women are significantly better represented at support staff and professional levels than at senior manager or executive levels
- The proportion of women decreases at each level as we move up the hierarchy

EXHIBIT 6: FINANCIAL SERVICES INTERNAL LABOR MARKET<sup>7</sup>



Source: *When Women Thrive*, Mercer, 2016

<sup>6</sup> An ILM map is a graphical representation of the talent pipeline in an organization. It summarizes, for each standard career level, the rate at which talent is coming into the organization (total hires), moving up through the hierarchy (total promotions), and ultimately exiting the workforce (total exits). Percentages in the middle of the map indicate female and male representation at each career level. Hire, promotion, and exit rates are calculated as the total number of events over a 12-month period divided by the average headcount over the same time period, by level and gender.

<sup>7</sup> Combination of Finance/Banking and Insurance (non-healthcare) ILM data. This ILM Map is based on an international sample of 42 financial organizations, with a range of organization sizes from under 100 employees to over 100,000.

- Women are being hired at a lower rate than men into financial services, at all levels except for senior manager
- Women are less likely than men to be promoted to the next level, from all levels except for senior manager
- Women are exiting at higher rates than men at all levels above support staff, and at a higher rate than they are being hired.

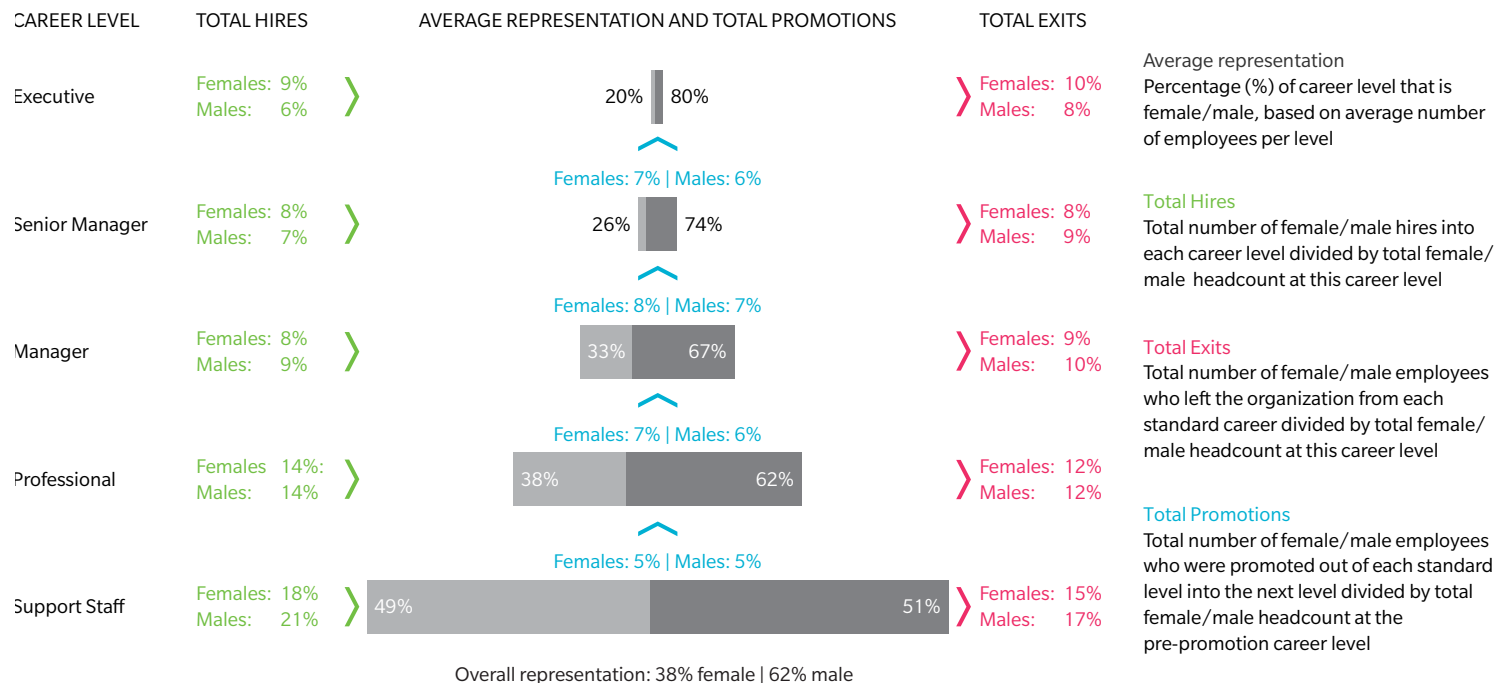
Global organizations in other industries do not display these skews. The ILM map for the average organization globally (see Exhibit 7) displays roughly equal hiring and exit rates for men and women, and even slightly higher promotion rates for women. In other industries, women are making ground in senior positions. And whilst women make up more of the junior positions in the average financial services organization, the share of senior positions is no higher. Mercer’s ILM maps show

that, for women, financial services is tougher territory than other industries.

*“We have become too accustomed with women working in support roles, and this can have negative effects. When women reach senior positions, and begin to compete with men, they can sometimes suffer harsh reactions. I have seen some men attempt to undermine some women by negatively highlighting their emotional and sensitive nature”*

**Françoise Mercadal-Delasalles, Executive Committee Member, Société Générale**

**EXHIBIT 7: AVERAGE ORGANIZATION GLOBALLY INTERNAL LABOR MARKET**



Source: When Women Thrive, Mercer, 2016

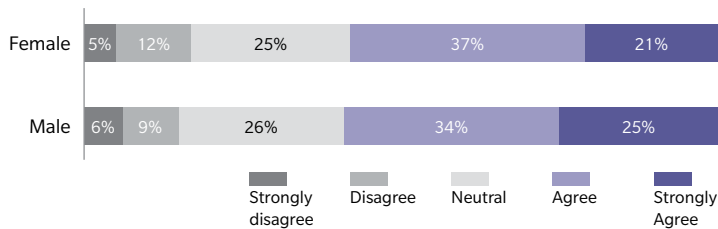


Why are women in financial services more likely than men to either exit or experience a slowdown in their career?

To investigate this, we conducted a survey of 850 financial services professionals in 12 countries that included asking about their levels of ambition and willingness to make sacrifices in their private lives.

Results from the survey show that, overall, women in financial services are as ambitious as men: 58 percent of women and 59 percent of men state a desire or strong desire to reach a senior position in their organization (see Exhibit 8). Women enter the financial services industry with the same ambition level as men, retain this ambition level for the first years of their career, and also have similar ambition levels as men towards the end of their career (see Exhibit 9).

**EXHIBIT 8: OVERALL SURVEY RESPONSE TO QUESTION “I WANT TO REACH A SENIOR POSITION IN MY ORGANIZATION”**



Source: Oliver Wyman survey

However, the survey results expose a career conflict that women face at mid-career level. Between the ages of 30 and 50 their willingness to make sacrifices in their private lives drops significantly below that of men; and between 40 and 50 their ambition level is also lower than that of men. It is at this point in their careers that women in financial services vote with their feet. Mercer’s Internal Labor Market data show that female managers, senior managers and executives in financial services are 20 percent to 30 percent more likely to leave their employer

than their peers in other industries. This is in contrast to male financial services employees at the same levels, who are as likely or even less likely to leave their employer than their male peers in other industries.

When considering how to combine private and professional life, and whether to push for leadership, all employees must weigh the costs of working (such as investing time at work, not spending time with the family, not fulfilling cultural expectations, paying for child care) against the benefits of working (such as income, the chance of promotion, and the enjoyment of the job). For too many mid-career women, the costs seem to outweigh the benefits, and they choose to step back from their careers. Put another way, there is a mid-career conflict that is resolved too often today with attrition.

The costs and benefits of financial services careers seem to be different for men and for women – or, at least, are weighed differently by them. On the cost side, many of our interviewees talked about the persistence of traditional role models and cultural expectations. Most societies still expect women to play a greater role in caring for children or elderly parents. No matter whether they agree with the traditional roles or whether they feel the societal expectation – most women will place a higher value than men on the opportunity cost of working.

*“Girls and boys continue to be raised differently even today. I still see parents replicating the same behavior that their ancestors had. We need to see a change in societal norms and attitudes to provide women with the same opportunities as men”*

**Maria Silvia Bastos Marques, President, BNDES**

*“Organizations need to offer women an opportunity to build their career, and society as a whole needs to offer women the support to stay there”*

**Monica Lopez-Monis Gallego, Group Chief Compliance Officer, Banco Santander S.A.**

Cultural norms are often reinforced by practical economic considerations. In many countries, it is not only the social or

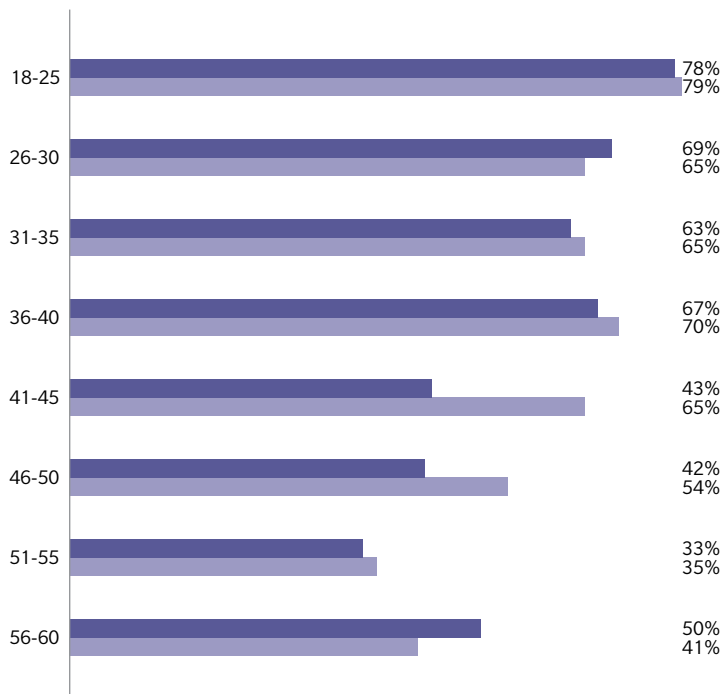
psychological costs of opting out of a career that are different for men and women, but also the financial cost of doing so. Most legal systems favor women stepping out of the workplace rather than men, with benefits for maternity leave higher than for paternity leave and greater security for mothers returning to work than for fathers. Few countries have developed systems that effectively encourage men and women to share parental leave equally. Sweden is a rare example, with policies that result in 90 percent of men taking paternity leave.

But even in Sweden, men take less leave than women (though this gap is decreasing).<sup>8</sup>

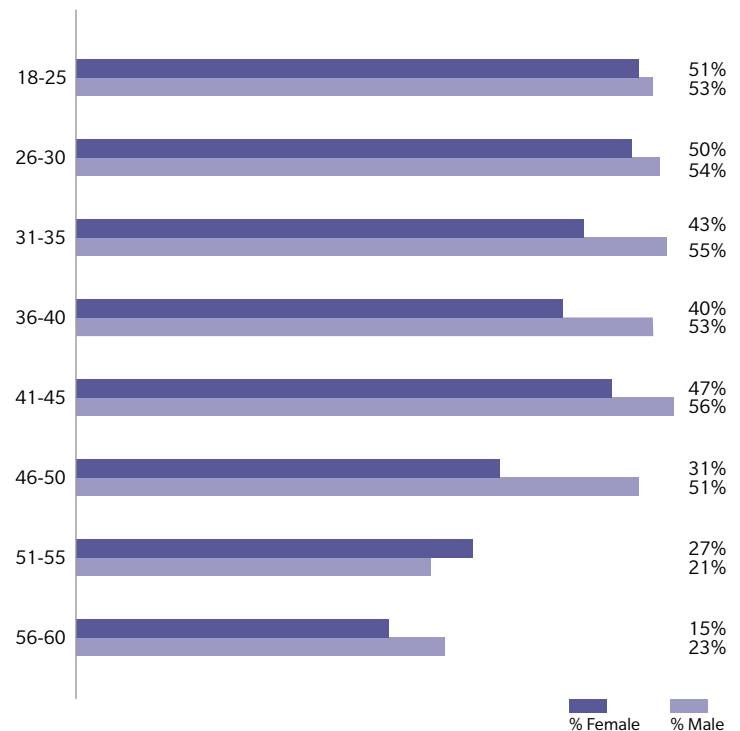
Many of our interviewees pointed out that the benefits – or, at least, the perceived benefits – of a career are lower for women, due to the lower chance of promotion and likelihood of lower pay. Whether these issues are real or merely perceived due to a lack of role models is open to debate. It is clear, however, that many women place a lower expected value on the benefits of a career. And, as long as there are unconscious biases, many women will not feel as comfortable at work as men. This reduces the enjoyment of the job and further reduces the benefits of working. Our deep-dive article on millennial women in the US on p. 31 zooms in on these unconscious biases and less visible issues.

EXHIBIT 9: PERCENTAGE OF RESPONDENTS WHO AGREE OR STRONGLY AGREE WITH THE STATEMENTS:

“I WANT TO REACH A SENIOR POSITION IN MY ORGANIZATION”  
PERCENTAGE OF RESPONDENTS WHO AGREE OR STRONGLY AGREE



“I AM WILLING TO MAKE SACRIFICES IN MY PRIVATE LIFE”  
PERCENTAGE OF RESPONDENTS WHO AGREE OR STRONGLY AGREE



Source: Oliver Wyman Survey

8 Why Swedish men take so much paternity leave, The Economist, 22 July 2014

*“Everyone, men and women, will find that combining professional and personal life requires a series of trade-offs. As women typically take on greater family care responsibilities, a supportive, flexible environment is crucial in enabling them to navigate a high-level career in finance”*

**Karen Fawcett, Chief Executive Officer of Retail Banking, Standard Chartered**

*“Everyone needs to find their own balance and source of happiness. For some women, making a difference at work and the sense of fulfillment from this carries great weight; for others, it is caring full-time for their family, and for many it is a well-crafted mix of those”*

**Allegra van Hövell-Patrizi, CRO, Aegon**

*“Some women feel so overwhelmed by the prospect of climbing up the ladder to the top while raising their children that they just give up their careers. The challenge is to allow women to have a successful career without sacrificing their family lives”*

**Ana Peralta, Board Member and Chair of Audit and Risk Committee, Deutsche Bank SAE (Spain)**

Organizations benefit from having a greater gender balance in leadership. So they have good reason to change the cost-benefit trade-off for women and create work environments and career paths that support women to reach the top. How can financial services organizations achieve this?

We have developed a seven-part framework, which encapsulates the common and best practices implemented by organizations to improve gender balance. It builds on the recommendations given in the 2014 report on “Women in Financial Services,” enhanced in the light of more recent research and input from our interviews.

Using this framework, participants were asked how important each initiative was to them, and how effective their employer was at delivering the initiative. From this, a picture emerges of where employers need to focus their efforts.

In general, women consider career support initiatives to be more important than men do. But, there is overall agreement on where men and women working in financial services

think support is most important. While both women and men consider their employers to be moderately effective at delivering each initiative, there are areas where it is clear that women would like their employers to be more than moderately effective. Three stand out.

## 1. Flexible work programs

Most organizations nowadays offer flexible work options such as part-time work, job sharing, or working from home. These programs aim to help employees combine their private lives and work. So why, with all these schemes in place, do women not feel that organizations are doing enough? We expected this area to be sufficiently developed by now, and were surprised by this result. Upon closer examination, however, cultural and practical barriers to employees working in a truly flexible way remain.

There is still a stigma in many organizations associated with using a flexible work program. It is often seen as the choice of less ambitious people or even as the “mum’s choice”. Although flexible programs are offered to all, our interviews and survey results indicate that it is only women who are encouraged or expected to take the option. So long as a face-time culture persists in an organization, flexible working will be perceived as a career limiting choice.

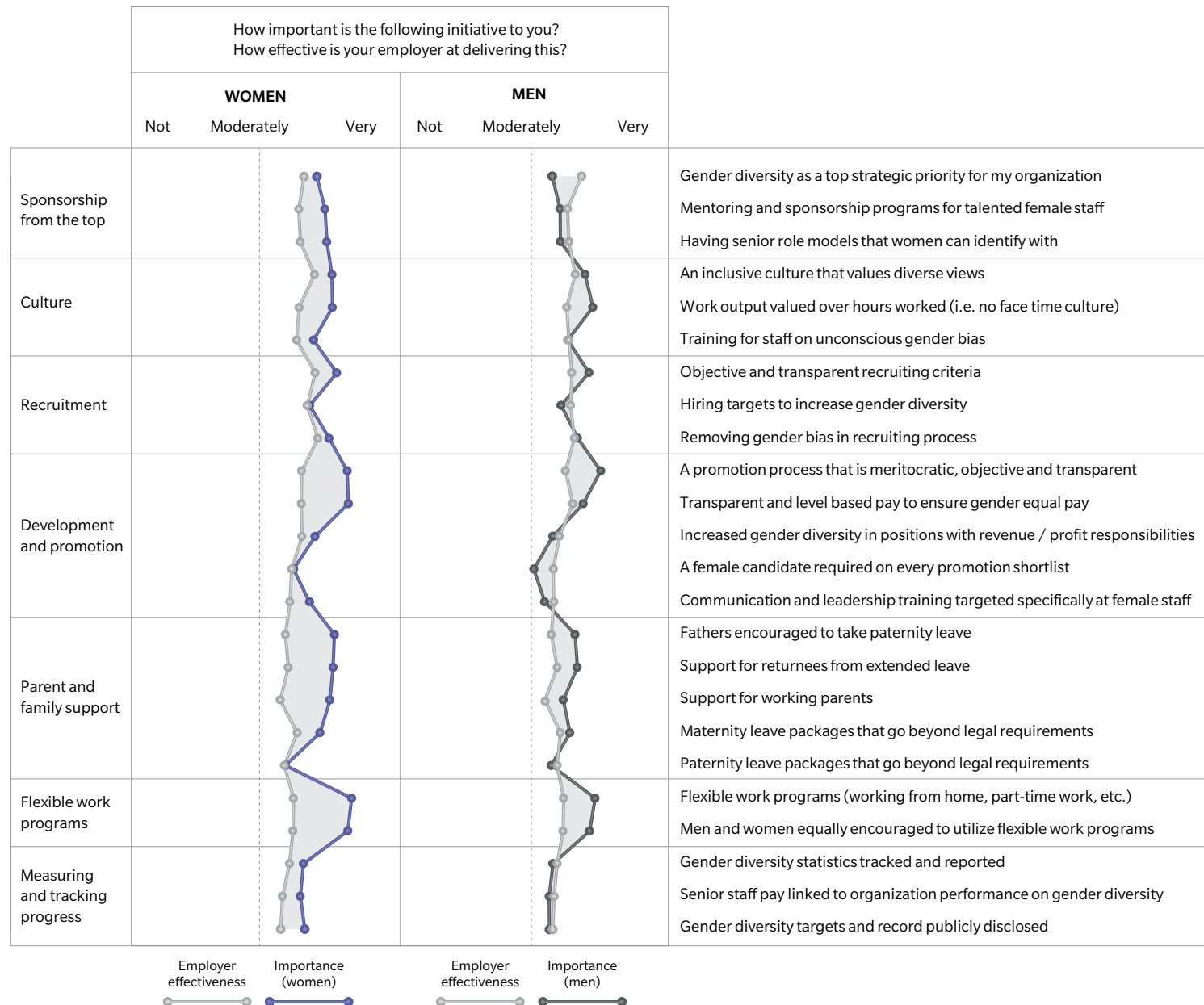
*“I am 100 percent convinced that the issues with flexible work are not mechanical or logistical but are attitude problems”*

**Melanie Neill, COO CRO, Credit Suisse**

*“The culture of organizations needs to change: as long as colleagues start to chit-chat that someone is taking half a day off again when they leave the office at 5pm, people will be very careful about asking for flexible working models”*

**Sara Ferrari, Head of UBS Global Family Office**

EXHIBIT 10: CAREER SUPPORT INITIATIVES: IMPORTANCE AND EMPLOYERS' EFFECTIVENESS, AS RATED BY MALE AND FEMALE FS PROFESSIONALS<sup>9</sup>



Source: Oliver Wyman survey

9 A scale of 1-5 is based on questions: 'How important is the following initiative to you?' and 'How effective is your employer at delivering this initiative?' with a scale of importance and effectiveness of: Not, [mid-point], Moderately, [mid-point], Very

Flexible programs are often available only to those lower in the hierarchy, those with few responsibilities, or whose work can be more easily scheduled around personal commitments. Flexible work is not as frequently offered to, or accepted by, people on the middle rungs of the corporate ladder, which is just when it is needed to encourage women who could make it to the top to persist with their careers.

*“Many organizations offer flexible work options. But once you look at who actually implements it well, and to whom it is offered, the picture looks different. Very often organizations offer flexible work options in operational functions, but in managerial positions there is still a lot of expectation around full-time presence”*

**Susanne Klöß, Member of the Executive Board, Deutsche Postbank AG**

*“When I returned from maternity leave, I was again given a leadership role despite working only 50 percent. This is not yet common in the industry”*

**Birgit Dietl-Benzin, CFO and CRO, UBS Deutschland AG**

Flexible work offerings are often perceived to be a bad deal. Someone may reduce their hours to 80 percent. But without 20 percent of their workload being assigned to someone else, as often happens, they discover their pay has been cut by 20 percent but not their workload. Seeing this happen will only discourage others from pursuing a similar option.

## 2. Support for parents and family responsibilities, including effective returnship programs

This is another tangible area of career support where the industry falls short of women’s expectations, impacting their cost-benefit decision. Again, although many organizations have introduced a variety of parent and family support programs, women want their employers to be more than moderately effective:

**Inequality in parental leave:** Employers make insufficient efforts to encourage fathers to take parental leave. Given the common assumption that the mother will be the primary care giver and will take parental leave – albeit from another employer – it is often assumed that new fathers have no good reason to stop working. Thus, an ambitious woman may struggle to stay in the workforce when having a child, because her partner is unable to take on a material share of the child care. This inability may be the result of assumptions made by the father himself, having adopted general cultural attitudes. So it is not enough for employers to allow paternal leave; they should positively encourage or even require it.

**Poor returnship program:** According to various studies, women suffer greatest workplace discrimination upon returning from extended child care leave.<sup>10</sup> This is when women often start being treated differently by their colleagues. Seen as “moms”, they may struggle to get their old responsibilities back and may even be reassigned to less challenging roles. They may also lose confidence, feeling guilty for leaving children at home and feeling out-of-date given the many changes their organization probably underwent during their absence. This was a common theme among the mothers we interviewed. Supportive colleagues and managers who help returnees on-board are important.

