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ENHANCING GENDER DIVERSITY IN FINANCIAL SERVICES SECTOR

A b s t r a c t: The aim of the article is to determine the importance, benefits and ways to enhance a culture of gender diversity in the organization. The article contains an analysis on gender diversity management and focuses on financial services sector including entry-level and senior management female employees' representation. It is highlighted that building a more diverse workforce is everyone's responsibility and that diversity should be the highest priority to the company's strategy. The article will inform practitioners on gender balance matter, best practices and implications for the organizations.

K e y w o r d s: diversity, gender diversity, gender balance, financial services sector

J E L C o d e: J16, M14

INTRODUCTION

Forward-looking executives understand that gender equality is not just the right thing but also the smart thing to do. This is the reason why more and more CEOs, heads of state and university leaders apply gender-equality related goals for the organizations they manage. Although gender diversity (GD) is a crucial element of an effective management, gender equality is still strenuous to achieve. Miscellaneous factors are involved, nevertheless one of the leading reasons are unconscious bias and perception gaps. [McKinsey & Company, 2015] Even though considerable recognition of women in the organizations, as well as females' presence at managerial positions [middle level and top management level] is higher, the percentage increase is lower than it was in the past years [Bibi, 2016, p. 80].

Conforming to the recent 2020 Global Gender Gap Report released by World Economic Forum, none of current employees will see gender parity in

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their lifetimes, nor likely majority of their children, as women are still 99.5 years¹ away from closing the gender gap [World Economic Forum, 2019]. Principally, organizations are ready to accept GD in the workplace. However, even though many policies in diversity management process are available, the gap in execution phase remains [Bibi, 2016, p. 84].

This article sheds light on the multifarious reasons on why and how organizations can use diversity management as an enabler of business impact. It articulates a range of possibilities for companies, including those from financial services sector, in order to enhance and comprise Inclusion and Diversity (I&D) in decision-making roles, especially on executive teams. The research method chosen in this paper is literature review in order to provide the readers with the definitions and benefits of GD as well as Gender Diversity Management (GDM). The author analyzed reports on GD in the financial services industry prepared by consulting companies (Mercer, McKinsey and Oliver Wyman) as they provide a panoramic approach to this theme with the most up-to date data from the industry.

1. THE MEANING AND BENEFITS OF GENDER DIVERSITY

The term “gender” has definitely gained its recognition. Previously, the meaning was relatively clear as it was linked to the social expectations and roles associated with human beings based on their biological sex. Nonetheless, it has become a general label for talking about “women, men, the relationships between them, related aspects of organizing, processes through which gender differentiated behavior patterns are enacted, and associated issues of power in various guises” [Marshall, 1995, p. 1]. “Diversity” is any dimension (visible or not) that could be used in order to differentiate groups and people. It is linked to: gender, ethnicity, language, race, sexual orientation, educational background, age, and physical ability [Giovannini, 2004, pp. 21–22]. In the past, gender diversity was measured as a social issue and it was treated as the image of the organization. It is considered currently as a leading value driver in the context of corporate governance as well as organizational strategic management [Marinova, Plantenga, Remery, 2016].

For over a decade, vary prestigious research organizations and consultancy companies have accentuated the positive results of unleashing the females’ potential in the workplace. According to McKinsey’s recent report, “the top-quartile for gender diversity on executive teams were 21% more likely to have above-average profitability than companies in the fourth quartile” [McKinsey & Company, 2018, p. 1]. Additionally, “the equal participation of women and men in the economy creates a tremendous impact as it has the potential to add up to USD 28 trillion, or 26%, to annual global GDP in 2025” [Arns and Holzberg, 2016, p. 5].

¹ The good news is that this number has declined comparing to previous reports.

The Table 1 presents different areas of gender diversity's positive impact on the organization.