*“You need to nurture your working relationships and stay connected while you are out of work for child care leave. Without doing so, there is a risk that you will struggle to settle on your return”*  
**Lan Tu, Chief Strategy Officer, Standard Life**

In our interviews, there were many examples of organizations going above and beyond to offer child care support. But this is not typical of the industry or the experience of most mothers working in it. Employers need to provide solutions that allow parents peace of mind with their children, over the full length of a working day.

<sup>10</sup> The Pregnancy Test - Ending discrimination at work for new mothers, Trades Union Congress, November 2014

These solutions must be practical enough that parents can trust in them both before the birth of a child (to encourage them to stay) and after (to reduce the desire to leave).

*“You need to be ‘at peace’ at work in order to be productive, and that only happens if you know that your kids are in good hands when you are away from them”*

**Maria Cristina Arrastia, Chief Personnel and SME Banking Officer, Bancolombia**

*“The key thing is to provide women with adequate infrastructure to manage their families. Provide them with child care where they can leave their kids in tranquillity. This is especially needed in countries where often the only available infrastructure is family”*

**Marina Natale, Deputy General Manager – Head of Strategy & Finance, UniCredit**

*“I always say that the biggest gift the ECB gives its staff is the crèche. A physically, socially and intellectually stimulating environment for the children, not a ‘parking’ place. A place where educated mothers can feel comfortable to leave their children for many hours, without feeling guilty, and with the awareness that this time and this experience is benefiting the child and that they are in good hands”*

**Chiara Zilioli, General Counsel, European Central Bank**

### 3. Promotion processes and equal pay

Employees of both genders give great importance to fair and meritocratic promotion processes and to transparent and equitable pay structures. Yet there is a lack of satisfaction on both counts, especially among women.

Financial services is often described as a “boys club”, where personal networks are the key to success. Survey results and our interviews reveal this to be a source of frustration for both women and men, who want to be judged on abilities and achievements rather than connections with more senior people. According to various studies, it is more difficult for women to find a sponsor in their organization, with few having senior

colleagues pushing them up to the next career level when promotion decisions are being taken.<sup>11</sup>

Promotion in many financial services organizations is not based on clear, objective, and transparent criteria, with decisions often made behind closed doors. In this context, unconscious biases create disadvantages for female employees. Humans tend to surround themselves with people who are similar to them.<sup>12</sup> In a male-dominated environment without explicit and objective promotion criteria, male employees have an advantage.

Unconscious preconceptions of women mean they often miss out on opportunities offered to men. For example, a manager may fail to offer a demanding role to a woman, not because he doubts her ability but because she is a mother and he assumes she would not want the job. The manager may believe they are protecting the woman while, in reality, they are taking the decision away from her.

*“I have heard quite often in promotion discussions ‘Oh I do not think she would want that job; she has kids’. People who say that even think they are doing something good. They are not aware of discriminating against that woman”*

**Alison Davis, Non-executive Director, RBS**

*“People may say women cannot be promoted because they are not pushy enough and then, when they are, they say they cannot be promoted because they are too tough...”*

**Anne Marion-Bouchacourt, Group Chief Country Officer for China, Société Générale**

<sup>11</sup> Herminia Ibarra, Nancy M. Carter, and Christine Silva, *Why Men Still Get More Promotions Than Women*, Harvard Business Review, September 2010

<sup>12</sup> Donn Byrne, *Interpersonal attraction and attitude similarity*, The Journal of Abnormal and Social Psychology, 1961

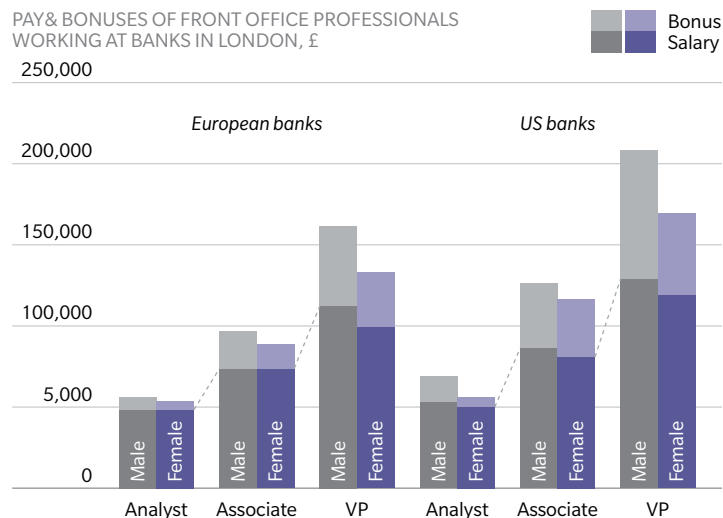
## CASE STUDY: Overcoming unconscious bias in orchestras<sup>13</sup>

As recently as the late 1970s, fewer than 5 percent of the musicians in the top five orchestras in the US were women. Then something changed. Orchestras started using blind auditions. Musicians still auditioned on stage but were hidden behind a screen. Some orchestras used blind auditions only for the first round; others, for the whole process. But even when only the first round was blind, the chance of a woman being hired increased by 50 percent. By 1997, the percentage of positions in the top five orchestras occupied by women had risen to 25 percent. Today, it is above 30 percent in all of the top 20 US orchestras.

Eurostat data for 2014<sup>14</sup> shows that in all 26 countries analyzed the unadjusted gender pay gap<sup>15</sup> in financial services was wider than the country average. It is noticeable in this data that at the back of the pack of major financial hubs is the UK with an estimated 38 percent financial services pay gap, compared to an all-industry average of 18 percent. Supporting a similar conclusion, crowdsourced salary data from Emolument<sup>16</sup> shows that female front-office professionals working at banks in the City of London earn slightly lower salaries, and significantly lower bonuses than their male peers at the same level (see Exhibit 11). A pay gap negatively contributes to the cost-benefit decision and cements the role of women as the primary care giver. For many families it will often cost less for the woman to pull back from her career.

We have no doubt that the most senior leadership of most Financial Services organizations, not least in the UK, would be appalled that a gender bias exists in pay (or indeed promotion) in their organizations. In our interviews for this research, several potential causes for the pay gap were highlighted.

## EXHIBIT 11: GENDER PAY GAP FOR BANKERS WORKING IN THE CITY OF LONDON



Source: Emolument.com (a crowdsourced salary benchmarking tool). Based on self-reported data from 2,819 front-office professionals working at banks in the City at analyst level up to vice-president

One is likely to be the still standard process by which salaries and bonuses are subjectively negotiated behind closed doors. Research has shown women working in financial services (in London) have lower expectations than men for bonuses, at all levels<sup>17</sup> and women are less likely to ask for increased pay.<sup>18</sup> Bias and persuasion play too great a role in what should be a more formal and objective process. This would benefit not only women employees but the organization, by creating a better relationship between pay and performance.

*“We need to nurture the idea that everyone earns the same for performing the same, regardless of who they are. Woman, man, dog, or cat”*

**Ana Fernanda Maiguashca, Co-Director, Central Bank of Colombia**

13 This case study is drawn from: Curt Rice, *How blind auditions help orchestras to eliminate gender bias*, The Guardian, 14 October 2013 and Suby Raman, *Graphing Gender in America's Top Orchestras*, Tumblr, 18 November 2014.

14 *Gender pay gap statistics*, Eurostat, March 2016

15 The unadjusted gender pay gap is defined as the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men

16 Emolument is a crowdsourced salary benchmarking tool which operates a contribute-to-consume model, whereby professionals enter their own data on Emolument.com in order to receive access to benchmark reports

17 Josie Cox, *Sexes split on City bonus expectations*, Astbury Marsden, December 2015

18 Linda Babcock, Sara Laschever, Michele Gelfand and Deborah Small, *Nice Girls Don't Ask*, Harvard Business Review, October 2003

# SOLVING THE MID-CAREER CONFLICT AND OVERCOMING THE OBSTACLES TO ACHIEVING GENDER BALANCE

Financial Services globally faces a significant challenge in achieving greater gender balance. Its female employees are getting to their mid-career stage and finding that the cost-benefit trade-off of staying in the industry does not work, and is significantly worse than in other industries. As a result, female attrition in the mid-career is higher than in other industries, the talent pipeline is therefore thinner and too few women are getting into senior leadership positions.

What can be done to tackle these challenges? In our research we have found that the solutions combine three important elements:

- A. Better understanding of the current state and ambition
- B. Bolder structural solutions in the areas of female talent pipeline, flexible work, parental support, returnship, and pay and progression
- C. More profound and intangible underlying cultural change.

## A. BETTER UNDERSTANDING OF THE CURRENT STATE AND AMBITION

### Assess current state

This report identifies general trends relevant to financial services, but each organization is particular. We recommend the following steps to diagnose problem points.

**Develop an Internal Labor Market (ILM) map.** This is the best way of understanding, at each level of the organization, how

many women and men are being recruited and promoted, and how many are exiting.

**Perform a pay and progression gap analysis.** Financial services firms have a pay and progression gap problem, both overall and between men and women for the same work. Each firm should look at its own pay and progression data to identify where gaps are arising.

**Benchmark.** As more females are leaving their employers in financial services than on average across all industries, financial services firms must compare their gender balance performance not only with each other but with non-financial services firms and, especially, technology firms, which are increasingly the main challenge for talent.<sup>19</sup> If Google, Facebook, Twitter and the like offer more female-friendly working environments, financial services firms will suffer a female “brain drain”.

**Seek honest feedback.** Numbers and benchmarks often do not give a full picture, particularly for an issue so influenced by culture and working dynamics. By conducting anonymous engagement surveys, interviews, and focus groups with male and female staff on Diversity & Inclusion (D&I) measures, organizations can build a picture of the value and success of D&I initiatives, culture and leadership. Effectively anonymized exit interviews and insights from alumni can provide honest insights into where and why female employees are leaving the firm.

**Assess culture.** Measuring culture is difficult, but it is important and possible. Identifying where unconscious bias

<sup>19</sup> Laura Noonan, Emma Jacobs and Ben McLannahan, *Beyond Banking: filling the recruitment abyss*, The Financial Times, 11 November 2015 and Derek Loosvelt, *Why Millennials Refuse to Work for Big Banks*, Vault, 11 April 2016 and Banks? No, thanks!, The Economist, 11 October 2014



most frequently occurs, where stigma is strongest and most damaging, and who or what influences culture is essential to removing cultural blocks that prevent D&I offerings from being effective

### Set an ambition and communicate it

Once the current state is understood, organizations must formulate what they are trying to achieve: that is, what success looks like for them. Here are some questions leaders should ask themselves:

- Why do we want to increase our diversity? What are the benefits? What are the costs?
- What are we aiming for? Where do we want to position ourselves against competitors – as best practice or middle of the pack?
- How quickly do we want to get there?

How this ambition is expressed and measured is also a key consideration. Is it best to set a quantitative target or a qualitative intention?

Communicating ambition will help drive change across an organization. This communication should be underpinned by an organization-wide understanding of why the goal has been set and the benefits of meeting it. Leaders' communication, both formal and informal, is a key influencer. Accountability can also be heightened through public disclosures, such as announcing the goal, reporting on progress in annual reports, and wider releases of gender representation and pay data.

*"Having concrete and actionable targets is the only way to move the dial towards gender equality."*

**Laura Dottori-Attanasio, Senior Executive Vice President and CRO, CIBC**

## B. BOLDER STRUCTURAL SOLUTIONS

Achieving gender balance is partly a matter of the firm's culture, which will be discussed in the next subsection. But it can also be advanced by concrete measures and structural solutions. These will be most effective when they target the diagnosed problem points and address the mid-career conflict women face. While adequate structural solutions will vary by organization, the data and interviews provide an indication of several steps most organizations will need to take:

### Set an ExCo talent pipeline strategy

Meaningful change requires greater female presence on ExCos. Political attention is beginning to shift in this direction. For example, the Netherlands has legislated to improve ExCo representation, and the British Government has commissioned an independent review into increasing the number of female executives at Britain's 350 biggest public companies.

Having women in the ExCo tomorrow requires having women on the level below today. There are no short-cuts, if an organization fails to build the mid-level pipeline then it will not see the senior pipeline develop. And this talent pipeline cannot be restricted to roles that have traditionally attracted women, such as marketing, human resources, and compliance. The data shows that these are beginning to become saturated solutions to the problem. Women held 30 percent to 40 percent of senior support and compliance roles in 2013, and still do in 2016. The space for growth is in senior P&L roles, of which only 5 percent to 15 percent are held by women.

*"To help more women reach management positions, we need to build up more comprehensive and varied career paths rather than single-function paths (HR, Communications or Legal), which do not transition easily to management functions. Boosting our female talent pool is essential for our success."*

**Marguerite Bérard-Andrieu, Management Board Member, BPCE Group**

Delivering on the ExCo talent pipeline strategy will require careful monitoring of recruiting, promotion, retention, and succession planning.

*“Women are too often only considered for positions where they would be replacing another woman. We need women to fill roles they in the past traditionally haven’t”*

**Mary Ellen Iskenderian, President and CEO,  
Women’s World Banking**

*“We go out specifically to hire people who are different to the teams we have. If we have a team of all white males, we won’t hire another white male. There is an element of social engineering in this but what diversity brings you is worth the engineering”*

**Nicky Newton-King, CEO, Johannesburg Stock Exchange**

## DEVELOPING WOMEN LEADERS IN THE UNITED STATES MILITARY<sup>20</sup>

### How are financial services and the military similar when it comes to creating women leaders?

In financial services, it takes 20-25 years to create a senior leader with the necessary skills. It’s no different in the military. We have had few women Generals and Flag Officers because it takes 25-30 years to obtain the requisite depth, breadth and level of experience. Don’t forget that it was barely 40 years ago that the US military academies like West Point, Annapolis and the Air Force Academy started accepting women. To maintain a strong pipeline of female leaders, organizations need to have a clear understanding of the natural timescale for leadership, and plan ahead.

### What lessons can financial services learn from the military for improving gender balance?

Making all roles available to women is key. Up until a few years ago, key career fields and combat roles were not open to women, thereby limiting their advancement. Now all specialties (infantry, submarine, fighter aircraft, special operations, etc.) and therefore command leadership of those same units, including combat roles, are open, and offer key avenues to our highest military leadership positions. The military recognized that, like the path up a tough climbing wall, its future leaders needed equal opportunity to grasp the necessary “golden hand-holds” to rise up the ranks. These take the form of getting someone qualified in special skills, combat ready, educated at

the prestigious military strategy schools, operationally deployed and ultimately selected for operational command. Financial services has different “golden hand-holds”, but they are equally critical to the leadership ascent.

### How does the military think about retention?

Because we must promote from within our own ranks (there is no external source), we must make an early and conscious commitment to access diversity and train to retain. If we aren’t accessing or retaining a specific skill or type of individual, we examine cause and effect. For example, several years back, leaders noticed a significant reduction in the number of women cadets volunteering for fighter pilot training, a coveted role and likely the most direct path to senior Air Force leadership. Why? Deeper examination showed that during this same time period, the Air Force had begun to demand a 10-year commitment from cadets versus the six or seven previously required, with an unintended consequence. While not prohibited, pregnancy limits operations and precludes deployment for an extended period. Whether via leadership insinuation, indirect policy or aggressive peer pressure, women certainly weren’t encouraged to become pregnant while flying fighters, or any combat aircraft. In that context, we were implicitly asking 23 year-old women to not get pregnant till they were 33 years old, and creating a very different lifetime decision matrix for a woman than her male comrade-in-arms, which could ultimately change diversity and demographics for our service, for decades.

<sup>20</sup> Interview with Suzanne (Zan) Vautrinot, Major General (retired) in the United States Air Force and Board Member at Wells Fargo

## More thoughtful and courageous approaches to flexible working and family support

Most financial services companies have flexible working and family support programs in place. Nonetheless, from our survey of 850 financial services professionals, it is evident that employers could do more. In designing a second round of initiatives, employers need to thoughtfully and carefully address the shortcomings of their current programs. Getting this right is vital for helping women overcome the mid-career conflict and retaining them. This alone will not get women to the top, but will help to prevent women from leaving before they have the chance. Structural initiatives should aim to:

- Address the gap with flexible work (especially for mid-level or senior roles) and remove the stigma around using flexible work options
- Get men and women to make equal use of parental leave
- Find solutions to the returnship challenge and avoid a different view of women post-maternity.

And three signs of success should be sought for such initiatives:

**Employees know about them.** Something as simple as awareness can be the biggest barrier to utilizing a well-designed initiative. New employees joining the firm should be informed during induction; managers should remind employees or be proactive in identifying those that would benefit; and the initiative should be marketed internally, for example, with leader announcements. Visibility and awareness are key, not only to those who may want to use the program relatively soon, but also to those that plan ahead longer term and assess the costs and benefits of staying with their employer.

**Employees use them and there is no stigma attached to it.**

An initiative such as flexible working can serve its purpose only if it is used by a broad group of employees at all career levels. It is important to assess how many employees are utilizing the initiative. Are there cultural barriers to its utilization? Does the initiative attract the target audience? Is the initiative equally

used by junior, middle management, and senior colleagues? Are there groups of employees that do not use the initiatives?

**They contribute to a stronger pipeline.** An initiative is truly successful when it adds women to the talent pipeline. Firms must keep track of the results of their initiatives. Have fewer women left after becoming pregnant? Are we onboarding more returnees? Are we losing out to competitors in recruiting the best returnees?

We have discussed standard initiatives, such as flexible working and parental leave. But there is plenty of room for imagination when it comes to structural initiatives. Token initiatives won't suffice. Creativity and an intention to go beyond expectations are required to deliver initiatives that are tailored to the organization and achieve the above. Some interesting examples that emerged in interviews, include: bringing returning mothers back as a group intake, rather than individually (to foster community and collegial support); assigning buddies to returning parents; "in-touch" days to keep connected to staff on extended leave; on-site child care, with cost-free use for new parents; extended leave for birth, adoption, foster care, or legal guardianship; and financial incentives to encourage men to take parental leave.

*"Women tend to 'opt out' if they are not able to envision how they can balance family commitments with their career. What is more important is the ability to come back. It's about having the right infrastructures and policies in place. This serves women but it also means organizations get to retain their talent"*

**Teo Mui Eng, Chief Financial Officer, Singapore and ASEAN, Citi**

## Close the pay and progression gap

Lower pay for women is a major factor in the different trade-off faced by men and women when making decisions about their careers. A first step for organizations is to conduct a pay equity analysis to understand whether there are any gaps, as laid out in the article on pay equity on p. 80. Systematically addressing pay gaps will normally require compensation processes to be made

more objective and transparent, and thereby less vulnerable to unconscious bias – something our survey data shows that both men and women value. Making compensation more predictable will in itself help to increase the expected value of women’s careers.

Organizations must be prepared to be transparent on pay. In January 2016, the Obama administration proposed a new rule requiring US companies with more than 100 employees to submit salary data by race, gender, and ethnicity. A month later, Prime Minister David Cameron announced that UK companies with over 250 employees will have to disclose how much they are paying in salaries and bonuses to their male and female staff from early 2017. Organizations should aim to be ahead of the curve in releasing this data.

*“In trying to achieve gender balance, equal pay must be one of the key measures of success”*

**Alessa Quane, Executive Vice President and Chief Risk Officer, AIG**

As with pay, promotion must become a more objective and transparent process if women are to feel they are not disadvantaged by bias. Another useful expedient is to require a least one credible female candidate to be included on the shortlist for every senior job. Women should be encouraged to put themselves forward for senior positions, ideally by an assigned sponsor.

*“Trying to protect women is the wrong approach. It is key to provide challenge and sponsorship and to set high goals.”*

**Daniela Weber-Rey, Until May 2016 Chief Governance Officer of Deutsche Bank AG**

*“We want sufficient diversity in our recruitment and promotion decisions – on both sides of the table. We make sure that there are always women on the shortlist. Equally, we make sure there are women on the panels making the decision”*

**Dorothee van Vredenburg, Chief Change & Organisation and Member of the Management Board, NN Group**

*“I think there is some really practical help that you can give people – tactics and ways of reflecting on yourself that enable you to develop resilience. I remember being told by a sponsor ‘if you want sympathy, get a dog’ and I disliked him for it, but it was quite an eye opening comment”*

**Sarah Bates, Chairman, St James’s Place**

## C. MORE PROFOUND UNDERLYING CULTURAL CHANGE

Changes to promote gender balance are futile or even divisive when an organization’s culture does not support them. Changing cultures is harder than introducing policies but, over time, it can be achieved. Importantly, cultural changes should not focus exclusively on gender inclusion. On the contrary, an inclusive culture across multiple dimensions will foster an environment in which people from different backgrounds, with different personalities and styles of leadership will prosper (see the article on how we are building an inclusive culture at Oliver Wyman on p. 84 as well as the article on leadership diversity on p. 62).

Below are three factors important to building an inclusive culture that supports gender balance.

### Put practice ahead of theory

Getting culture right is a matter of actual practices, not official policies. This will often mean decentralizing management of the programs. For example, flexible work policies set at the top level are helpful to ensure firm-wide acceptance. However, an overly formalized approach can be restrictive or unsuitable on a case-by-case basis. Policies should act more as a guide or doctrine, with the practicalities of implementation managed at the more interpersonal lower levels: for example, by a team manager.

*“What really matters with flexible working policies is what happens in practice, not what HR and other departments have on paper, but how this works in the long term”*

**Director, European supervisory body**

*“After you have kids and you want to return to work, it’s about getting the support from your colleagues and managers, and getting the flexibility to be able to work from wherever you are. It needs to be accepted that you will log in and log out”*

**Pia Marions, CFO, Folksam**

These managers will need support to be effective. Managers need to be trained to successfully manage flex work staff, ensure they have equitable opportunities based on the quality of their work output, and actively advocate on their behalf.

*“In order to make flexible work programs work, senior managers have to not only set examples themselves, but they also have to teach line managers how to evolve their management approach in a flexible working environment”*

**David Cole, CFO, Swiss Re**

Training is also key to avoiding unconscious bias. There may be some people who do not need such training, but not many. And those who think they don’t are often surprised by what they discover about their own habits of mind when forced to examine themselves. We recommend that financial services firms make unconscious bias training compulsory for management, or provide incentives to participate in the training where needed.

*“I went through mandatory unconscious bias training (we wouldn’t get our bonus unless we had done it), and it blew my socks off. I also observed a number of men who went in moaning, coming out saying ‘that was the most useful training I have ever done’”*

**Eva Lindholm, Group Managing Director, UBS and Board Member TFL**

Making female and male role models visible and telling stories also helps to underpin a culture – stories about senior men taking full paternity leave, about women being promoted after returning from maternity leave, about the CEO who drops his children at school every day. These stories can be told informally by team managers and formally through internal newsletters.

## Support men to support women

Despite dramatic cultural changes over recent decades, women still perform more unpaid work (such as child care, household work, and grocery shopping) than men. An OECD study found that across OECD countries, on average women worked 8.1 hours per day, more than men at 7.8. However, women spent 4.5 hours (55 percent) on unpaid work, compared to men at 2.3 hours (30 percent).<sup>21</sup> For women to devote more of their energies to their careers, men will have to devote more to unpaid work. And, as the survey data shows, men want flexible work and family support just as much as women. Programs that make it easier to combine a career with family life must apply to men as much as women, for the sakes of both groups.

*“Many men are also suffering from a high-pressure environment at work, have self-doubts, and are unhappy about their work-life balance. They just do not show it in the same way as women”*

**Nina Klingspor, CFO, Allianz Global Corporate & Specialty**

Initiatives aimed at increasing the role of women in financial services have been focussed on women, and taken by women. This is good for increasing awareness among women, and creates a sense of community. However, it means men are missing out. It also risks a backlash from men perceiving special treatment for women. It risks men feeling that they are subsidizing women, or that they receive less support. And, so long as men are excluded from such initiatives, this may be true.

Men should not only be allowed to take advantage of parental leave and flexible work options but should be encouraged to. This will help women at home and de-stigmatize these options at work. The survey shows that women are not asking for men to have more paternity leave but simply want men to be encouraged to take what is already being offered to them. The men who take parental leave or flexible work will set an example for their colleagues, both male and female, showing that it is not a “mommy track” to career oblivion.

Of course, the required changes in attitude depend on cultural forces beyond the control of individual companies or industries.

<sup>21</sup> Balancing paid work, unpaid work and leisure, OECD, 7 March 2014

But firms can do their bit, not only through the measures discussed but in more subtle ways. A senior male leader can help set the tone by taking the afternoon off to go to the Christmas play, arriving late after dropping his kids at school, turning his phone off at weekends, or taking full paternity leave.

*“The role of women in the home and family needs to evolve for them to increase their presence at work”*

**Maria Mercedes Cuellar, President, FELABAN**

*“Traditionally, it has been viewed that mothers carry the domestic burden and therefore take maternity related career breaks. We now live in a world where an increasing number of employers recognize that a six or 12 month leave for a new born should not be exclusive to women, as there are lots of men out there who want the choice and opportunity to be the primary carer”*

**Audra Paton, Independent Risk Director, ICE Clear Europe**

*“This is about equality for men too. They have the right to go home early to see their kids, the right to take them to the doctor, the right to go to the Christmas play. But they are not expected to. They have the right to have a bad year at work and not be considered a “loser” that is not able to support his family. It is a rough deal for them too”*

**Ana Fernanda Maiguashca, Co-Director, Central Bank of Colombia**

## Seek enlightened leadership

We spoke to over 100 enlightened leaders during our interviews. But financial services needs more. Organizations should identify areas where such leaders are lacking and where training or a change of the guard is needed.

What makes an enlightened leader? Many things, of course. But there are some common traits that make leaders stand out as prominent advocates for achieving gender balance.

Enlightened leaders set the tone. They seek gender balance not just because it is the “right thing to do” but because of the business benefits. They actively build a more supportive culture, question bias and ensure gender balance is a priority for their organization. They take “risks” that push them out of their

comfort zone, such as hiring people that are different to them. They take on the responsibilities of a sponsor, and nurture the leaders that will replace them. They challenge the status quo, not just verbally, but in action.

An enlightened leader does not have to be in the C-suite, though it helps if they are. Enlightened leaders are needed at all levels, from CEO to team leader, to foster a culture that supports gender balance.

*“Our success in achieving gender balance is a result of having enlightened leaders in place. They have asked the important questions, and acted. Where do we need to change? What sort of skills do we need? How do we add diverse perspectives? Have we got sufficiently diverse thinking from different sectors, experiences, ages, and genders?”*

**Graeme Brookes, Director: Governance, Risk and Compliance, Johannesburg Stock Exchange (JSE)**

*“We as leaders have a responsibility to push the right mindset down through the organization. If we see behavior which goes against our culture, we should have zero tolerance for it. And we should ensure people know this is not just for fun; this is part of our DNA”*

**Christine van Rijsseghem, CRO, KBC Group**

*“Leaders need to watch out for diverse talent and ensure opportunities come their way”*

**Stephanie von Friedeburg, World Bank Group Chief Information Officer and Vice President, Information and Technology Solutions**

*“I believe flexible working is important in order to attract and retain different talent –and as senior leaders, we must role model this behavior if we want to normalize it across the organization”*

**Francesca McDonagh, Head of Retail Banking and Wealth Management, UK and Europe, HSBC**

*“Culture matters, but it is transient and it is something that is built by the leadership and by demonstrated action”*

**Nicky Newton-King, CEO, Johannesburg Stock Exchange**

# CONCLUSION

In our previous report, we lamented that “the pace of change is not fast enough.” It still isn’t. In fact, as noted above, progress seems to have slowed in some geographies. This new trend needs to be reversed. The effort to improve gender balance in financial services needs to find a second wind.

And it can. In this report we have identified the critical point in many women’s careers: the mid-career conflict, where the costs and benefits of a career in financial services seem to be out of balance for many. There are plenty of concrete actions that firms can take to improve the cost-benefit for women in financial services, many of them described above. And the deep cultural transformations required have hardly begun.

As we have noted, firms in lagging countries can learn from countries where gender balance has made more progress. But even within individual markets, some firms are doing much better than others and overall progress would be promoted by more sharing of insights and success stories. Industry bodies devoted to the issue are the obvious mechanism.

*“There needs to be more conversation across organizations in the industry so we can learn from each other and see what worked and what didn’t. We almost need an open source code that everyone can see”*

***Julie Winkler, Senior Managing Director, Research, Product Development and Index Services, CME Group***

The rest of this report contains a selection of articles on particular topics regarding gender balance in financial services. Some have a national focus, some are sectoral, and one is generational. Others focus on specific aspects of gender balance. We end with an article by Scott McDonald, President and CEO of Oliver Wyman. It concerns the evolution of our thinking about diversity and inclusion, and what we hope will be our own second wind for achieving gender balance.

SHOULD I STAY OR SHOULD I GO?

# SHOULD I STAY OR SHOULD I GO?

A CROSS-GENERATIONAL VIEW FROM THE US

ELIZABETH ST-ONGE  
EGE GÜRDENİZ





## INTRODUCTION

The United States has been at the epicenter of the debate and progress on gender equality for decades, and more recently has had a front-row view of the emerging values and preferences of the millennial generation. So where better than the US to explore how women's experience with respect to gender in the financial services industry has changed over the past two to three decades?

To find out, we interviewed a range of senior female executives from across the financial services industry on their career experiences and trajectory. We also conducted focus groups with millennial women (each focus group having 8-15 participants) and individual conversations with young women working across the industry, ranging from investment banks and insurance companies to retail banks and payment companies. And we reviewed the growing body of literature on emerging millennial experiences to understand how the individual experiences we learned about in our conversations fit within the broader trends observed.

These conversations and research enabled us to compare and contrast the experiences of women across generations. We found that, despite significant effort (and investments) made by the industry to create a more inclusive workplace, and the genuine commitment of the institutions and individuals leading these efforts, millennial women early in their careers experience many of the same fundamental causes of the gender gap that their female forebears experienced 10, 20, and 30 years ago.

This is not to say no progress has been made – because it has. However, the improvements made over the past 20 to 30 years have arguably been relatively straightforward: the obvious discriminatory and structural issues have been tackled. What has not been tackled, it emerges, is the more difficult task of questioning the underlying cultural norms in our industry (and society), and our assumptions about leadership, accomplishment, and ambition. This is the next challenge that we must address to attract, and more importantly, to retain and engage the talent pool represented by millennial women.

*“When a young woman hits a hard point in her career, if she looks up and does not see any women at the top, she wonders if she will make it – if all of the sacrifices she will have to make will pay off. That is one key reason why women leave the industry”*

**Marisa Drew, Managing Director, Co-Head EMEA Investment Banking and Capital Markets, Credit Suisse**

*“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”*  
**Millennial woman working in the financial services industry**

## PROGRESS AND CURRENT STATE ON GENDER BALANCE IN THE US

A great deal of progress was made towards gender balance in the financial services industry in the United States in the latter half of the 20th century. Between 1960 and 1983, overall representation of women in banking and financial management jumped from 9 percent to 39 percent.<sup>1</sup> Progress continued through the 1990s and women started to represent about 50 percent of professional roles (not counting administrative, clerical or support roles), indicating a somewhat gender-balanced financial services industry.<sup>2</sup> The improvement was some of the most impressive seen anywhere in the world in this period.

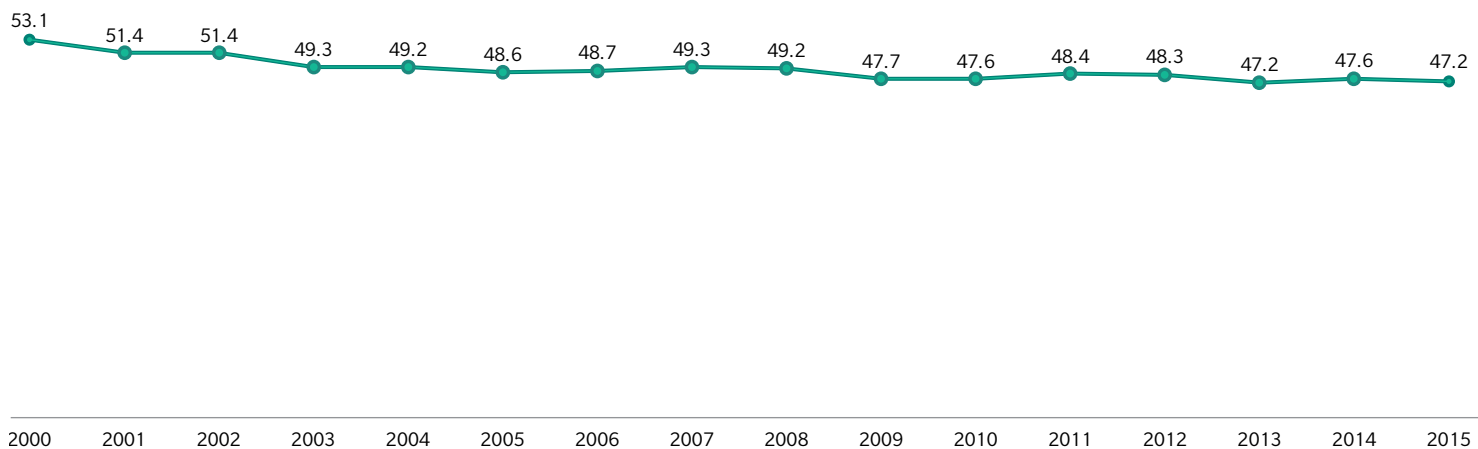
However, as Exhibit 1 demonstrates, progress stalled and even slightly reversed over the past 15 years, with female representation on a downward trend since 2000.

The slight (but apparent) decline in aggregate female representation is not encouraging. However, the bigger source of concern lies in the details: female representation at different levels of seniority. In our lead article we showed that female representation decreases at each level in the hierarchy.<sup>3</sup> Zooming in on the US, Exhibit 2 shows that female representation at the first- and mid-levels is hovering around 45 percent, while there is only 28 percent female representation at more senior levels, dropping to a meager 1.4 percent of female CEOs at S&P 500 finance companies.

*“There is something else going on that women don’t make it to the top. Work-life balance is not a particularly useful explanation”*  
**Laura Liswood, Secretary General, Council of Women World Leaders, and former Managing Director, Goldman Sachs**

### EXHIBIT 1: PERCENTAGE OF WOMEN IN MANAGEMENT, PROFESSIONAL, AND RELATED OCCUPATIONS IN FINANCE COMPANIES<sup>2</sup>

BUREAU OF LABOR STATISTICS CURRENT POPULATION SURVEY, 2000-2015  
 FEMALE REPRESENTATION (%)



Source: Bureau of Labor Statistics

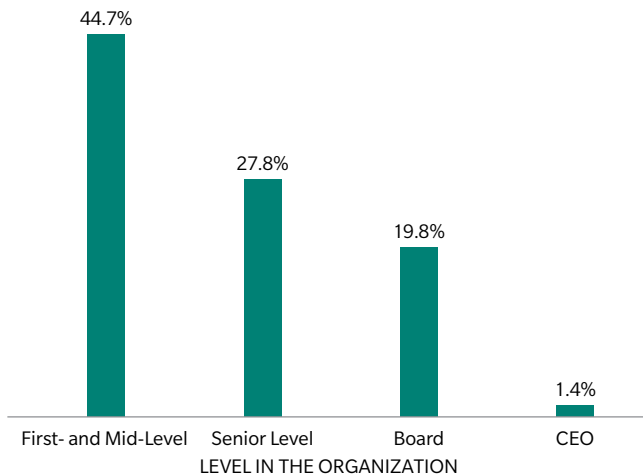
1 Andrew Hacker, *Women vs. Men in the Work Force*, New York Times. 9 December 1984

2 Bureau of Labor Statistics Current Population Survey ([www.bls.gov/cps/tables.htm](http://www.bls.gov/cps/tables.htm)). Data covers the BLS-defined “financial activities” super-sector which includes finance, insurance and real estate companies. Data for 2000 and 2001 are not available. 1999 and 2002 data were used for 2000 and 2001 respectively.

3 See the ILM map in Exhibit 6 in our lead article

**EXHIBIT 2: PERCENTAGE OF WOMEN IN S&P 500 FINANCE COMPANIES BY LEVEL<sup>4</sup>**

PERCENTAGE FEMALE REPRESENTATION



Source: Catalyst<sup>4</sup>

So over this period, despite improving to about 50 percent female representation in aggregate, the figures are now deteriorating overall, and we are stuck at the 20 percent to 30 percent range at the senior and board levels. And this is despite significant effort and investment in programs to advance women’s careers.

One must dig deeper than the many superficial answers often given to this question. As such, we focused on identifying how gender inequality was initially addressed (thus leading to the significant jump in female representation in the 1970s, 1980s, and 1990s) – and also on identifying those issues that remain unaddressed and still impact the Millennials who have entered the industry more recently.

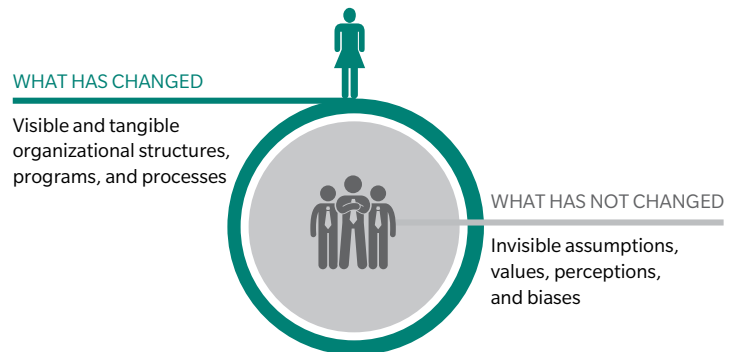
**WHAT HAS CHANGED...  
...AND WHAT HAS NOT**

Industry efforts over the past decades have been successful in addressing the visible aspects of gender inequality: programmatic or structural elements that can be readily identified and addressed through tangible corporate programs and policies, such as work-flexibility programs, networking opportunities, and mentorship or leadership programs. These efforts have allowed financial institutions to attract women and initially acclimate them. As a result, aggregate female participation in the industry in the US has improved dramatically. However, these efforts have been insufficient in retaining and advancing women over the long term, in large part because such efforts have done little to fix the invisible aspects of gender inequality: the underlying values and assumptions that define an organization’s culture and day-to-day work styles – as well as the many unconscious biases.

*“It is not just one thing – we need to work on this on multiple fronts: we need more women at the top to set the example and set the tone. We need to deal with unconscious bias. And we need a whole set of programs to help development and career mobility for women”*

**Maria Morris, Executive Vice President, MetLife**

**EXHIBIT 3: INDUSTRY EFFORTS HAVE MOSTLY FOCUSED ON THE VISIBLE ASPECTS OF THE ISSUE**



4 Source for First- and “Mid-Level” and “Senior Level” is: GAO, U.S. Equal Employment Opportunity Commission (EEOC)’s 2013 EEO-1 Survey Data, 2013. Source for “Board” is: Catalyst, Catalyst Census: Women Board of Directors, 2015. Source for “CEO” is: Catalyst, Women CEOs of the S&P, 2015.” First/Mid -level” includes individuals who receive directions from Executive/Senior Level management, and oversee and direct the delivery of products, services, or functions at group, regional, or divisional levels of organizations; “Senior-level” includes individuals who reside in the highest levels of organizations and plan, direct, and formulate policies, set strategy, and provide the overall direction of enterprises/organizations for the development and delivery of products or services

Since the underlying invisible issues are largely unaddressed, the experiences of millennial women with respect to day-to-day instances of gender inequality remain disappointingly similar to those of more senior women who joined the financial services industry in the 1980s and 1990s.

*“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”*

**Millennial woman working in the financial services industry**

Through our discussions, we were able to identify eight areas where the undercurrents of gender inequality have remained largely unaddressed by recent corporate efforts, contributing to the slowdown in progress towards gender equality. The perspectives and anecdotes provided by the executives and millennials across these eight areas are illustrated in Exhibit 4.

**EXHIBIT 4: EXECUTIVE AND MILLENNIAL PERSPECTIVES ON WHAT HAS NOT CHANGED**

WHAT HAS NOT CHANGED	EXECUTIVE PERSPECTIVE	MILLENNIAL PERSPECTIVE
<b>1</b> The issues are subtle and invisible	<i>“The first step is helping people understand that there is a problem”</i>	<i>“I have to adapt to the style and preferences of men. It is subtle but always there at the back of my mind everyday... gender is always there. Men never have to think about it – this is an advantage for them”</i>
<b>2</b> Men and women are subject to different standards	<i>“Organizations focus so much on women’s weaknesses. They are far more critical of women than men”</i>	<i>“If a woman raises her voice it’s seen as complaining, but when a man does the same, he is making a point, he is being assertive”</i>  <i>“All of the women at the top are extraordinary. Some of the men at the top are extraordinary, but all of the women are”</i>
<b>3</b> Women don’t get enough stretch opportunities	<i>“Firms are more willing to take risks on men. With a woman, she has to prove it first – and because of that, women have less confidence. Men are also likely to take credit when they do not deserve it”</i>	<i>“I see it time and time again where competent women are passed over and a man is promoted instead”</i>
<b>4</b> Think successful, think men	<i>“When I first started, you had to act like a guy or you did not stand a chance”</i>	<i>“High performers are associated with masculine character traits, so we end up having to ‘masculinize’ our female traits”</i>
<b>5</b> Networking and bonding is critical – but harder for women	<i>“Women tend to focus on execution – on getting their tasks done. But networking is what gets you the opportunities, and enables you to succeed. You have to find ways and time to connect with the senior men”</i>	<i>“Women are given more formal programs but fewer informal opportunities. We are not part of the conversation, of the network”</i>  <i>“We are not in the ‘club’. The guys are already, naturally in the club”</i>
<b>6</b> Too many women remain silent	<i>“I spent most of my career thinking that if I do a good job, I will be recognized. It took me a long time to realize I needed to do more than that”</i>	<i>“You have to ask for the promotion, for the raise, for what you want. But you have to do so carefully. Otherwise, you get told you are too demanding or pushy. Or making trouble. The potential blowback on women for asking for what they want is much bigger than for men”</i>
<b>7</b> Traditional gender roles and assumptions are still there	<i>“There has been and still is a lot of social pressure for both men and women to fulfill traditional gender roles”</i>	<i>“Many men of our generation still assume their career will take precedence over their wife’s career”</i>  <i>“When a woman gets married the assumption is that she is less committed to the job because now she has a husband to support her”</i>
<b>8</b> There is a lack of role models at the top	<i>“Only when you have someone who looks like you do you internalize that you can make it too”</i>  <i>“We set targets for everything in business that is important. So if we value having more women at the top, then we should set targets”</i>	<i>“Women beget women. We need more women at the top – otherwise it will never change”</i>  <i>“Each time a senior woman leaves or gets fired - it’s not just about the loss of her. It also crushes the hopes and dreams of all junior women who have so few role models”</i>  <i>“I feel alone, isolated. There are so few women we can look to and see that they have made it. Makes you wonder if you can make it”</i>

## CAUGHT OFF GUARD – MILLENNIAL EXPECTATIONS DISAPPOINTED

The similarity of the experiences shows that there really is no generation gap in the gender gap issue. However, expectations have shifted significantly. Women who joined the financial services industry in the 1980s and 1990s knew what they were getting into and expected to deal with the issues discussed above and more. However, millennial women come into the industry with completely different expectations.

*“I was shocked when I came to work to see that there were so few women, so little diversity. I was so naive. It was a complete culture shock”*

**Millennial woman working in the financial services industry**

*“Young women come into the industry thinking there will be no problems, but five years into their career, the gender-based obstacles start”*

**Laura Liswood, Secretary General, Council of Women World Leaders, and former Managing Director, Goldman Sachs**

*“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”*

**Millennial woman working in the financial services industry**

*“In the absence of senior female leaders, young women are prone to say to themselves: I don’t believe I can get there, because I don’t see any role models who have gotten there. That can be a big influencer in their decision to opt out”*

**Marisa Drew, Managing Director, Co-Head EMEA Investment Banking and Capital Markets, Credit Suisse**

*“Women don’t stay because it’s the path of least resistance. 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?”*

**Millennial woman working in the financial services industry**

Numerous data and studies show that millennial women are better educated than their male counterparts; they are armed with technology and social media; and they are not afraid to articulate their values and challenge stereotypes. As a result, millennial women come into the workforce with a can-do attitude, not expecting gender to be a factor that impacts their day-to-day lives in the office. However, they experience a sobering “culture shock” as they realize gender-based issues and expectations to fulfill traditional gender roles persist.

This culture shock starts to set in and take its toll four to five years into their careers. During these years, the day-to-day manifestations of the gender-based issues slowly build up. While both men and women realize the personal sacrifices that will have to be made to reach the top, women face additional burdens: greater uncertainty about whether they will make it due to lack of examples showing that women leadership is valued; societal expectations that are still in large part traditional; and (on occasion) treatment that is unfair, unpleasant, or discriminatory.

This burden makes women eventually realize that the cost they have to pay for their success is higher than that of men, whereas the potential benefits and opportunities are less certain. Many women opt out when this realization is made: the cost of growing their career outweighs the potential benefits, especially when taking into account the greater uncertainty and obstacles they face. It becomes a risk-weighted cost-benefit decision.

## HOW DO WE ADDRESS THE CURRENT ISSUES?

In our interviews and focus groups, we asked both our experienced executives and our millennials the same question: What do we need to do to address these issues?

We encountered a wide range of views and no silver bullet. However, four action items emerged that we believe can provide a starting point. If taken together and with sufficient resolve, they could provide financial institutions with a powerful framework that can help them tackle aspects of the gender inequality issue that have remained unaddressed over the years.

### EXHIBIT 5: A GOOD PLACE TO START

#### SUPPORT WOMEN AT THE INFLECTION POINT

Develop a thorough understanding of the challenges and obstacles women face ~4-5 years into their careers which eventually lead them to opt out

Design specific tools and programs that would support women at this point and help them advance their careers

Do not just provide the tools and programs, but make sure managers and executives on the ground are encouraging their use – involvement and commitment from male managers and leaders is critical

#### IMPROVE THE TALENT MANAGEMENT PROCESS

Establish a talent brokerage model where hiring and promotion decisions are not made by individual executives, but by diverse committees that have representation from both the business and human resources

Ensure high-performing women are better equipped to manage and drive their career – directing them towards roles and functions that have more direct path towards senior leadership roles (for instance, providing them the skills and training early on to fulfill roles in frontline and P&L functions)

Provide opportunities for women to network in meaningful ways (i.e. at industry events or through associations) – enabling ‘purposeful’ networking

Ensure sponsorship programs exist for women and that they are given the opportunities to grow and be stretched – that the organization takes risk on women who may not have fully proven themselves yet but have high potential

#### FIX THE ASSUMPTIONS, BIASES, AND PERCEPTIONS

Require unconscious bias and other relevant behavioral training for all management/executive level employees

Ensure employees are fully aware of the nature and extent of the issue and are well equipped to manage and eliminate the problem

Track individual manager/executive success in eliminating invisible barriers through regular focus groups with women

#### BRING MEN INTO THE SOLUTION

Launch campaigns to explain and demonstrate how men can be a part of the solution

Have men at all levels participate in “women’s efforts” such as women’s networks and sponsorship/mentorship programs – involve men who are *authentic* in their support of diversity and inclusion efforts

Appoint executive men to lead women’s efforts and set an example for the younger men

Have senior women mentor junior men – creating more relationships that go across generation and gender, and as a result, leading to greater understanding, sensitivity, and awareness



FOCUS OF FEEDBACK PROVIDED BY EXECUTIVES

FOCUS OF FEEDBACK PROVIDED BY MILLENNIALS

Both executives and millennials highlighted initiatives in each of the above four areas as critical pieces of the puzzle. However, the emphasis placed on individual areas slightly differed across the generations. Being in a position to drive organizational change, executives focused more on the higher-level, strategic solutions that would allow institutions to better support the development of women's careers. Being closer to the actual manifestation of the issue, millennial women focused more on the granular steps that need to be taken to engage all employees on the issue, and address the day-to-day aspects of the problem.

What was uniformly agreed across both generations is that there needs to be very demonstrable "commitment at the top" supporting cultural change, whether through these four items or any similar effort. Setting the tone at the executive level and leading by example will inspire more junior employees – and even make them feel obliged – to follow suit. It's also important to realize that the day-to-day work, opportunities, and promotions of junior women are largely driven by middle managers; as such, it is critical to ensure that the "tone from top" on this issue reaches all levels, departments and business units.

*"It's important to have people believe in you, to take chances on you. But you also have to be fearless and willing to make mistakes along the way. It's all in your perspective. Whenever I pushed myself and took risks with my career, I asked myself: 'What's the worst that could happen if this does not work out?' Taking this view enabled me to be more confident, to not be afraid of failing, and to step out of my comfort zone"*

**Andrea Smith, Chief Administrative Officer, Bank of America**

*"Sponsors are incredibly important to achieve success. It's not just a mentor but someone who is willing to take risks on you and promote you. In essence, co-linking their career to yours"*

**Beth Johnson, Chief Marketing Officer and Head of Consumer Strategy – EVP, Citizens Bank**

The institutions in the US that have been ahead of the industry in gender diversity efforts are generally also the ones that have already launched efforts in the four areas identified above, with commitment from executives that resonate across all levels of the organization. These institutions also tend to be the ones that have businesses focused on driving innovation, building long-term franchise and brand value, and fostering lasting client/customer relationships. These types of cultures more fully embrace talent management and diversity. Women at these institutions also expressed their appreciation for a career progression culture that does not follow the more traditional "up or out" model, but allows for lateral movements that enable employees to try different roles and develop different skills without being pressured to seek the next upward promotion opportunity.

*"Today, you cannot get enough talent from one demographic pool, so banks that do a good job at diversity and inclusion will win because they will have better talent. Talent comes from so many diverse sources, to be successful all of them need to be tapped"*

**Jenn LaClair, Chief Financial Officer, PNC Businesses**

*"Innovation and diversity go hand in hand. More women lead to more diverse opinions, which a key ingredient for innovation"*

**Julie Winkler, Senior Managing Director, Research, Product Development and Index Services, CME Group**

## LOOKING AHEAD – WHERE TO FOR THE MILLENNIALS?

Millennial women and how they view their future will be a key factor determining how much progress we make towards gender equality.

*“Millennials are the most transformative generation since the Baby Boomers”*

**Beth Mooney, Chairman and Chief Executive Officer, KeyBank**

*“The millennials are a very large generation. They will change the world. Current leaders need to embrace the change”*

**Diana Reid, EVP and Head of PNC Real Estate, PNC Financial Services Group**

On the one hand, millennial women are well-educated and empowered, they believe in fairness, and they are not afraid to stand up for themselves. This should bode well for the women in the industry as this generation will be more confident and assertive in seeking what they see is rightfully theirs.

On the other hand, millennial women are not timid about following their own personal path and chase fulfillment in a number of different ways. Their allegiances do not rest in one place and they have a greater willingness to leave if they think the organization is not living up to their values. This could mean that a great number of women choose to leave the industry. While this may be good for the individual women who are choosing their own paths, it could have severe consequences for the industry in terms of “brain drain” in the longer term. This would not only have negative economic implications for the industry through lost talent, but also substantially hinder the advancement of women in financial

services. It may also reinforce the stereotype that women leave for family reasons and that the industry is incompatible with work-life balance priorities.

Currently it is not possible to tell which direction we are headed in. However, we conclude that it is vital for the industry to steer towards the former path by taking steps to address the invisible aspects of gender inequality, while continuing with existing efforts to address its visible components.

Among all this uncertainty, however, one thing seems clear: this journey is going to take a long time. It is not going to be easy, but we have already made substantial progress. The industry has recognized the importance of diversity; both women and men have shown significant commitment to solving the problem; and the industry as a whole has shown tremendous ability for innovation, creativity, and problem solving. If we continue working together and keep the momentum up, gender can become an issue of the past for future generations.

*“Do people realize how amazing women are? We are so strong and resilient!”*

**Millennial woman working in the financial services industry**



# WOMEN IN THE PUBLIC SECTOR

## AHEAD OF THE CURVE BUT ROOM FOR IMPROVEMENT

LISA QUEST



In financial services, women do better in public sector institutions, including central banks and regulators, than in the private sector. In 20 out of the 32 countries analyzed in the report, the percentage of Executive Committee (ExCo) positions occupied by women is higher in public sector institutions. With a few notable exceptions, the countries where the private sector outperforms are those where women are (almost) completely unrepresented on public sector ExCos (see Exhibit 1). Overall, the percentage of ExCo positions held by women in the public sector is 22 percent, compared to only 15 percent in the private sector.

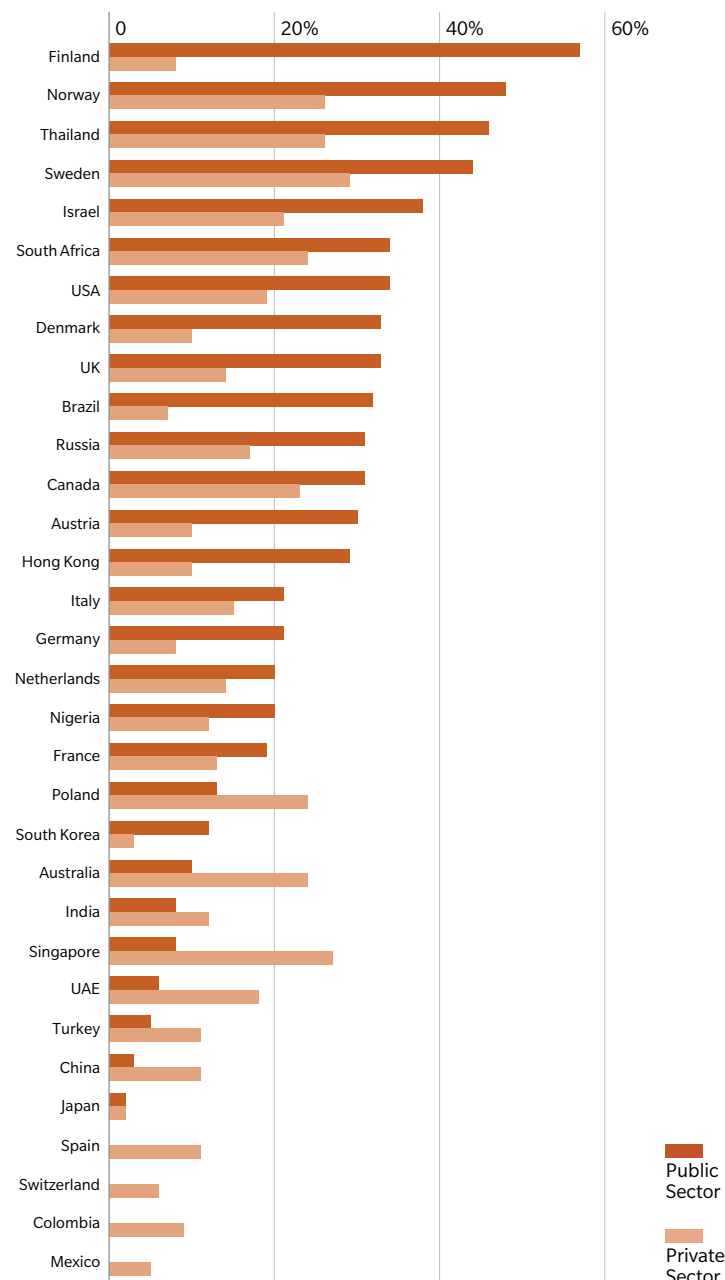
*“There is a moral imperative in the public sector that drives institutions to reflect the country that they serve, and improve diversity at all levels of the organization. At the Bank of England, we actively promote diversity through a variety of initiatives, which, in addition to setting ourselves challenging targets, have made a real difference. But there is no ‘silver bullet’ to increase diversity that works for all”*

**Charlotte Hogg, COO, Bank of England**

*“In my nearly 30 years of experience, I have learned that it is most efficient for an organization to have diversity of gender and age in its human resources. Such organizations typically perform better than more homogeneous ones”*

**Stanislava Zadavec Capriolo, Vice Governor at the Bank of Slovenia**

**EXHIBIT 1: EXCO POSITIONS IN FINANCIAL SERVICES ORGANIZATIONS HELD BY WOMEN: PUBLIC SECTOR VS. PRIVATE SECTOR<sup>1</sup>**



Source: Oliver Wyman analysis of organizational disclosures

<sup>1</sup> Structures of public sector organizations in our sample from Mexico, Poland, and Russia means data corresponds to BoD representation

What explains this consistent difference? Why is gender imbalance less pronounced in the public sector than in the private sector?

There is no shortage of candidate answers, most of which point to a better fit between the stereotypical or perceived preferences of women and the employment conditions in the public sector:

“Women value the greater job security and better work-life balance and more flexible working conditions commonly offered by public sector employers.”

“Women are more likely to be part of a two-income family than their male executive colleagues and, therefore, less motivated by the higher incomes available in the private sector.”

“Women are often less comfortable with the aggressive cultures of financial services firms in the private sector.”

“Women are more altruistic and drawn to the public service element of public sector work.”

“Women are drawn to jobs where they can directly apply a qualification – being an economist, a lawyer, or an accountant – of which there are more in the public sector, given its focus on supervisory functions rather than deal making, sales, and management.”

“Public sector institutions often offer more amenities for women, including on-site child care.”

Finally, the simple fact that public sector firms already employ more women creates a female-friendly culture, natural sponsorship for junior female employees, and better opportunities for women to progress in their careers.

There is truth in all of the above, and as more data is collected and analyzed, we will be able to attribute greater explanatory power to each and understand nuances for different country or cultural settings. Many of the women we interviewed said that their preference for the public sector comes from a combination of the social purpose, security, opportunities, support, and culture it offers. The work-life balance offered by public sector organizations is also an important factor for many women who already have families or plan to start one.

*“The public sector has strengths in being very meritocratic. Relationships and networks are valuable but importance is placed on technical skills that are assessed through objective ‘tests/exams’ that do not differentiate by gender”*

**Belen Romana, Board Member, Santander**

*“Many women chose the public sector because it is perceived as more transparent, objective, and meritocratic: If you are good, you pass the public examination and you advance in your career. Also, women tend to drive their career choices by practical considerations (stability, economic independence), and from this perspective, the public sector is perceived as a ‘safe harbor”*

**Valeria Sannucci, Deputy Governor of the Bank of Italy**

*“You’re not joining a financial services institution, you’re joining a well-regarded public sector institution. There is better work-life balance and tools that facilitate combining high pressure and meaningful work with a family life. For example, we support flexible working even at senior levels”*

**Yannick Cox, Head of Division, Supervision at the Bank of England**

## HOW CAN THE PUBLIC SECTOR GET EVEN BETTER?

Gender balance may be better in the public sector than the private sector, but it is still far from 50:50 in most countries. In only four of the 32-country sample do women occupy more than 40 percent of ExCo positions. In most countries, they occupy less than 30 percent.

Respondents attribute this to a number of things, including the persistence of some aggressive cultural norms in the financial services industry, inflexible working models, greater demand on public sector employees to produce more with less, and the fact that increasing gender balance has become a priority only recently. Even where the value of diversity has been recognized, it takes time to develop people capable of excelling in senior roles.

*“You need a sufficient amount of senior managers who are female in the pipeline to have some promoted to the top level. Now, the Commission is making a conscious effort to build the pipeline of candidates to be able to create a balance of female leaders at the highest level”*

**Anna Jarosz-Friis, Head of Unit, Task Force Financial Crisis, European Commission DG COMP**

*“It’s important to encourage women to have more of a risk appetite to take chances and put themselves forward for advancement; there is a tendency to concentrate on what you can’t do rather than what you can do. What I have found successful is encouraging women to act into or cover a senior role so they have more confidence to apply on a permanent basis”*

**Charlotte Gerken, Director Supervisory Risk Specialists, PRA**

Of greatest importance is preserving the features that now make public sector employment attractive to women. Many of our interviewees fear the public sector is shifting toward a more private sector mentality, with longer working hours, reduced flexibility in career paths, and a deteriorating working culture. What’s needed is the exact opposite. Public sector workplaces should become even more family-friendly, with quality on-site child care and the greatest possible flexibility regarding hours and location of work.

*“Organizations need to embrace the pioneers who are willing to trial new flexible working styles and highlight those opportunities. Until you start visibly supporting and rewarding these pioneering leaders, you’ll never really embed new cultures”*

**Joanna Hill, Director – Market Intelligence, Data and Analysis Division, Financial Conduct Authority**

*“One of key things that the sector can do to support women is to provide child-care infrastructure, and this is especially true in Italy, where the infrastructure is often very limited”*

**Maria Cannata, Director General, Public Debt, Treasury Department, Italian Ministry of Economy & Finance**

Many suggested that diversity would be promoted by reporting on gender mixes at all levels of the organization. Where diversity is poor, management should be required to formulate a credible plan to close the gap within a specified time.

Communication is also important. Like financial services firms in the private sector, public sector bodies must take the time to understand and advertise the benefits of increased diversity in their management and other staff. The reputation of the financial institutions – both private and public – has been damaged by the financial crisis. It will be a benefit for them to be seen as pursuing a better balance between the two genders, especially given the widespread belief that the crisis was the result of excessive testosterone in the financial industry.

*“Especially in an industry that is having a hard time, there is an opportunity to lead the way and be exemplary. There are many opportunities for the sector to reconnect with the public and I really hope that in the next five years we see a big change”*

**Joanne Kellermann, Member of the Board,  
Single Resolution Board**

The most direct way to promote gender balance in the leadership of public sector financial institutions, however, is to promote women – literally. As noted, this requires a pipeline of talented women who can fill senior roles. Developing this pipeline should be a priority for current senior leaders. Then women must apply for senior positions, which can sometimes require nudging, a role best played by internal mentors assigned to promising staff.

## WHAT CAN THE PRIVATE SECTOR LEARN?

The private sector can, and should, learn directly from these examples and begin to meaningfully adopt these things if they hope to fulfil their publicly stated targets to increase gender balance. Carefully putting in place things like flexible working, high-quality child care, secure maternity and encouraged paternity leave and returnship program, to name just a few examples, could start to stem the flow of qualified women from the financial services private sector. Understanding that drivers of private sector success are different from those of the public sector (and that not all things are feasible), if the private sector is serious about increasing female participation, they have a few tested models that are already proving successful.

Public sector organizations are not always known for being ahead of the private sector in their business practices. But when it comes to gender balance in the financial services, they are well ahead of the curve. And, with the right measures, they can continue to lead the way.

# WOMEN'S FINANCIAL INCLUSION

HOW TO GET A BILLION NEW CUSTOMERS

RUPAL KANTARIA  
CHAITRA CHANDRASEKHAR  
MARY ELLEN ISKENDERIAN, WOMEN'S WORLD BANKING  
KAREN MILLER, WOMEN'S WORLD BANKING



Financial inclusion means having access to the basic financial services that most citizens in advanced economies take for granted: a bank account, credit, insurance, savings products. Activists for economic development rightly focus on it.

Without access to a bank account, it is difficult to save, cash being vulnerable not only to theft but to inflation. The unbanked find it expensive or practically impossible to transact with anyone outside of their immediate surroundings. Nor will they have much prospect of raising capital to start or expand a business, however small. And, without savings, credit, or insurance, it is difficult to keep a business going or to maintain consumption in the face of setbacks. In short, financial exclusion is economically crippling.

This harm extends beyond the financially excluded individuals. The growth of an economy with a large excluded population will be slowed, making everyone worse off. Financial inclusion

should be a priority of the governments of developing economies. And self-interest alone should suffice to make it a priority for financial services firms. They are missing out on serving many hundreds of millions of potential customers.

Great progress has been made in financial inclusion in emerging markets. Thinking has shifted from “aid” to empowerment; the old focus on microfinance has expanded to include a wider variety of products such as insurance and savings, as well as a wider variety of players; and new digital technologies has radically reduced the cost of providing basic services.

Yet, as Exhibit 1 shows, a gender imbalance persists. Even as 700 million have entered the financial system over the past five years, the gap on average between men and women has remained a stubborn 7 percentage points. Over a billion women around the world are still financially excluded.

**EXHIBIT 1: FINANCIAL INCLUSION BY REGION AND GENDER**

THE GLOBAL GENDER GAP REMAINS A STEADY 7 PERCENTAGE POINTS

GLOBAL BANK ACCOUNT PENETRATION BY GENDER (IN %)

IN THE DEVELOPING WORLD, THE GENDER GAP IS 9 PERCENTAGE POINTS (UNCHANGED FROM 2011) AND VARIES SIGNIFICANTLY BY REGION

BANK ACCOUNT PENETRATION BY REGION (IN %)



Source: World bank Findex data and analysis

Note: “Central and Eastern Europe (CEE) and Central Asia” region refers to the countries that the World Bank identifies as developing in the “Europe and Central Asia” region

*“Everyone thinks that by addressing the needs of the overall low income segment, women will automatically benefit. That has not been the case”*

**Marieme Esther Dassanou, Global Specialist Women's Access to Finance, International Finance Corporation (IFC)**

Mobile financial ownership, which has been touted as a key part of the solution, also shows that women are being left behind. To take Africa as an example, a gender gap of 13 percent exists between men and women in ownership of mobile phones. Significant variations also exist across and within regions and countries. The gap stands at only 7 percent in Kenya but 45 percent in Niger.<sup>1</sup>

*There's over 1.7 billion females who don't own a mobile phone. If you just look at closing in mobile ownership and usage, there is a \$170 billion dollar revenue opportunity for operators between 2015 and 2020”*

**Claire Sibthorpe, Head of GSMA Connected Women, GSMA**

Why aren't providers doing more to reach these more than one billion potential customers? What needs to change to see a material improvement for women in emerging markets?

*“If I asked you to close your eyes and I described a market that was 1.1 billion people, who were unserved across the globe, would you ever just ignore this market? Would you ever think that this is not an opportunity that you should be developing?”*

**Mary Ellen Iskenderian, President and CEO, Women's World Banking**

In conjunction with Women's World Banking, we convened a multi-stakeholder group of experts to address these questions. This group included large financial institutions (such as Aegon, Credit Suisse, MasterCard, and Western Union), public sector institutions (such as DFID), mobile network operators (such as Vodafone), financial technology (fintech) companies, global retailers (such as Unilever), and large developmental organizations – both multilateral (such as the World Bank) and local ones working on the ground in Nigeria and India. Four themes emerged from these diverse perspectives.

## “THE PROOF IS IN THE PROFIT”

Many financial services firms have declared their commitment to women's financial inclusion as an overall attractive opportunity, but most still cannot tell you the gender of their customers or the rates of return and payback periods on initiatives aimed at women. Better research is needed, along with better data and pilot programs that prove that these segments can be served profitably.

*“An additional challenge is that financial institutions are not convinced about the business case for specifically targeting women “*

**Modupe Ladipo, Non-Executive Director, Enhancing Financial Innovation & Access (EFInA)**

*“What we need are neatly defined pilots to show shareholders that there are valuable KPIs. A strong government or CEO needs to take the leap of faith to light the path for others”*

**Thomas DeLuca, CEO, AMP Credit Technology**

*“The cost and complexity of collecting information to build a sound business case is no longer the barrier it once was. The capabilities and ease of integration of new technology into operations is giving information that we've never had before”*

**Dougie Brew, Director External Affairs, Communications and Sustainable Living, Unilever**

Financial institutions often need to be convinced of the commercial case for initiatives aimed at low-income female customers. Typically, some combination of philanthropic capital and government policy can address this. For instance, if a government makes its support for women's financial inclusion clear – ideally through concrete policy – profit-seeking financial services firms will be more inclined to take the leap.

<sup>1</sup> S. Santosham, D. Lindsey, *Bridging the Gender Gap: Mobile Access and Usage in Low and Middle-Income Countries*, GSMA, March 2015



## GOVERNMENT AS A CATALYST FOR CHANGE

In theory, the driving force for change could come from any of the players involved in the space. But wherever a step change in women's financial inclusion has taken place, government action has been an important factor. In South Africa, for example, the government switched seven welfare programs from cash onto a single digital payment solution, a change which disproportionately impacted women. Similarly, initiatives that have helped women have occurred in India, with the introduction of the unique ID "Aadhaar" card that validates identity, and in Mexico, where the digitalization of welfare payments has saved the government an estimated US\$1.27 billion.<sup>2</sup>

*"This is an opportunity for a government to say we can promote economic growth, we can challenge and reduce the costs of the shadow economy, we can also reduce the operating costs of our welfare disbursement programs as well as possibly solve for any gaps in formal identification if we bring more women into banking"*  
**Louise Holden, Director, Public Private Partnerships, MasterCard**

Governments have a role to play in making sure the regulatory system does not create needless barriers to inclusion. For example, tiered "Know your Customer" (KYC) regulation, which reduces account opening requirements for low-value, low-risk accounts, has advanced financial inclusion in Mexico and Nigeria. The Central Bank of Nigeria, in particular, recognized that most of the barriers to financial inclusion were more likely to be an issue for women and explicitly factored this into their changes.<sup>3</sup> While a tiered structure comes with certain risks (which can be minimized through customer segmentation), the net effect on social utility and bank profits is almost certain to be positive. Co-titling of property is another important governmental contribution, since it allows the registered property to be used as collateral for borrowing.

More generally, the challenge for governments is to encourage a competitive financial market, as this is the best way to get costs down to levels where low-income earners are not priced out of the market.

*"[Governments] all recognize the role that women play ... I think where they get stuck is how best to incentivize public and private sectors to work together"*  
**Sunil Sachdev, Chief Business Development Officer, Meed**

*"We are going to need to think big, start small and act fast!"*  
**Muriel Lotto, Vice President, Global Marketing Strategy and Brand Management, Western Union**

Successful initiatives too often occur in just a handful of countries. A mechanism for exporting successful strategies would go a long way towards promoting financial inclusion in each country. For example, coordination across governments or a coalition of stakeholders across the public and private sectors taking a multi-country approach could catalyze change and help to turn the sparks into a fire.

<sup>2</sup> Digitization of payments in Mexico saves billions, Better than Cash Alliance, 24 February 2015

<sup>3</sup> Temitope Akin-Fadeyi, Enhancing Financial Inclusion for Women in Nigeria, CGAP, 08 March 2016

## “ECOSYSTEM”, NOT “EGOSYSTEM”

Players are still thinking as “I” instead of “we”, each considering only their own part of the puzzle: philanthropists supplying patient capital, NGOs on the ground supporting financial literacy and empowerment, mobile players providing rapid access to scale, and so on.

On the supply side, banks, mobile players and fintechs must understand how they can leverage their respective capabilities in distribution, technology, and product. Banks bring expertise in product design. Mobile players and supply-chain companies have unprecedented access to traditionally hard-to-reach customers. Fintechs bring new capabilities in data analytics and seamless customer experience.

*“Although many institutions are working on financial inclusion, nothing so far has been able to scale. If we developed a shared incentive that delivered meaningful revenue and benefits for all parties, then banks, corporations, strategic partners, and individuals could pool resources and be able to achieve so much more”*

**Sunil Sachdev, Chief Business Development Officer, Meed**

Nor should the need for partnerships on the demand side be underestimated. Education and financial literacy are crucial for building customer competency. But success will also include building customers’ trust in the system and giving them reasons to feel comfortable joining the system.

*“Our Access to Financial Services in Nigeria 2014 survey covering 20,000 Nigerian consumers revealed that almost 50 percent of adults believe that taking loans should be avoided as much as possible, and that adults can easily live their lives without having a bank account”*

**Modupe Ladipo, Non-executive Director, Enhancing Financial Innovation & Access (EFInA)**

*“Being an entrepreneur in this space is not nearly as glamorous as it may seem but what it does do is permit you the opportunity to pick the fight you want to fight, and to do so from the front row – not even the front row – but frankly, an in-the-trenches street-level fight of changing things”*

**Thomas DeLuca, CEO, AMP Credit Technology**

EXHIBIT 2: EFFORTS ARE STILL SILOED – WE NEED TO MOVE TOWARDS A “COALITION OF THE WILLING”

	FINANCIAL INSTITUTIONS	MOBILE NETWORK OPERATORS	FINTECHS	GLOBAL RETAILERS	PUBLIC SECTOR	DEVELOPMENT/ NOT FOR PROFIT	EXAMPLE AREAS FOR FURTHER ACTION
<b>SYSTEMIC FACTORS</b>					Primary capability	Primary capability	Enabling regulatory environment that successfully balances innovation, consumer protection and systemic stability, and that promotes women’s rights Cross-country fora to share learnings and e.g. development of standardized gender-specific metrics
<b>EDUCATION</b>	Emerging/secondary capability		Emerging/secondary capability		Primary capability	Primary capability	Education at societal and individual women level to build trust and acceptance e.g. via customized campaigns Simple, clear collateral accounting for lower literacy
<b>DISTRIBUTION</b>	Primary capability	Primary capability	Emerging/secondary capability	Primary capability	Primary capability	Primary capability	Provision of government payments through formal channels Range of channels for access with gender lens e.g. (women’s mobile handset ownership), employers as providers, agents Women as service staff, use of biometrics (to overcome lack of ID) etc.
<b>PRODUCT</b>	Primary capability	Emerging/secondary capability	Primary capability	Emerging/secondary capability		Primary capability	Broader capture and use of data to track gender-specific usage, trends and return Products to address women’s needs e.g. savings for children’s education, insurance for women’s illnesses Women-friendly interfaces enabling interaction with digital
<b>SERVICING</b>	Primary capability	Emerging/secondary capability	Primary capability				Lower operational costs leveraging newer technologies, partnerships to overcome legacy costs Increased effectiveness through e.g. women collection agents Use of behavioral, gender-friendly “tweaks” such as text/SMS payment reminders

Primary capability
  Emerging/secondary capability
  Limited/no direct capability

Source: Oliver Wyman analysis

## “LADIES FIRST”

*“We need to think of women from the start, they are not a new segment – an afterthought – they are a core segment. A simple example, many financial brochures come in thick A4 booklets – have you ever tried to fit one in your handbag?”*

**Allegra van Hövell-Patrizi, CRO, Aegon**

Financial services firms have traditionally thought in terms of “generic” products and customer segments (such as small business or consumer), with no specific consideration given to gender.

*“Targeting women is not about a single product you need to roll out. It is about changing the way you think. Changing the way you do banking”*

**Elena Ruiz Abril, Principal Gender Adviser, EBRD**

Products designed without thinking of women consumers further their exclusion. But the reverse is not true: products designed for women are often adopted and liked by men. Women make great customers. They are stickier, save more on average, and are more reliable borrowers. Both controlled experiments and analyses of global data sets indicate that women tend to be better credit risks for microfinance institutions, and financial institutions with more women clients have lower portfolio-at-risk ratios.<sup>3</sup> Women often take the lead role in managing the household finances, and they are often the founders of small or micro-businesses.

*“Women tend to be better repayers of loans; they are stickier savers. They may save smaller amounts over a longer period of time, but they tend to keep the money in the bank. And when they take it out, they take it out for large purchases like education, like a large appliance, so they’re saving towards a goal”*

**Mary Ellen Iskenderian, President and CEO, Women’s World Banking**

Marketing and products aimed at women will help. Equally important, however, is employing women as service staff. Female consumers often feel more comfortable dealing with other women – better understood and more likely to ask questions. Data shows greater internal gender diversity results in more female clients and higher returns.<sup>4</sup>

Women’s financial inclusion is one of those happy issues on which justice and economic interests pull in the same direction. Everyone stands to gain from the financial inclusion of women – most obviously the women themselves, but also their compatriots and governments, through economic growth, and the suppliers of financial services, through additional reach. Progress is fastest when the various stakeholders co-ordinate their efforts towards this goal. The appetite to work together, shown by those participating in our roundtable, makes us optimistic about the future. The importance of an inspirational leader in instigating and driving this coordination cannot be underestimated. There has never been a better time to act.

**This article is based on a roundtable discussion about financial inclusion, hosted by Oliver Wyman in collaboration with Women’s World Banking.**

**We thank the following participants:**

**Allegra van Hövell-Patrizi**, CRO, Aegon

**Thomas De Luca**, CEO, AMP Credit Technology

**Vince Knowles**, Manager, Investments and Strategy, Ceniarth

**Laura Hemrika**, Global Head Corporate Citizenship & Foundations, Credit Suisse

**Gaurav Mehta**, CEO, Dharma Life

**Modupe Ladipo**, Non-executive Director, Enhancing Financial Innovation & Access (EFInA)

**Sunil Sachdev**, Chief Business Development Officer, Meed

**Claire Sibthorpe**, Head of GSMA Connected Women, GSMA

**Gulnara Yunusova**, Senior Financial Officer, International Finance Corporation

**Alexandra Mousavizadeh**, Managing Director, Prosperity Index at Legatum Institute

**Louise Holden**, Director, Public Private Partnerships, MasterCard

**Beatrice Bondy**, Senior advisor to the Chairman of Investor AB and co-chair of MyBnk

**Dougie Brew**, Director External Affairs, Communications and Sustainable Living, Unilever

**Devyani Parameshwar**, Principal Manager, M-Pesa Commercial and Strategy, Vodafone

**Muriel Lotto**, Vice President, Global Marketing Strategy and Brand Management, Western Union

**Marieme Esther Dassanou**, Global Specialist Women’s Access to Finance, International Finance Corporation

**Elena Ruiz Abril**, Principal Gender Adviser, EBRD

**Francesca Brown**, Private Sector Development Advisor, DFID

<sup>3</sup> Women’s World Banking network members found that women are more reliable borrowers – portfolios with higher female participation (greater than 75 percent female borrowers) had lower portfolio-at-risk numbers (2.7 percent vs. 4.9 percent). Twenty-eight network members reported data

<sup>4</sup> Based on data from Women’s World Banking network members – members having higher gender diversity (women accounting for greater than 35 percent of Board members and staff) targeted women clients at a higher rate (88 percent vs. 61 percent) and had higher ROA (4.2 percent vs. 2.7 percent) than those with lower gender diversity

# FEMALE LEADERSHIP IN GERMANY AND SWITZERLAND

CULTURE TRUMPS POLICY

ASTRID JÄKEL  
FINJA CAROLIN KÜTZ  
EMILY NIEMANN



Germany and Switzerland are wealthy Western nations with mature financial sectors, well-educated women, and a relatively high labor force participation of women.<sup>1</sup> As such, you might expect a large portion of senior roles in their financial services firms to be occupied by women.

You would be disappointed. When it comes to Boards of Directors, both countries are mid-ranked in the list of 32 countries analyzed in the report: Switzerland ranked 12th, with 22 percent of Board members women, and Germany 15th, with 20 percent. Both countries are near the bottom of the list when it comes to women's representation on the ExCos of financial services firms: Germany is 24th with 10 percent women and

Switzerland 30th with 5 percent (see Exhibit 2 in our main article).

Public policy is the obvious place to look for an explanation. But policies in Germany and Switzerland are quite different. Germany follows a highly institutionalized model, with activist family and gender policies, as well as a recently introduced quota for women on Boards and a regime of company-set ExCo targets, while Switzerland takes a laissez faire approach. If policy were the decisive factor, Germany and Switzerland ought to have very different outcomes. What Germany and Switzerland share is not public policies, but culture. And it seems that, for women in financial services, culture trumps policy.

#### EXHIBIT 1: COMPARISON OF GERMAN AND SWISS APPROACHES TO “FAMILY AND WORK” POLICY

	GERMANY: INSTITUTIONALIZED APPROACH	SWITZERLAND: LAISSEZ FAIRE APPROACH
MATERNITY PROTECTION	14 weeks of maternity protection at full pay	14 weeks of maternity protection at partial pay (average payment rate of 57% <sup>2</sup> )
PAID PARENTAL LEAVE	14 months of paid leave (max. €1,800/month) if both parents take at least 2 months, 12 months if only one takes leave	n/a
UNPAID HOMECARE LEAVE	Entitlement for mothers and/or fathers to stay at home until 3rd birthday of the child and return to previous or equivalent job (dismissal protection)  In some federal states: care benefits of €150/month if child is not in daycare	n/a
PATERNITY LEAVE	Paid parental leave and unpaid home care leave apply to mothers and fathers	n/a
ENTITLEMENT TO PART TIME WORK	Employees entitled to part-time work	n/a
AVAILABILITY AND COST OF DAYCARE	Entitlement to public, subsidized daycare  Average cost of daycare as % of family income: 8% <sup>3</sup>	Predominantly private daycare system  Average cost of daycare as % of family income: 29% <sup>3</sup>
INCOME TAX OF MARRIED COUPLES	The income tax is progressive and married couples are frequently treated like two people with each half their total income  If the income of the partner with the lower income increases, this is partly consumed by the reduced tax advantage  Intra-year the partner with lower income typically bears a disproportional tax; making it look unattractive to work at all	The income tax is progressive and married couples are treated like one person (with a different tax table than individuals)  Married couples with two high incomes pay higher taxes than non-married couples or two singles  Having two incomes increases tax disproportionately, making it less attractive to work for one partner in a marriage
DEDUCTIBILITY OF HOUSEHOLD SERVICES	Limited possibility for tax deduction of cost for cleaning and nanny services (max. €4,000 p.a.)	Limited possibility for tax deduction of cost of childcare services (max. CHF 10,000 p.a. per child on federal tax, often less on canton tax level)

1 The Global Gender Gap Report 2014, World Economic Forum, 2014

2 OECD Family Database 2015

3 OECD Benefits and wages statistics 2012, out-of-pocket childcare costs for a couple family: full-time care at a typical childcare center

Germany and Switzerland take very different approaches to family and work policy. The German government provides long maternity leaves, entitlements to work part-time, subsidized daycare, and so on. In Switzerland, by contrast, maternity leave is short, and there is little tax-funded support for working parents (see Exhibit 1). In neither country does the tax system provide any incentive for both partners to work.

*“The German protective maternity system creates a high pressure for women to stay at home during the first years after a child is born – staying at home for so long is detrimental to a career”*  
**Ursula Egli, COO, Julius Bär Europe**

*“Why on earth is it not fully tax deductible to employ a nanny or cleaning support? Why can we not fully deduct taxes for the creation of a job? That would make it more viable for women to go to work in an environment that still has quite traditional role expectations for men and women”*  
**Christine Bortenlänger, CEO, Deutsches Aktieninstitut**

*“Even if the employee and employer are aligned on a solution that gives flexibility to the employee and allows them to continue their career, they face significant hurdles. Also, companies need to get more flexible. Remote and part-time leadership is not a problem per se – I’ve worked with very successful examples”*  
**Manuela Better, CRO, Dekabank Deutsche Girozentrale**

The same effect can have different causes. But it is hard to believe that such different family policies could account for the fact that Germany and Switzerland see the same, notably low representation of women in senior roles in financial services firms. When there is a common effect, it is a sensible starting strategy to seek a common cause. And if not policy, then culture is one of the few plausible explanations.

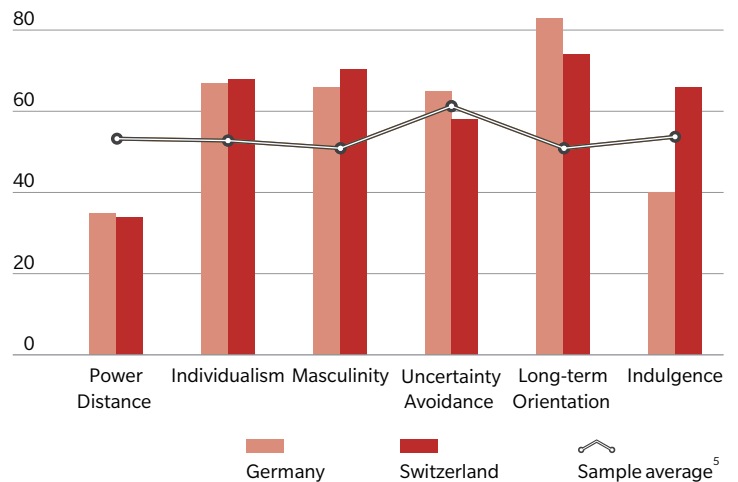
Neither Germany nor Switzerland has entirely homogeneous cultures. Berlin and Munich vary in ways that even a tourist will recognize, as do francophone Geneva and German-speaking Zurich. And the German and Swiss cultures are of course distinct with many subtle and less subtle differences, as any German living in Switzerland and any Swiss living in Germany will know.

Though important locally, these differences are relatively minor from a global perspective. Most Germans and Swiss would concede that the two nations are culturally similar on a global scale.

Anthropologist Gerard Hendrik Hofstede created a framework for characterizing cultures along six dimensions: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence.<sup>4</sup> This framework confirms the impression that the German and Swiss cultures are similar (see Exhibit 2).

Both countries score high on the masculinity dimension. According to Hofstede, a culture is masculine when the population displays a preference for achievement, heroism, assertiveness, and the material rewards for success. A masculine society is competitive rather than consensual. A feminine culture, according to Hofstede, prefers cooperation, modesty, caring for the weak, and quality of life. When plotting cultural masculinity against female representation on financial services firms’ ExCos, there is a negative correlation (see Exhibit 3).

**EXHIBIT 2: HOFSTEDE’S CULTURAL DIMENSIONS: GERMANY AND SWITZERLAND**



Source: The Hofstede Centre, Oliver Wyman analysis

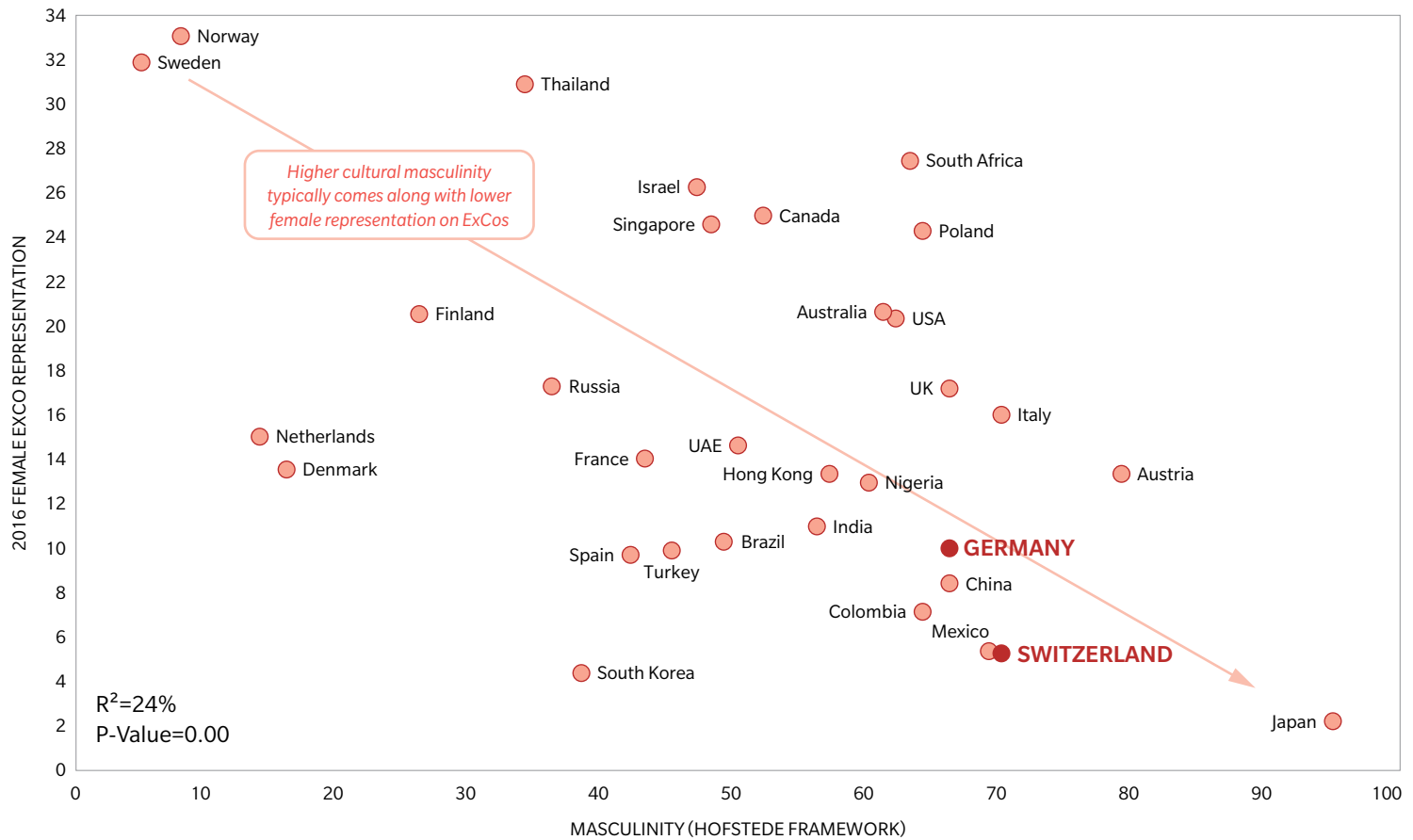
4 Sample corresponds to the 32 countries analyzed in this report as displayed in Exhibit 2 of our main article

5 The Hofstede Centre, available at geert-hofstede.com

One would not expect a single cultural dimension, such as masculinity, to fully explain ExCo representation in Switzerland and Germany. But an R<sup>2</sup> of 24 percent suggests a significant contribution.<sup>6</sup> Add Hofstede’s cultural dimension of “long-term orientation” as a second independent variable in the regression, and the R<sup>2</sup> increases to 34 percent.

*“There are some road blockers in the Swiss system. The current tax system doesn’t help both parents working, and the school system (e.g. childcare and day school) is left almost entirely to the families. I do not believe that any of this is a reason to stop working, but it’s a reflection of the societal hurdles we have to overcome”*  
**Sergio P. Ermotti, Group CEO, UBS Group AG**

EXHIBIT 3: FEMALE REPRESENTATION ON EXCO 2016 VERSUS MASCULINITY DIMENSION IN HOFSTEDE CULTURAL FRAMEWORK



Source: The Hofstede Centre, Oliver Wyman analysis

<sup>6</sup> R<sup>2</sup> is a statistical measure of how well the independent variable (in our case, the cultural masculinity of a country) predicts the dependent variable (in our case, the representation of women on ExCos). 0% indicates that the independent data explains none of the variability of the dependent data, 100% indicates that the model explains all variability.



*“Some men who want to be supportive can actually be derogatory. When they say ‘Oh that woman can’t do that job – she has a family,’ they may think they are doing her a favor, but in reality they are not taking her for real. They are patronizing her”*

**Daniela Weber-Rey, Until May 2016 Chief Governance Officer of Deutsche Bank AG**

The hypothesis that low female representation on ExCos in Germany and Switzerland is the result of similar national cultures is supported not only by these statistics but by the observations of our interviewees for this report. Two themes emerged in discussions:

## 1. Deeply rooted gender-role expectations

Traditional expectations about the roles played by men and women seem to have proved more tenacious in Germany and Switzerland than in most other Western countries. The idea that men should be the breadwinners and women should take care of the home and family is still common, and there is a derogatory word for working mothers who are perceived to not be nurturing and caring enough for their children (‘Rabemutter’) that exists only in the German language and is still used sometimes today.

Not only is it difficult for women to pursue careers, it is culturally accepted to opt out of the career. Taking care of the family, potentially combined with a part-time occupation, is a common model in Germany and Switzerland – for women, but not for men. Given this culturally approved alternative, many women decide to forgo careers, especially when times get tougher at work or when family demand increases.

*“Men are still a large part of the problem. It is a pity how many capable women are married to men who do not support their wives in their career”*

**Klaus-Peter Müller, Chairman of the Supervisory Board, Commerzbank**

*“Women have to be determined and focused in order to pursue a career in Germany. Maternity breaks need to be managed just like any other career move on the way: you need to have a plan, actively engage with your stakeholders, and make sure you have a sponsor behind you. Sometimes this does not go smoothly, but each career has ups and downs. In Germany, however, I see (way too) many highly talented women who decide to opt out during a down [period], as they still have the very broadly accepted option of not working full-time/at all”*

**Sandra Wirfs, Finance COO, Deutsche Bank**

*“In Germany, it is still the case that working mothers who return too quickly to work get frowned upon. In many other countries this is more of a normal case. [...] Flexible work is generally offered by companies, but frequently not properly implemented. [...] The new generation (women and men) selects employers differently. They will force companies to develop innovative and new solutions for flexible work. There is a large need for change in HR departments and overall company processes to accommodate for that”*

**Susanne Klöß, Member of the Executive Board, Deutsche Postbank AG**

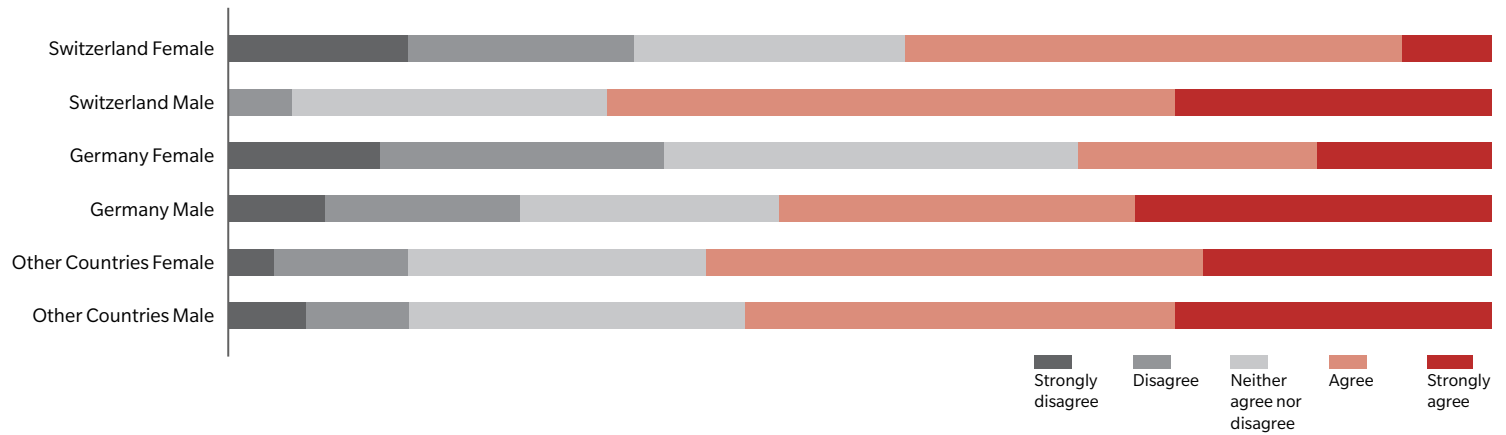
This common observation by our interviewees is supported by the survey of 850 financial services professionals. Globally, male and female employees show very similar levels of career ambitions (see Exhibit 8 on p. 16). This general rule does not hold in Germany and Switzerland, however, where men and women show markedly different levels of ambition (see Exhibit 4).

## 2. Family unfriendly working culture

The working culture in many companies in Germany and Switzerland makes combining a career and family relatively difficult. A face-time culture prevails, where being physically present in the office is associated with performance and commitment to the company.

Despite the legal entitlement for public daycare (introduced in 2013), the infrastructure is still in development in Germany (availability does not yet meet demand, opening hours are not compatible with working hours in management positions, etc.).

## EXHIBIT 4: AGREEMENT WITH STATEMENT: “I WANT TO REACH A SENIOR POSITION IN MY ORGANIZATION”



Source: Oliver Wyman survey data

Daycare in Switzerland is among the most expensive in the world. Both situations lead to a low compatibility of family and work in Germany and Switzerland and make the lives of working mothers difficult as long as the burden of child care is borne by women. Moreover, many Germans and Swiss remain reluctant to put their children into daycare, which results in long gaps and, often, an end to women’s careers.

*“Still, many managers have an expectation that one has to make significant sacrifices to demonstrate readiness for a career. Of course, a career many times requires hard work, a high commitment to the firm, and international experience. But it is also important that a company offers career solutions that do not put the family at risk and create a level playing field for men and women”*

**Christian Finckh, Chief HR Officer, Allianz**

German and Swiss financial services firms cannot change their national cultures – at least, not alone and not overnight. Nevertheless, they can take measures to increase female representation among their leadership – as they should, for reasons given elsewhere in this report. And, over time, they may thereby contribute to cultural change. Such measures, described in Chapter 1, include ensuring child care is available, encouraging men to take paternity leave, actively recruiting female graduates, providing promising female staff with sponsors, requiring unconscious bias training for management, encouraging them to step up and to take more responsibility, and making it easier to work from home and to work part-time. Taken together, these measures can make financial services an island within the sea of cultural attitudes that prevent women from rising to the top in Germany and Switzerland.

# RISK MANAGEMENT

WHERE ARE THE FEMALE CROs?

MICHELLE DAISLEY



As the financial crisis showed, the biggest risks to a business are those its senior managers are unaware of. Given that the sources of risk to financial services firms are extraordinarily varied, it pays to have different perspectives among the people tasked with looking out for those risks. This creates a strong *prima facie* case for diversity among the senior staff of the Risk function.

The same case can also be made for the variety of skills required. In the past, Risk functions were staffed by technical experts on quantitative modeling. Since the crisis, regulatory and commercial imperatives have extended the work of risk managers. They must also attend to more esoteric risks, such as operational, conduct, and reputational risk, which are not so readily amenable to quantitative analysis. And they must be able to communicate and explain complicated concepts, to partner with the business, to challenge and hold them to account without stifling their commercial sustainability. Diverse skills require a diverse staff.

*“The more diverse your team’s background, thinking, and style, the more likely you are to find as many risks as possible”*

**Sarah Owen-Jones, CRO, Rathbones**

*“Risk managers need to be able to look beyond their own frame of reference”*

**Sune Brugman, CRO Corporate and Investment Banking, Standard Bank**

*“The most effective challenge comes from someone with a different perspective, asking probing questions”*

**Christine Palmer, CRO, Aldermore**

*“Risks and crises do not unfold in a predictable way – we need diverse thinkers to mark out potential risks and to think creatively about how to reduce these proactively. Balancing gender increases the diversity required in effective problem solving. Diversity reduces group think, unlocks innovation and new ways of doing things”*

**Leila Fourie, Director of Post-Trade and Information Services, Johannesburg Stock Exchange**

*“Being good at risk management requires an open mind and willingness to think the unthinkable. It’s in a CEO’s interest to get the best team, which means supporting diversity in every dimension”*

**Jo Paisley, Global Head of Stress Testing, HSBC**

Yet our research shows that only 15 percent of CROs (Chief Risk Officers) are women. In the banking sector, only 10 percent of CROs are women. We met with a number of senior women currently working within Risk to better understand why there are so few female CROs. Four hypotheses emerged from these discussions.

## 1. FEWER WOMEN GRADUATE IN TECHNICAL SUBJECTS

A career in Risk has traditionally required a strong technical foundation, given the emphasis on the quantitative modelling of financial risks. Most graduates with a background in such subjects have tended to be men. This was particularly true when today’s generation of CROs began their careers. For example, in the US, only 28 percent of bachelor’s degrees in science and engineering were earned by women in 1970, compared to 50 percent in 2013.<sup>1</sup>

*“Most Risk individuals have a maths and analysis background... in the past you needed to have a core technical competence to support a Risk role, but now and going forward we also need a broader set of skills that goes beyond analytics, including leadership and change management (as examples). For this reason, I believe more women will find their way into Risk”*

**Melanie Neill, CRO COO, Credit Suisse**

<sup>1</sup> Christianne Corbett and Catherine Hill, *Solving the equation: the variables for women’s success in engineering and computing*, American Association of University Women Report, 2015

## 2. THE PERCEIVED NEED FOR CONSTANT OVERSIGHT

The fact that risks do not materialize during office hours only has created the perception that to be effective, Risk staff must be on-the-ground and on-call whenever they are needed to prevent or mitigate losses. This has made a career in Risk seem incompatible with being the primary caregiver for children, a role still played mainly by women.

*“People think that risk managers have to be there, to be present, in the same building”*

**Roselyne Renel, Chief Risk Officer Europe & Americas,  
Global Head Enterprise-wide Risk Management,  
Standard Chartered Bank**

## 3. THE POTENTIALLY CONFRONTATIONAL NATURE OF RISK'S ROLE

As the ‘second line of defense’, risk managers play a critical role in challenging the business with regards to the types and amounts of risk taken as they pursue their commercial objectives. This inevitably results in difficult and sometimes confrontational interactions, especially in a trading floor environment, which may deter many women from taking on the role.

*“I don't think that's an issue.... Women working in compliance and legal also need to stand up for their own view, and [women in those fields] are very comfortable to do this”*

**Melanie Neill, CRO COO, Credit Suisse**

*“I enjoy the challenge!”*

**Roselyne Renel, Chief Risk Officer Europe & Americas,  
Global Head Enterprise-wide Risk Management,  
Standard Chartered Bank**

Our interviewees largely disagreed with this stereotype. However, they agreed that unconscious biases can make it difficult for women to succeed in such a role. As Facebook COO Sheryl Sandberg and others have noted, women often face the double bind, whereby a man acting assertively is respected, but a woman acting assertively is perceived to be pushy, aggressive, or strident.<sup>2</sup>

*“Unspoken rules for success are often created by males and this often creates an unconscious barrier to women”*

**Leila Fourie, Director of Post-Trade and Information Services,  
Johannesburg Stock Exchange**

*“In the past when attitudes were a little more old-fashioned, women were reluctant to challenge their male colleagues, but being a woman in the corporate world today is an exciting time to confidently share ideas and be part of a dialogue that adds value”*

**Audra Paton, Independent Risk Director, ICE Clear Europe**

2 Sheryl Sandberg and Adam Grant, *Speaking While Female*, NY Times, 12 January 2015

## 4. RISK MANAGEMENT IS AN INHERENTLY CONSERVATIVE DISCIPLINE

Women occupying senior Risk roles is not the tried and tested way of doing things. Appointing a woman to such a role is often seen as taking a risk. This may be especially true during a crisis, when appointing the candidate that fits the profile of what a CRO usually looks like may seem to be the safe option.

*“Leaders tend to hire in their likeness. The current bias of male leaders in Risk at executive level creates a virtuous circle that reinforces and exacerbates the poor representation of women at top levels”*

**Leila Fourie, Director of Post-Trade and Information Services, Johannesburg Stock Exchange**

*“Diversity can be seen as a ‘nice to have’, which can lead to the point of view of ‘we’re fighting a crisis here. Why should I be worried about the number of women in the room?’”*

**Sarah Owen-Jones, CRO, Rathbones**

It shouldn't be this way. Not only do financial services firms need more women in senior Risk roles but risk management has the potential to offer women rewarding and sustainable careers.

*“It’s a serious career with massive potential. You’re integral and relied upon. You don’t need to be part of the executive team to have senior influence and impact – Risk is fundamental to core decision making. That’s empowerment”*

**Audra Paton, Independent Risk Director, ICE Clear Europe**

In addition to the broader recommendations made elsewhere within this report, we suggest that the industry makes a particular effort to attract talented women into the career. Part of the answer is continuing to lift the status and prestige of Risk careers. Work on the risk culture of financial services firms has gone a long way to achieving this. More directly, financial services firms need better PR for risk management at universities (aimed especially at graduates in STEM subjects),

highlighting both the diversity of careers available and female role models.

*“Graduates are your pipeline – if you look after and nurture them, you are going to get really good people”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**

Management must also challenge the idea that Risk is a career that requires long hours and lots of face time. It must be made clear that a risk manager (male and female) can be effective and have a successful career, while taking advantage of flexible working options.

*“We should be marketing Risk as a career that supports flexibility”*

**Karin Griffin, Head of Operational Risk, Standard Bank**

*“How CEOs view the Risk function, how they involve Risk in senior decision making and strategy..., this changes the perception of what risk is and what it does and will attract more people, especially women”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**

*“If I need to approve a deal, why can’t I do that from home?”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**

# WOMEN LEADERS IN CHINESE FINTECH

A FORCE FOR CHANGE?

ANGELINA GRASS-OGUMA  
NIHAL GEORGE



Positive examples of women leaders are emerging in Chinese fintech. Is this indicative of the potential for greater gender balance in this high growth sector or does more need to be done?

Despite decades of modernization, traditional family structures continue to play an important part in Chinese society. Women are well educated and, upon graduation, typically enter employment. But they are still expected to give priority to their roles as wives and mothers. They tend to drop out of the workforce upon having a child, just at the point in their careers when they might otherwise have moved into mid-level or senior positions.

This dynamic can be seen in the low percentage of senior positions at Chinese financial institutions that are occupied by women. In 2016, women occupied 8 percent of the ExCo positions in the Chinese companies in the study, compared to 21 percent in North America and 16 percent in Europe (see Exhibit 2 in the main article of this report).

*“When hiring a woman, interviewers in China can be more direct in their consideration of family status than in the US, for example. If a woman is pregnant, the impact on continuity would be a consideration for the hiring company”*  
**Kuang Xuxia, CFO of Dianrong.com**

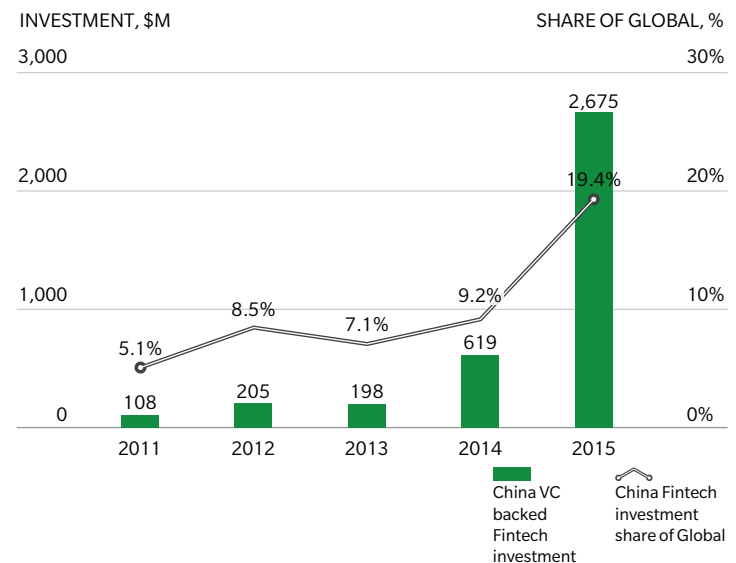
The culture of mainstream Chinese banking is also “traditional”, resembling what might have been found in the West in the 1970s. Prior to the economic liberalization of recent years, Chinese bankers had little reason or opportunity to innovate or to be “customer-centric”. Progress has been made, but entrenched business cultures take longer to change than the economic environments they are adapted to.

## THE OPPORTUNITY FOR WOMEN IN FINTECH

Outside mainstream Chinese banking, however, things are being shaken up. China is experiencing a boom in the financial technology (fintech) sector, with nearly \$2.7 billion in venture capital (VC) funding in 2015, up over four times from about \$620 million in 2014 (see Exhibit 1). To put these figures in perspective, global VC fintech funding doubled from \$6.7 billion in 2014 to \$13.8 billion in 2015. China captured nearly 20 percent of the global funding in 2015, up from 5 percent in 2011.

The fintech boom is creating strong demand for staff with the required technical, financial, operational, and service capabilities, especially in middle and senior management. This increases the likelihood that a fintech employer will overlook concerns about a woman’s current or future family commitments, if she has the desired skills and experience.

**EXHIBIT 1: VC INVESTMENT IN CHINESE FINTECH AND SHARE OF GLOBAL (2011-2015)**



Source: The Pulse of Fintech, 2015 in Review, CB insights and KPMG



*“The Internet has become a main driver of the growth, and there is a shortage of good talent. This has created more opportunities for women to move forward in their careers, not because they are women but because they are good managers”*

**Pan Jing, CMO of Dianrong.com**

As demand for talent has increased, so has the supply of qualified women. According to World Bank data, the gender parity index (GPI) for tertiary education in China improved from 0.52 in 1994 to 1.14 in 2013,<sup>1</sup> indicating a strong supply of women graduates. This improvement has several causes, including the promotion of women’s education under the communist regime and the more recent economic liberalization.

The controversial one-child policy introduced in 1979 also may have played a role. The actions observed under the one-child policy demonstrate the traditional inequality of women in China: in a land that has long cherished sons over daughters, many parents did everything they could to make sure that their one child was a boy, resulting in a significant gender imbalance in today’s population. Paradoxically, the one-child policy has had positive effects on the equality of those girls that were born and raised, in particular in urban areas. Studies indicate that when families have just one daughter, resources that might have traditionally gone to brothers instead go to the girl, resulting in better educated women.<sup>2</sup> The women born at the beginning of the one-child regime are now in their 30s, ready to enter middle or even senior management.

This enlarged pool of female talent is valuable for fintech firms. In addition to more traditional financial services and technology aspects, fintech firms place an emphasis on creativity, customer service and engagement, digital marketing, social media, and business operations. The diversity of work in fintech requires diversity of employees. This presents more opportunities for women to shine.

So it is unsurprising that there are multiple examples of women rising to the top in Chinese fintech. Of the top 20 fintech companies in China (based on 2015 funding raised), 50 percent had women in the founder, CEO, or senior management roles.

As part of our research, we interviewed senior women executives from top Chinese fintech companies. All were enthusiastic about the opportunities and prospects for women in fintech. And not just in fintech. As the Chinese financial sector becomes more oriented toward customer service, they expect typically female characteristics to be more highly valued in the industry. Combined with generational changes in attitudes towards the roles of women, they are optimistic about gender balance in Chinese financial services.

*“Fintech makes financial services more diverse from a product perspective and brings a greater service orientation. For example, we start from building a deep understanding of the customer behavior, in terms of their online behavior and social media presence. As women have more opportunities to shine in these areas, this could positively influence the representation of women in senior roles”*

**Shuang Huang, Director, Lufax**

## WHAT NEXT?

Some challenges with regard to gender balance in Chinese fintech remain. VC and founder circles, as our interviewees confirmed, continue to be male dominated and harder for women to break into. Women also face a more difficult trade-off between pursuing a career and family commitments than their male counterparts do. For example, one senior woman manager said that she had declined the opportunity to be a founder a few years ago, as her child was very young and she could not make the commitment.

Our interviewees also felt that the opportunity for greater gender equality in fintech could face headwinds from the government’s decision to end the one-child policy.

1 World Bank data on Gross enrollment ratio, tertiary, gender parity index (GPI) - Ratio of female gross enrolment ratio for tertiary to male gross enrollment ratio for tertiary. It is calculated by dividing the female value for the indicator by the male value for the indicator. A GPI equal to 1 indicates parity between females and males. In general, a value less than 1 indicates disparity in favor of males and a value greater than 1 indicates disparity in favor of females.

2 See for example: Kristine Sudbeck, *The effects of China’s one-child policy: The significance for Chinese women*, University of Nebraska-Lincoln, 2012; Ye Liu *China’s-child policy helped women make a great leap forward – so what now?*, The Conversation, 04 November 2015; Yuan Ren, *How China’s one-child policy overhauled the status and prospects of girls like me*, The Telegraph, 23 December 2013

As many women choose to have larger families, they may feel compelled to take out more time from their careers, so long as traditional family roles persist.

*“Following the end of the one-child policy, there will likely be bigger families in China. We will probably find that more women want to be full-time mothers rather than remain in the workforce. This could pose a challenge to the progress made on gender diversity”*

**Pan Jing, CMO of Dianrong.com**

To sustain the rapid growth of Chinese fintech, investors, founders, senior executives, and regulators must recognize the critical role women play and adopt fresh approaches to promoting gender balance in the workplace.

*“When I worked in the US, there were more women support groups, which give you access to senior women mentors. I don’t see this as a common practice in China”*

**Female senior executive, Chinese Fintech**

Among other things, our senior fintech women interviewees suggest measures that have become common in women-friendly markets, such as Scandinavia and North America. They highlighted support groups and one-on-one mentoring, gender awareness training, flexible work practices, programs to bring mothers back into the workforce, and special incentives for women in middle-management to persist with their careers. To make sure these measures can deliver sustained impact, they need to be complemented by a change in organizational culture and attitudes towards the role of women, starting from the top.

*“(At Dianrong), our corporate culture actively promotes women in the senior leadership. Our ratio is probably higher than other companies. We treat women as equal partners because they are equally capable ... This is a critical time to reflect on how we promote gender diversity in fintech, particularly as the incentives for women to stay in the workforce are likely to change. This can include mentoring programs, gender equality programs, support groups”*

**Pan Jing, CMO of Dianrong.com**

Because most fintech’s are startups, such programs would be more efficient and effective if arranged at an industry level rather than within individual firms. Those we interviewed also suggested shining a spotlight on women middle managers who serve as role models for junior women on how to successfully combine careers with family priorities.

*“Fintech is so fast paced that startups may not have the time to build the support infrastructure to promote gender equality themselves. We should look to build women-in-fintech support groups and mentors at the industry level, and foster a community that actively supports the career aspirations of women”*

**Shuang Huang, Director, Lufax**

*“While we recognize the progress we have made towards creating an equal playing field for women in China, we also have to recognize the sometimes unpleasant reality that women can receive more verbal abuse than men, especially in traditional industries such as financial services. As female executives, we need to build awareness on this issue. We need to speak out in the boardrooms and stand behind female employees to create an amiable work environment for everyone.”*

**Pan Jing, CMO of Dianrong.com**

Examples of women leaders in Chinese fintech can already serve as an inspiration to the potential for greater gender equality. However, growth imperatives and generational changes mean that the fintech industry will need to proactively adopt female-friendly measures to sustain their charge. This burgeoning sector can then serve as a signpost to the future of the transforming Chinese financial services industry and broader economy: hi-tech, innovative, entrepreneurial, and, consequently, open to women leaders.

# QUIT THROWING MONEY AWAY!

TAMARA BOX  
REED SMITH LLP AND 30% CLUB STEERING COMMITTEE



We're leaving money on the table.

Businesses with gender-diverse management teams have better financial performance, lower staff turnover, and stronger long-term strategies. Leadership is more effective when it is balanced. If women are good for business, why don't more organizations make better use of this powerful resource? Why are we throwing away the financial rewards that come from diversity?

For some time now, women have exhibited superior academic performance at every level and entered the professional workforce at rates approximately equal to men. How is it possible that only 20 percent of leadership positions are held by women?

## THREE REASONS FOR MALE DOMINANCE IN LEADERSHIP

Researchers have been scratching their heads over this for years, but most agree that three factors lie behind this failure to utilize the talents of fifty percent of our population:

### 1. Unconscious bias

Plenty of evidence exists to show that men are culturally biased toward their own gender. They like to hire in their own image, and they are willing to overlook any minor deficiencies of a young male protégé because, "I was just like that at your age." They see what they expect to see.

By the same token, when a man interacts with a woman, he doesn't see the same things in her that he sees in himself. So he takes her to be deficient in the qualities that he possesses, which are usually the very ones that he considers to be the drivers of his success.

As described in the Orchestra case study of the main article, blind auditions increased the chance of a woman being hired by 50 percent. We also know about the academic example: Who's more qualified to be a lab assistant, John or Jennifer? When both CVs were identical except for the gender-identified first name, scientists chose the male more often and even suggested that his salary should be higher.<sup>1</sup>

If those examples aren't shocking enough, here's the kicker: women were just as likely as men to discriminate against women.

Unconscious bias, then, isn't limited to men. It's a cultural derivation that positions boys ahead of girls in key traits, starting almost from birth. Boys are praised for being strong, stubborn, focused, intelligent, dominant. Girls are expected to be collaborative, congenial, empathetic, verbal, multi-tasking, compassionate. When men and women are asked what traits they want in a leader, they focus on those that describe the leaders of their experience—who, not coincidentally, are almost all male. The process of filling the shoes of the departing male leader begins by searching for someone who is just like him.

And don't think it helps if women take on the same characteristics and attributes that successful men have. Those women who are dominant, assertive, direct, and results-oriented are considered less effective as leaders than either the men with those same traits or the women who exhibit more "feminine" traits. Most women have heard the aphorism: "A woman can be competent or liked, but not both." When a woman acts "like a man", she is considered by both men and women to be inauthentic and untrustworthy.

### 2. Undervaluing women

When unconscious bias becomes systemic, it results in the undervaluing of women. "Women's jobs" pay less than "men's jobs" not because they require less intelligence or fewer skills, but because we have relegated them to an inferior position on

1 Corrine Moss Racusin et al., *Science Faculty's Subtle Gender Biases Favour Male Students*, PNAS, August 2012

the hierarchy. When any profession becomes female-dominant, the pay scale for all of its practitioners is reduced. Similarly, when a “woman’s job” is taken over by men, as computer programming was in the late sixties, the salaries rise.<sup>2</sup>

Paula England, an academic who has researched this topic for 30 years, said: “It is as if there [is] a cognitive bias toward thinking that if jobs are done by women, they cannot be worth much.”<sup>3</sup>

Once again, this attitude is not unilaterally the domain of men. Today’s millennials think that the professions that supported their mothers and grandmothers—teachers, nurses, and social workers—are beneath them; they aspire to careers in finance or law, fields that are male-dominated and consequently more highly respected and better rewarded financially.

### 3. Socialization and cultural norms

Studies of schoolchildren reveal that young girls and boys are equally good at maths. But by the time they reach puberty, both sexes start to believe that girls aren’t as good in the subject as boys are. Girls who take maths tests after being told that they are competing with boys score lower than those who are told that only girls are taking the test. Their confidence is eroded if they think they aren’t as good as others who are being tested.

Over and over we have read that women won’t apply for a position unless they have 100 percent of the qualifications; men will apply with only 60 percent. In this case and many others, it is a socialized lack of confidence that holds women back. They don’t want to pretend to be more than they are. Ironically, by hiding their light under a bushel, not only are they failing to reach their own potential, but they are also depriving their organizations of the talent and insight that the business needs to be more successful.

## WANTED: MORE FEMALE ROLE MODELS

The burning question is: what can we do to try to get more women into organizational leadership? Just knowing the problem isn’t necessarily going to get us anywhere. What is the solution?

It goes without saying that we need female role models for the rising stars in our companies and firms. If we are to inspire young talent to be the next generation of leaders, we have to show them that senior management is not just a “man’s job”. And the research is clear on one point: we have to PUT more women into leadership roles if we are to GET more women into leadership roles. Those role models make a huge difference in the aspirations of the next generation. This is not about putting more women into leadership by quotas – it is about selection on the basis of merit. In order to do so, we need to clear away the fog that keeps people from seeing what merit actually looks like.

## SEEING MERIT CLEARLY

I recommend a three-pronged approach to establishing some lucidity around merit:

1. We have to reveal the unconscious bias that is limiting our selection of capable female leaders. Every one of us will swear up and down that we are not biased, yet experiments in even the most highly educated environments show us that both men and women discriminate against women. In the words of Pogo, “We have met the enemy, and he is us.”

Some good consultant-designed exercises have been used to help corporate leaders uncover their own deeply hidden biases; we all need to avail ourselves of these resources to expose our prejudices if further efforts toward remediation are to be effective.

<sup>2</sup> Paula England, *Why Female-Dominated Jobs Systematically Pay Less*, The American Academy of Political and Social Science, June 2010

<sup>3</sup> Ibid

2. One suggestion that was vetted by the “Paradigm for Parity” group<sup>4</sup> was the “70% Rule”, whereby we ensure that no more than 70 percent of the candidates being considered for a position or promotion can be of a single gender. (The tipping point for making a difference, remember, is 30 percent.) I would take this idea a bit further and add that the interviewers themselves should include no more than 70 percent of any single gender. I understand that we may need larger groups of interviewers, but if the end result is that we identify the most qualified candidates, isn’t that worth a few extra interviews?
3. Following their success in increasing the number of women on Boards, the 30% Club has taken up the challenge of increasing the percentage of women on Executive Committees. Central to this objective is the improvement of the ExCo pipeline, as described in the main article. Consideration must be given to every level of management if we are to achieve results at the ExCo level.

Succession planning and sponsorship should be mandated for each manager, whereby he or she is held accountable for developing a gender-balanced group of protégés. This approach is independent from issuing a target percentage that we would like to attain; instead, it requires managers to sponsor individuals into leadership positions and plan for succession in every job. Managers should be able to name the person in line to succeed them and to show the plan for developing the competence and readiness of that individual; similarly, every manager should be responsible for sponsoring a rising star to the next stage of his or her career. A manager could be rewarded for meeting this objective only if he/she can achieve the result of moving those named persons up the ladder.

Publishing diversity statistics on an organization-wide basis is like looking at the forest but ignoring the trees. Diversity is individual—that’s the point! If we want to appreciate and value the differences that each person brings to the organization, we need to reward managers who are able to see beyond the packaging and recognize merit in all its forms.

## THE TIME FOR ACTION IS NOW

We can no longer afford to disregard the contributions that women make to the success of our organizations. It’s time to quit talking about diversity and start taking action to reap the benefits that highly qualified, capable leaders can bring to our industry.

Let’s pick up that money we’ve been leaving on the table. It’s there for the taking.

*Tamara Box is Global Chair of the Financial Industry Group at international law firm Reed Smith and a founding member of the Steering Committee of the 30% Club.*

<sup>4</sup> “Paradigm for Parity” is a call to action and plan put forth by a global coalition of 50 senior women leaders (CEOs, senior executive, founders, board members and business academics), with the goal of achieving parity by 2030

# GENDER vs. LEADERSHIP DIVERSITY

KEVAN JONES  
MAYA MANSOUR



Several governments, regulators, and industry bodies have set quotas or targets for the percentage of senior business roles occupied by women. In Norway, for example, the law requires that at least 40 percent of a company's directors be women. The Netherlands has introduced a (non-binding) target for female representation on executive committees.

*"We need diversity of thought – gender diversity is only one part of this"*

**Susan Skerritt, Global Head of Institutional Cash Management & Head of Global Transaction Banking, Americas, Deutsche Bank**

Gender diversity has many important facets. However, over the past decade, the case for gender diversity has become heavily focused on business performance and the potential economic benefits. In our discussions with senior leaders, we find that today many believe the pendulum might have swung too far in this regard, with the moral, societal, demographic, and broader experiential reasons for gender diversity getting ignored. We see growing signs that with the increased focus from organizations on culture, values, purpose, and meaningful societal impact in what they do, that a rebalancing is likely.

Nevertheless, one of the core arguments for gender diversity is that it is evident, and supported by many studies, that organizations deliver better results when women occupy a fair percentage of leadership roles. But this matter is not as simple as it may seem. For it is diversity of leadership styles that improves performance, not merely diversity of genders, but gender often seems to be used as a proxy for leadership styles. We believe that whilst often nuanced and hotly debated (also by the Oliver Wyman team working on this report), that gender diversity and its relationship to leadership diversity is an important issue to discuss.

Men and women are stereotypically associated with certain modes of behavior. Various studies have explored these stereotypes. For example, John Gerzema and Michael D'Antonio asked 32,000 respondents worldwide to categorize a set of 125

human behavioral traits as typically masculine, feminine, or neutral (see Exhibit 1). Direct, dominant, and career-oriented were each identified as masculine traits, whereas nurturing, intuitive, and creative were associated with feminine traits. Energetic, intelligent, and authentic were identified as being gender neutral traits.

Yet despite the widely held stereotypes, these styles of behavior are not rigidly associated with each gender. An individual woman may have many "masculine" traits and a man many "feminine" traits. A good gender mix may increase the chance of getting a mix of styles. But it does not guarantee it.

Imagine a management team with a perfect 50:50 gender split, and suppose that the men are all alpha males: confident, driven, dominant, competitive, and aggressive. The women on the team might be expected to add some balance. But if their selection was conditional upon also having these "masculine" characteristics, they will not. Women can also be confident, driven, dominant, competitive, and aggressive.

If the women in this imaginary management team have masculine gender-style, then although the team will be gender equal, it will still lack sought-after characteristics, such as empathy and reliability, that are stereotypically "feminine". The organization will get leadership that is dynamic but still lacking in certain skills and capabilities, prone to groupthink, and potentially detached from the needs of stakeholders such as staff, regulators, or even customers.

In some ways, women face the "double bind" that they do in fact sometimes have to exhibit male characteristics to succeed but also have to not 'overly' adopt them if they are to be successful in ways that are more aligned with stereotypical expectations of how women behave. There is a fine line that senior women have to constantly walk.



## EXHIBIT 1: ATHENA DOCTRINE<sup>1</sup> MASCULINE, NEUTRAL AND FEMININE TRAITS



MASCULINE TRAITS	NEUTRAL	FEMININE TRAITS	
Rugged	Visionary	Original	Down to earthy
Dominant	Energetic	Free spirited	Plans for the future
Strong	Simple	Charming	Upper class
Arrogant	Authentic	Trustworthy	Open to new ideas
Rigid	Different	Articulate	Unique
Leader	Agile	Reliable	Generous
Natural leader	Carefree	Dedicated	Team player
Analytical	Collaborative	Reasonable	Honest
Proud	Intelligent	Nimble	Imaginative
Decisive	Cunning	Adaptable	Humble
Ambitious	Candid	Obliging	Curious
Over bearing	Traditional	Healthy	Loyal
Hard working	Fun	Popular	Conscientious
Logical		Passive	Cooperative
Consensus builder		Committed	Involved
Self reliant		Community oriented	Friendly
Focused		Helpful	Up to date
Distinctive		Creative	Selfless
Devoted		Flexible	Perceptive
Resilient		Intuitive	Socially responsible
Aggressive		Social	Kind
Brave		Sincere	Encouraging
Daring		Passionate	Empathetic
Competitive		Good at multitasking	Expressive
Gutsy		Kind	Understanding
Stubborn		Supportive	Patient
Assertive		Giving	Poised
Driven		Good listener	Trendy
Direct		Loving	Family orientated
Career oriented		Sensuous	Caring
Dynamic		Vulnerable	Affectionate
Confident		Gentle	Sensitive
Straightforward		Stylish	Nurturing
Selfish		Emotional	Glamorous
Independent			
Unapproachable			
Progressive			
Innovative			
Restrained			
Competent			

*“It’s not just about gender anymore; it’s about humanizing the workforce and making it a healthy environment for all types of people to flourish in”*

**Renée Roberts, Group Executive, Enterprise Services and Transformation, National Australia Bank**

It seems that women are badly underrepresented in senior roles in financial services, having faced barriers to advancement that men did not. Indeed, many of our interviewees for this research, both female and male, hypothesized that if gender styles in financial services were more broadly analyzed, the diversity might be even lower than the current gender mix would suggest, due to the prevailingly masculine traits still seen as needed to enter into leadership positions. But why are women underrepresented? The likely explanation is unconscious bias in favor of the masculine gender-style. As many of those who were interviewed suggested, the attributes valued in financial services, and which lead to successful career progression, are those stereotypically associated with men. So long as these values continue to hold sway in financial services, gender quotas cannot guarantee to deliver the desired result. They will not definitively deliver the diversity of styles required among the leadership, an interesting thought given that business models in financial services are being tested, re-engineered, and reformed to an unprecedented extent since the 2008 crisis.

*“I think in some areas we definitely still associate success with attributes that would be more traditionally associated with men rather than women – this needs to change”*

**Mariona Vicens, Director of Strategic Development and Innovation, CaixaBank**

<sup>1</sup> John Gerzema and Michael D’Antonio, *The Athena Doctrine: How Women (and the Men Who Think Like Them) Will Rule the Future*, Jossey-Bass, May 2013

Biases and prejudices take time to overcome. A workshop will not suffice to change long-held ideas or old habits. Firms must actively encourage many styles and traits – masculine, feminine and neutral, with each treated as a valued contribution to the business. This transformation will have implications for conduct guidelines, hiring and promotion criteria, working arrangements, and incentive schemes. But the most direct way to bring about the desired change in culture is to get people with styles that are currently missing into leadership positions. In financial services, this will require a focus on the styles stereotypically associated with women that will trickle down, and then be promoted back up, creating a virtuous circle.

*“We take account of team diversity and individual profiles. When filling a vacancy, considering the match of the individual profile with the team profile is part of the HR process. We are using an external provider to measure the profiles”*  
**Else Bos, CEO, PGGM**

What, then, are characteristics of the stereotypical female gender-style in leadership? What should appointment committees be looking for?

Much research has been conducted on the differences between masculine and feminine traits. For example, Exhibit 1 above shows a spectrum of the traits stereotypically associated with each gender from the Athena Doctrine. A common finding of the other various studies is that typically male and typically female communication styles differ. The more feminine style is expressive, tentative, and polite; the more masculine style is assertive and dominating.<sup>2</sup> The female style typically values workplace relationships, suggesting that female leaders form closer bonds with their subordinates. These and other typically female and male characteristics provide the foundation for assessments of where leaders lie on the spectrum of traits from the more feminine styles to the more masculine styles.<sup>3</sup>

Regardless of the theory or assessment adopted, the important thing is to consider leadership style, and not simply gender, when making decisions about senior appointments. Provided this is supported by an inclusive working environment, diversity will most likely lead to improved decision making and business performance.

Gender targets are useful. They keep management’s eye on the ball. But they alone do not get to the heart of the problem, which is not purely a lack of gender diversity but also a lack of diversity in thinking and behavior, and a lack of diversity in leadership styles. Leadership style is too subtle to be the subject of targets or quotas. It is something that must be pursued voluntarily by financial services firms as they strive to ensure they have diverse leadership teams. Given its value and the performance upside at stake, there is every reason for them to do so.

2 Susan A. Basow, Kimberly Rubenfeld, “Trouble Talk”: Effects of Gender and Gender-Typing, Sex Roles: A Journal of Research, February 2003

3 Bruce J. Avolio, Bernard M. Bass, Individual Consideration Viewed at Multiple Levels of Analysis: A Multi-Level Framework for Examining the Diffusion of Transformational Leadership, The Leadership Quarterly, June 1995

# WOMEN IN PORTFOLIO MANAGEMENT

## THE MISSING DIVERSITY MULTIPLIER

JULIA HOBART  
EMILY NIEMANN  
EVGENIYA KRASILNIKOVA



Despite boasting some high-profile female leaders, asset management does no better than the rest of the financial services industry when it comes to female representation at the top. And portfolio management, the so-called “engine room” of the asset management industry, does even worse.

This is not because women are worse at portfolio management than men. Studies show all possible results in terms of portfolio performance, with neither women nor men being systematically better. So the available evidence provides no justification for the low representation of women in portfolio management.

And there is positive reason to regret it, when one considers the role that portfolio managers could play as representatives of major shareholders in companies from all sectors of the economy. There is evidence that female investors are stronger advocates for gender diversity in their portfolio companies. More women in portfolio management could mean more women in leadership positions across the economy – a diversity multiplier effect.<sup>1</sup>

*“I am concerned about a male-dominated fund management community. I wonder what this means in terms of investor pressure to improve diversity across industries”*

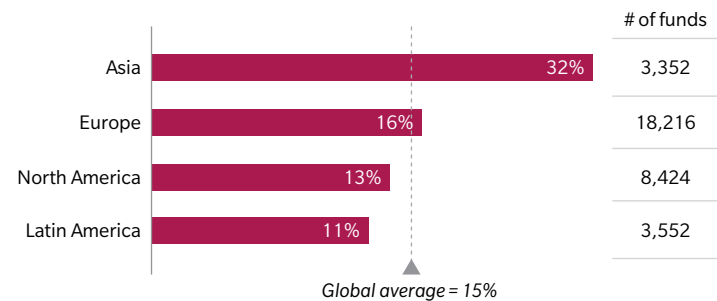
**Chairman of a FTSE 100 company**

*“In the US, we are seeing increased institutional investor pressure for more diversity... Investors play an important role here and are starting to be more vocal about things like diverse Boards that correlate with better long-term sustainable performance”*

**Alison Davis, Non-executive Director, RBS**

What hinders women from working in portfolio management? And how can the obstacles be removed? Before answering these questions, it is important to look at the numbers.

## EXHIBIT 1: FEMALE REPRESENTATION IN PORTFOLIO MANAGEMENT BY REGION<sup>2</sup>



Source: Morningstar data, Oliver Wyman analysis

Only 15 percent of portfolio managers globally were women as of December 2015 (compared to 18 percent on asset management ExCos: see Exhibit 4 in the main article). This finding is based on an analysis of gender among portfolio managers globally for all open-end retail funds listed in the Morningstar database.<sup>3</sup> The analysis covers 33,544 funds worldwide with 17,473 individuals named as portfolio manager.

Among our four broad regions, Asia has by far the highest female representation. This could be explained by the higher percentage of Asian women who study quantitative subjects at university,<sup>4</sup> which increases the pool of female talent available to the industry.<sup>5</sup> Female representation in the US and the UK – the oldest and largest asset management markets – is similar, with 13 percent and 14 percent female portfolio managers respectively, both slightly below the global average.

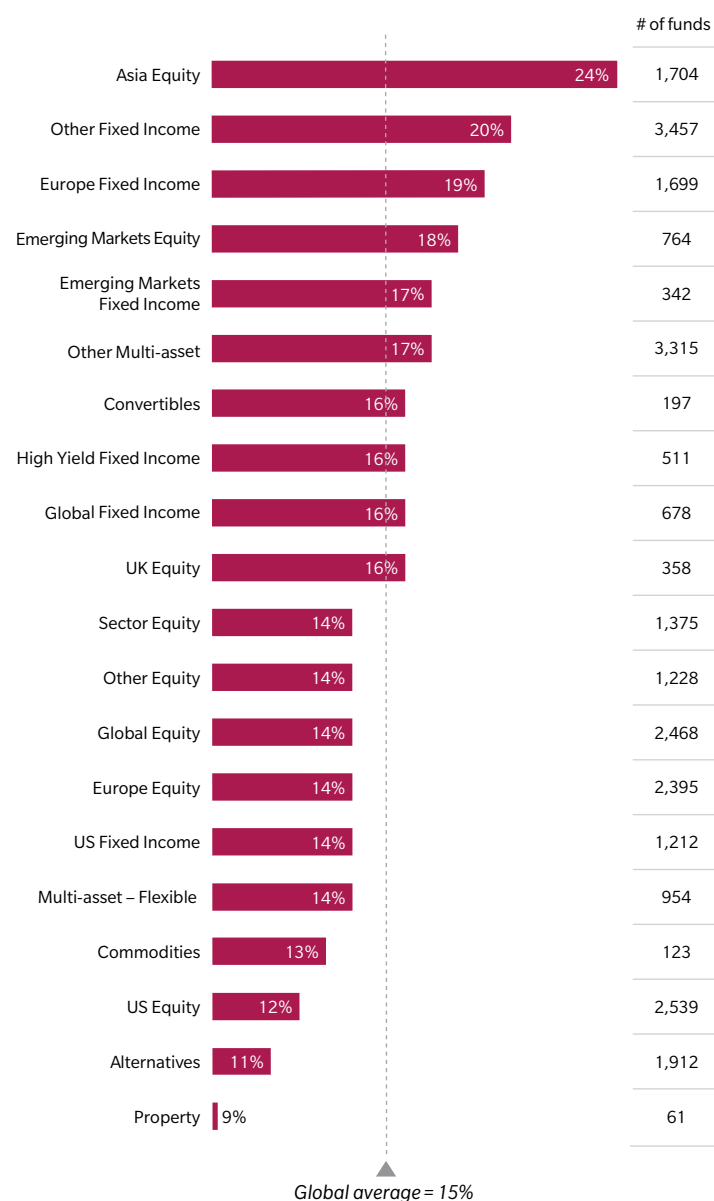
1 A report by Babson College finds that venture capital firms with female partners are twice as likely to invest in companies with a woman on the management team, and three times more likely to invest in companies with a female CEO. Candida Brush et al., Diana Report – *Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital*, Babson College, September 2014

2 A fund's region is determined by where it is (primarily) sold as the best available proxy for where the portfolio manager sits

3 Funds were excluded from the analysis when they failed to meet criteria for inclusion, such as disclosing the managers' names.

4 According to Yfactor.org, more than 60 percent of students in mathematics and statistics disciplines in Asia were women, compared to 45 percent in North America and Western Europe. While portfolio managers are not only recruited from mathematics and statistics, but also from business or finance backgrounds, these numbers give an indication that the candidate pool in Asia may be larger than elsewhere.

5 An Oliver Wyman analysis of job descriptions for portfolio management entry positions showed approximately 7 out of 10 vacancies require a candidate to have a quantitative or related education background.

EXHIBIT 2: FEMALE REPRESENTATION BY ASSET CLASS<sup>7</sup>

Source: Morningstar data, Oliver Wyman analysis

Representation varies by asset class. Fixed income tends to have higher female representation than equities (the exception of Asian equity and emerging markets equity is a side-effect of the higher representation of women in Asia). Women are least represented in managing alternatives and real estate funds, a finding that is consistent with previous studies of women in these subsectors.<sup>6</sup>

*“In real estate and private equity, there are closed networks, and who you know is very important. That might be an obstacle for women”*

**Euan Munro, CEO, Aviva Investors**

*“There are still too few women Chief Investment Officers in asset management, although that is beginning to change as companies realize that diverse viewpoints are critical to understanding and managing both risk and credit in investment portfolios”*

**Deborah Zurkow, Head of Alternatives, Allianz Global Investors**

Why are there so few women in the “engine room” of asset management? Interviews, research, and an online survey that we conducted suggest three reasons.

## 1. CULTURE AND IMAGE

Most of our interviewees identified the culture and image of asset management as a problem for attracting and retaining female staff. There seem to be pockets in the industry where aggressive cultures prevail and where time spent in the office is seen as an indicator of an employee’s productivity or commitment. The industry’s image is largely unattractive to women.

*“Portfolio management can be very competitive and have a harsh culture. This is not necessarily a barrier for women – they can deal with pressure, but may have a preference not to. Overall, the more negative perception of the sector since the financial crisis appears to have impacted its attraction as a destination for female graduates to a disproportionate extent”*

**Lucy Macdonald, CIO Global Equities, Allianz Global Investors**

<sup>6</sup> According to “Cloistered in the Pink Ghetto”, a working paper by Harvard Business School lecturer and real estate investor Nori Gerardo Lietz, just five percent of private equity senior investment professionals are women. In real estate, it is four percent.

<sup>7</sup> Total number of funds in the table is 30,189, which is below than overall number 33,544, due to the exclusion of 3,355 funds for which the asset class was “Miscellaneous” or not available. “Other Fixed Income” includes Money Market funds. “Other Multi-asset” funds invest in stocks, bonds and cash, and constitute the majority of multi-asset funds. “Multi-asset – Flexible” funds invest in a broader range of asset classes, including derivatives.

*“I think the problem of attracting women is mainly around culture and perception of the industry, not the nature of the portfolio management roles”*

**Mark Zinkula, CEO, LGIM**

*“Portfolio management can appear quite boys-clubby. The majority of portfolio managers are male, and often come from the same schools – if you don’t fit that mold, it is easy to feel like you are not part of the club”*

**Director, Global Asset Manager**

A Financial Times study found that women in asset management wrestle with an old-boys clique.<sup>8</sup> It surveyed 730 global fund management staff, finding that 65 percent of female respondents claimed to experience sexist behavior in the office regularly.

Oliver Wyman surveyed 100 asset management professionals, 50 of whom were women. Sixteen percent of these women disagree or strongly disagree with the statement: “I like the culture in my organization” – the highest proportion among all financial services subsectors in the online survey. It is a small sample, and not therefore statistically significant, but the finding accords with the impressions gained from our interviews. Another worrying finding from the survey was that men in asset management appear to see less value in gender diversity initiatives than men working in other subsectors of financial services. On average, 21 percent<sup>9</sup> of male respondents from the asset management industry indicated diversity initiatives are not important for them – again a small sample but also the highest among among the financial services subsectors in our survey.

## 2. GRADUATE RECRUITMENT

Although attrition of female portfolio managers is a problem, the majority of our interviewees agreed that the biggest problem is attracting women in the first place. The image of asset management firms may deter qualified women from applying, as may a lack of knowledge about the industry among graduates who have no specific reason to be interested in the topic. More on-campus education and PR work on asset management may be required. Many asset managers focus their recruitment on candidates with quantitative, business, or finance backgrounds. Given that these subjects are male student dominated, so is the pool of candidates for entry-level positions.

*“I am not sure measures higher up are the answer, until we have resolved the problem lower down. What’s happening at the incoming level with women is important and concerning ”*

**Sarah Bates, Chairman, St James’s Place**

*“It’s an attraction issue that we face. Few graduates understand what the asset management industry does; they are much better informed about investment banking, for example. Those who are interested typically self-select into the industry at an early stage of their university education – and unfortunately we don’t see many female graduates applying for buy-side roles. This is also related to their degree subjects – we would like to recruit more liberal arts students, not just those in science or finance-related degrees, but few apply from broader disciplines”*

**Sally Nelson, Chief Administrative Officer, Fidelity International**

<sup>8</sup> Chris Newlands and Madison Marriage, *Women in asset management: Battling a culture of ‘subtle sexism’*, The Financial Times, 30 November 2014

<sup>9</sup> Share of male respondents who indicated a diversity measure as not important for them, averaged across all diversity measures from our framework “Career Support House”

### 3. (PERCEIVED) BARRIERS TO FLEXIBLE WORKING

Barriers to flexible working have been identified as a driver of low female representation in senior financial services jobs generally. In portfolio management, however, there are some structural particularities that should be highlighted.

Our interviewees expressed differing views on the use of flexible working options. Some believe that portfolio management cannot be done part-time. Clients want a full-time, dedicated portfolio manager at their desk when the market is open. Other interviewees, however, think portfolio management can successfully be done part-time: most obviously, when a portfolio is managed by a team rather than a solo manager.

The increasing use of technology in money management is likely to challenge traditional approaches to portfolio management.<sup>10</sup> The emerging models are likely to call for less face time. And even on the current business model, technological progress ought to create much greater flexibility in where and how portfolio managers work. In the age of mobile access, there is no reason for portfolio managers to be chained to their desks.

It may be more difficult – or perceived as more difficult – for a portfolio manager to take a break of several months or years for caregiving. On leaving, the portfolio needs to be passed to a colleague; getting it back upon returning can be difficult. And, even after returning, gaps in track record can be perceived as detrimental to the career. Several of our interviewees, however, argued strongly that this is needlessly inflexible thinking.

*“There is a myth propagated by many in investment management that you can only do it if you are chained to your desk full-time, and that somehow, if you have a break for six months, you lose all your market knowledge. Obviously that’s nonsense, but even the possibility you might contemplate motherhood can become a hurdle for women in the industry. Gender generalizations are also damaging. There is no one-size-fits-all when it comes to women and men – there are more differences between women and between men than between the average woman and the average man”*  
**Anne Richards, CEO, M&G**

*“We recently had one male portfolio manager take shared parental leave. That had a major positive impact on the overall team”*  
**D&I Director, Asset Manager**

Many leaders within asset management are keen to see more women working as portfolio managers and are taking measures aimed at bringing this about. The challenges are, for the most part, the same as those in other sectors of financial services. And so are the appropriate responses: getting the basics right (such as offering sufficient flexible working options), active sponsorship of promising women, mandatory unconscious bias training, and the other initiatives described in the main article.

Portfolio management is distinguished by the worse-than-average perception of its culture. Cultural change is a long-term endeavor. To begin it, senior managers in asset management firms should consider leading by example (for example, by using flexible work options themselves), adopting a zero-tolerance policy on any non-inclusive behavior, sharing the stories of successful female portfolio managers, and linking bonuses to being supportive of diversity and inclusion.

<sup>10</sup> *Better, Cheaper, Bionic – The impact of digital on portfolio management*, Oliver Wyman, 2015. This report outlines how the use of computing power could materially change how portfolio management is done.

Portfolio management ought to be an attractive career for women. It is a job in which performance can be objectively measured, which should make bonuses and promotions less vulnerable to prejudice and relationships formed in bars and golf clubs. And, provided secure technology is available, it can be done anywhere that has Internet access, which is almost everywhere, including the portfolio manager's home.

The fact that, despite these features, portfolio management attracts an unusually small number of women suggests a failure to make the most of these advantages and to market them effectively. Asset managers need to spread the word about the female friendliness of the profession. Among other things, this means on-campus campaigns promoting the job to female students, and commitments to include female candidates on the lists for vacant positions. More generally, it means public relations campaigns (perhaps organized at an industry level), drawing attention to the virtues of portfolio management as a career for women. The names and faces of successful female portfolio managers should become familiar to readers of the business pages.

Portfolio management is not what comes to mind when most people think of financial services: less high-profile and glamorous than investment banking, and less familiar to consumers than retail banking and insurance. Portfolio management may not have been a priority among campaigners for greater gender diversity in financial services. But given the influence of portfolio managers in the wider economy through share ownership, and the potential for a diversity multiplier effect, it should be.



# PAY EQUITY IN FINANCIAL SERVICES

GAIL GREENFIELD, MERCER  
BRIAN LEVINE, MERCER  
STEFAN GAERTNER, MERCER



Pay equity is a hot topic again. Mercer’s recent “When Women Thrive”<sup>1</sup> research has shown a link between pay equity and greater gender diversity. Moreover, regulators are showing renewed interest in the topic. Firms that do not choose to address the issue as part of their gender diversity strategy may find they are forced to as a matter of law.

The risk is substantial in financial services. According to a recent study<sup>2</sup>, the gender pay gap for women in the United States is 7.2 percent in the insurance industry and 6.4 percent in the finance industry, after accounting for factors such as age, education, experience, location, occupation, job title, and company. These gaps are among the highest for the industries examined in the study.

Recent pay equity laws aim to speed up change by making it easier for plaintiffs to sue successfully and by raising awareness of disparities through the compulsory reporting of pay data. The California Fair Pay Act of 2015 is probably the best example of a law that strengthens the ability of plaintiffs to successfully sue for pay discrimination. Under this law, the definition of a relevant employee pool for comparison has been broadened to include employees performing substantially similar work based on a composite of skill, effort, and responsibility. Analyses cannot be limited to people doing the specific job of the complainant. In other words, the principle of “equal pay for equal work” is no longer interpreted as equal pay for the same work but as equal for substantially similar work.

Earlier this year President Obama announced several federal legislative actions to advance equal pay. Among them is a proposed requirement for all employers with 100 or more employees to report summary data on wages paid. The UK government has put forward similar reporting requirements. This trend towards more aggressive regulation of pay equity, coupled with evidence linking pay equity to better gender balance, is a stern call to action for employers in financial services firms. More specifically, it is a call to four actions, which we describe below.

## 1. CONDUCT PAY EQUITY ANALYSIS

Assess internal pay equity on a regular basis – at least annually. Focus on total compensation, given that significant bonuses are often paid in financial services.

In doing this analysis, do not take a simple average-pay-by-group approach. High-level tests, such as those that consider differences in averages, can produce false negatives (no issue is identified when there is one) and false positives (an issue is identified when one is not there). We recommend a robust statistical approach, such as multiple regression, to ensure that legitimate differences in pay – job-related skills, performance, experience, education, and so on – are accounted for in the assessment.

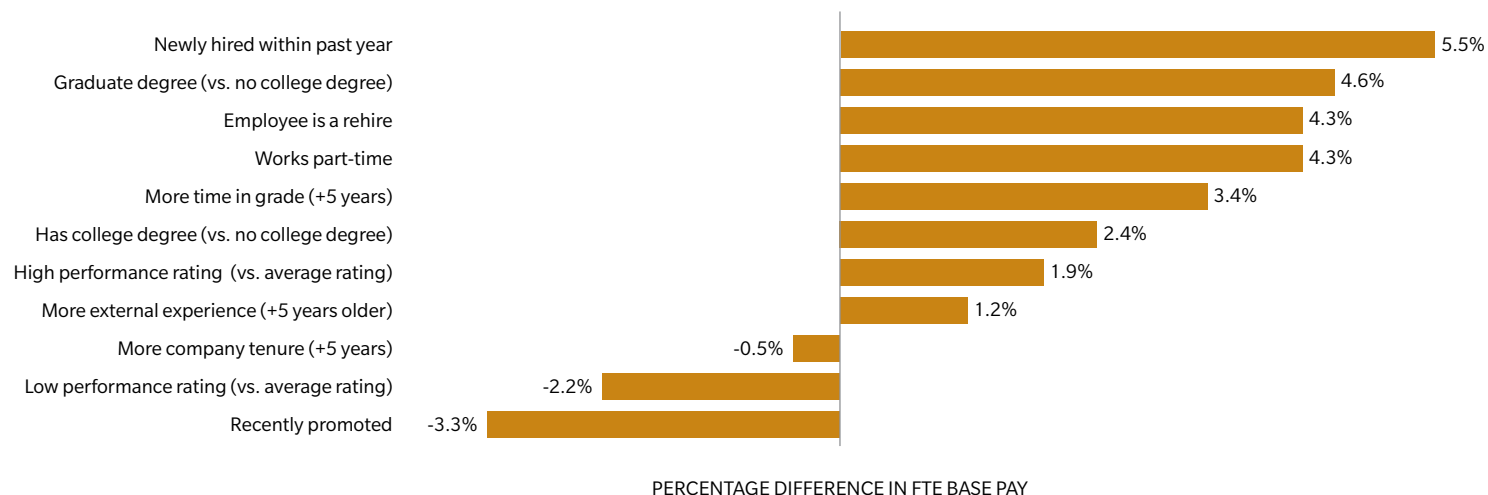
These analyses must take account of performance ratings. While some might argue that performance ratings could be tainted by discrimination, failure to account for them is likely to bias regression results. In our experience, it is common in financial services for women to receive higher ratings than men but lower levels of pay associated with those ratings. Unconsciously or not, there are managers who appear to provide more positive feedback to women while they award greater compensation to men. We recommend a separate examination of inequities in performance ratings and consideration of appropriate counters if inequities are found. These might include supervisory training or formalizing the link between performance scores and pay.

In addition to revealing pay gaps for groups protected under anti-discrimination legislation, a regression analysis may also reveal strategic issues related to pay and what your organization rewards. Excessive rewards for risk-taking activities can be harmful to the long term viability of a financial institution, as can too strong a link between pay and years on the job. Having data available to track these relationships allows a firm to tell whether its “pay philosophy” is being realized in practice. For example, Exhibit 1 shows a regression analysis, with the primary drivers

1 *When Women Thrive*, Mercer, 2016

2 Andrew Chamberlain, *Demystifying the Gender Pay Gap: Evidence from Glassdoor Salary Data*, Glassdoor, 2016

## EXHIBIT 1: MULTIPLE REGRESSION ANALYSIS SHOWING DRIVERS OF PAY FOR A FINANCIAL SERVICES ORGANIZATION



Source: Mercer (disguised client case)

Note: Analysis also accounts for job and location (results not shown)

of pay enumerated for one financial services organization. This organization was paying relatively large premiums to new hires, resulting in a negative “return to tenure” for longer tenured employees. Whether this situation is optimal depends on whether the company’s talent strategy is focused on building talent or buying talent.

Using a robust statistical approach to examine pay equity will enable financial institutions to spend their limited compensation dollars wisely by pinpointing the units and individuals with unexplained pay gaps. Recent research shows that only 35 percent of organizations have a pay equity process that is built on a robust statistical approach.<sup>3</sup>

## 2. REVIEW YOUR JOB STRUCTURE

As part of a robust statistical approach, ensure that employees can be grouped into meaningful pools for comparison purposes – not too narrow and not too broad. The provisions in the California Fair Pay Act are arguably vague (for example, in defining what is “similar”), but are a good starting point. We believe that few states and courts will continue to uphold a narrow “equal work” stance when evaluating pay gaps; a general relaxation of this standard towards California’s “substantially similar work” is likely to occur. Moreover, clear delineations of skill requirements related to a job, as well as associated responsibilities, will help organizations ensure that pay for a specific job is driven by the requirements of the job and not by its gender composition.

3 When Women Thrive, Mercer, 2016

### 3. IMPLEMENT FORMAL REMEDIATION PROCESSES

Dedicate a team to assessing pay equity and implementing a formal remediation process. This team should conduct (or oversee) the pay equity assessment, identify groups with unexplained pay gaps, conduct targeted research on specific employees potentially requiring a pay adjustment, document explanations for making or not making adjustments, and ensure that adjustments are being made. Recent research shows that having a team responsible for pay equity, coupled with a process that relies on a robust statistical approach, is linked to improved gender-diversity outcomes. When evaluating incentive payouts, consider whether or not proposed payouts can be assessed before they are made.

### 4. BUILD AWARENESS AND CORRECT POLICIES THAT DRIVE INEQUITY

To help prevent pay gaps from re-emerging, we recommend that organizations reduce their reliance on salary history when setting starting pay for new hires – a practice which can import a gap from a prior employer. Firms should also rely less on negotiations in setting starting pay, as women are often cited to negotiate less aggressively. Where possible, set entry-level pay rates to the job, not the person. Employers should also ensure that employees taking leave are not inadvertently penalized on pay when they return to work. In financial services, we've seen that pay differences driven by a past leave of absence can persist indefinitely.

Ultimately, the most powerful strategy is to consider the strengths of women and ensure that these are associated with commensurate pay and opportunity. Since pay differences within job titles or even substantially similar jobs are dwarfed by differences in pay that occur as women and men progress at different rates, it's important to look at pay practices through a broad lens.

Achieving pay equity may not be easy, but financial services organizations can and must rise to the challenge.

*Brian Levine is a Partner in Mercer's workforce strategy and analytics practice. Stefan Gaertner and Gail Greenfield are Principals in Mercer's workforce strategy and analytics practice.*

# LADIES FIRST?

SCOTT McDONALD, PRESIDENT AND CEO



Management consulting, like financial services, has struggled to attract and retain women. Some of the traditional requirements of the job – long, inflexible hours and lots of travel – have not helped. But there is no debate in the industry about the need to have a better gender balance at every level. All the management consulting leaders I know believe that having more women is the right thing to do and will improve their firms.

The industry has been working hard to make changes. Consulting firms are experimenting with new approaches to recruiting, reviews, and development. They have introduced mentoring programs, sponsorship, flexible work, and extended parental leave, among other things. These initiatives are making a difference, but the changes have not been big enough or fast enough.

Anyone who has tried to change an institutional culture knows that it's a slog. Improving diversity and inclusion (D&I) is especially challenging because it requires an examination of deeply held values. Yet it's one of the most important ways that firms evolve. At Oliver Wyman, I am already proud of the progress we have made challenging some of the basic requirements of the job, creating programs and processes to attract and support our women and improve our culture.

But I am beginning to question some of the core elements of our plan and, certainly, the emphasis placed on gender. I think there might have been a better path.

When we started, our intention was to create a culture that would be inclusive and diverse. We wanted an environment where anyone could feel comfortable and have a chance to shine, regardless of their gender, sexuality, race, religion, personality type, or thinking style. The ultimate goal was to improve our capacity to solve complex problems for clients by including diverse perspectives and abilities within our ranks.

I thought we should start by focusing on women. They represent half the population, are a visible sign of diversity, and, arguably, present the clearest path towards change. I figured that if we made rapid progress on gender, we could extend this success to other groups and eventually develop a more universal approach that would crack the broader inclusion challenge for us. I think many others in management consulting and financial services proceeded along the same lines.

For my part, while my larger ambition is unchanged, I am no longer convinced that our approach of focussing on gender diversity was the right one. I suspect we would be further along if we had pursued entirely general D&I solutions rather than specific solutions for specific groups. The desire to form groups or “tribes” is part of human nature. And, although this tribalism can be empowering, it can also be divisive.

Members of the recognized identity groups, which at Oliver Wyman we call Employee Resource Groups, benefit in various ways, such as bonding with colleagues who share their experiences, building collective pride, and consolidating a coherent approach to their inclusion. Offsetting such benefits of the group-by-group approach, however, are the costs of narrowing our focus. Inclusion is an entirely general goal; it is not about any particular group, such as women, or even any list of groups that might practically be drawn up. Focusing on particular, specified groups can act to exclude other, unnamed or “invisible” groups. The group-by-group approach too easily creates an environment which promotes not genuine inclusivity but a competition between groups for the resources devoted to their particular concerns.

We are now shifting our efforts to measures that create a stronger sense of community amongst us all and that value all differences. Though we continue to pursue meaningful progress towards gender balance, it is no longer taking center stage. As we have made this shift, we have tapped into more universal needs: for community, for work/life sustainability, for compassion, and for mutual understanding of others' experiences and beliefs.

In practice, this requires us to pay more attention to general modes of human interaction, rather than what is required to address the needs of any one group. We seek a pervasive culture of trust and respect, and we are emphasizing the power of listening.

*“Society’s progress on gender diversity has been glacially slow. Yet, sadly, we could say the same for many other dimensions of diversity. At Oliver Wyman, we’re focused on evolving our workplace to one in which all colleagues feel they belong and that their unique differences, gender or others, are valued. This means ensuring that we are curious, courageous, compassionate, and collaborative with one another; and so far, it is having a profound impact”*

**Aimee Horowitz, Global Director Talent Strategy and Inclusion, Oliver Wyman**

It seems to be working. Cultural change has accelerated since we extended our efforts beyond a specific group. Our people seem to respond better to the “enlightenment universalism” of our new approach than the “tribalism” it has replaced. I’ve been delighted by the profound insights and engagement generated by our efforts aimed at forming deeper connections, encouraging introspection and honest, respectful dialogue. We are moving towards a diversity of leadership styles that adds color and new perspectives to the decisions we take.

Since this shift in focus, engagement has taken off. Where, in the past, we have encountered resistance, we are now struggling to meet the demand for inclusion programs and to share more techniques to make our teams smarter and stronger.

In the end, perhaps, both paths lead to the same destination, and there is merit in making rapid progress with any group that feels excluded. But I suspect there is a smarter approach than the one we took. If I could do it again, I would move faster from group-specific initiatives to the broader inclusion challenge. That would have expedited cultural change. Many will disagree. But it is a question that requires serious thought by those of us who are determined to create workplaces where any talented person has every chance to thrive.

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The authors drew on the contributions of many senior leaders and experts from across the firm, but in particular wish to acknowledge the help of Matthew Austen, Partha Bose, Aimee Horowitz, John-Paul Pape, Neil Reid, John Romeo, Nick Studer and Michael Zeltkevic. This report would not have been possible without the work of Vla Stanojevic, Mike Betts, Agatha Foo, Manuela Leuenberger and Jamie Whyte. The team was also supported by Nicole Pollack, Anna Rapp, Roxy Nadershahi and Camilla Sundberg.

# ACKNOWLEDGMENTS

We would like to express our gratitude to all the interviewees for their time in sharing their experiences and opinions. The views expressed in this report are their own and are made in a personal capacity only.

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We also thank unnamed contributors at Bank of America, Capital One, Deutsche Bank, Goldman Sachs, and MasterCard.

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