Table 1. Gender diversity's impact on organizational aspects

Area of impact and rationale	Example
<p>Talent recruitment: Lower employee turnover. Retaining top talent, "interaction" talent, emerging-market talent and geographic mismatches.</p> <p>Reduced instances of workplace harassment.</p>	<p>An increased sourcing talent pool, a particular issue in Europe due to substantial focus on females and ethnic minorities.</p> <p>Skill shortages were the top reason for vacancies in entry-level jobs in 40% of companies surveyed (McKinsey, 2012).</p> <p>Respectful treatment of all employees was a crucial element in the job satisfaction of 65% employees (McKinsey 2016).</p>
<p>Customer orientation: Minority groups and women as principal consumer decision makers.</p>	<p>80% of consumer purchases in the UK are females.</p>
<p>Social change reflection: Diversity programmes help firms compete for the best talent.</p>	<p>Women constitute approximately half the workforce both in United States and United Kingdom.</p>
<p>Innovation: Large variety of problem-solving approaches and ideas.</p>	<p>Academic research has demonstrated that diverse groups outperform experts. Firms with higher diversity in management layers have 38% higher revenues from innovative services and products.</p>
<p>Decision making: Teams that include different viewpoints or thinking styles (cognitive diversity) solve problems faster.</p>	<p>"Deep-level diversity" (i.e. differences in personality, background, and values) contributed to a higher degree of creativity in a study on the decision-making behaviors.</p>
<p>Reputation and responsibility:</p> <ol style="list-style-type: none"> 1. Excellent Reputation 2. Fewer Instances of Fraud 3. Strengthened Corporate Social Responsibility (CSR) Performance 	<p>Companies ranked high on Fortune's World's Most Admired Companies list have twice as many female top managers than organizations with lower rankings. Gender-diverse corporate boards are affiliated with more effective risk-management practices when investing in research and development. (2) Companies with such boards have less incidents of unethical behavior (bribery, corruption, fraud, and shareholder battles). (3) Companies with gender-inclusive teams contributed more charitable funds than other companies (Fortune 500 boardrooms, Catalyst and Harvard Business School study).</p>

Source: own elaboration based on McKinsey & Company, (2015), *Diversity Matters*, pp. 9-12; Catalyst, (2018), *Quick Take, Why Diversity and Inclusion Matter*.

When it comes to the connection between financial performance and GD, most frequently business cases grow out of a need to explain the benefits of diversity to company’s stakeholders. Nevertheless, the link between both is difficult to prove as researchers may just establish correlation, and not causation, between them [Catalyst, 2018].

2. GENDER DIVERSITY MANAGEMENT

Indeed, organizations with more gender diverse workforce do outperform financially their analogously less diverse competitors. In order to achieve, the performance targets, companies employ GDM. Diversity management and inclusion are requisite for organizational survival in order to meet up with the dictate of globalization [Ohunakin, Adenji, Ogunnaike, Igbadume, Akintayo, 2019, p. 93].

Diversity management has been defined as the usage of human resources management with aim to sustain variety in human capital [Olsen and Martins, 2012, pp. 1168–1187]. Before 1970s, the approaches to GDM were mostly liberal and radical. It has gained more recognition recently, and this phenomenon advocated among others for Equal Employment Opportunity (EEO) and Affirmative Action (AA) [Ohunakin, Adenji, Ogunnaike, Igbadume, Akintayo, 2019, p. 94].

Different studies and companies’ experience reveal essential arguments for the return on investment in GDM [Arns and Holzberg, 2016]. Table 2 demonstrates a set of major activities with examples which can be implemented in the context of GDM in the company.

Table 2. Fields of Gender Diversity Management in the organization

Area of focus	Action to take	Example
Corporate Strategy and Culture	Create a corporate function responsible for GDM	Head of Diversity/ diversity team
	Publish a vision statement with measurable targets	Outlining what a company wants to achieve with regard to GD
	Include paragraphs on equal opportunities for women and men in corporate policies	Code of conduct; recruitment policy
	Enable employees to internalize a diversity-friendly culture	Training on stereotypes; “(Gender) Diversity Day” events
	Adapt the performance appraisal criteria to reflect a diversity-friendly workplace culture	Removing criteria that penalize employees for being absent due to family obligations

Management (Top, middle and lower management serving as role models and opinion-leaders)	Raise leaders' awareness of GD benefits	Round tables and trainings
	Coach managers to promote GD in their daily work	External/ internal coaches
	Provide materials to enable managers to promote GD	Toolkit, guidelines or checklists
	Involve managers in decision-making process on GD activities	Managers' approval of a GD action plan
	Encourage managers to participate in GD activities	A speech during a recruitment event for women; taking paternity leave
	Adapt the performance review process to honor diversity-friendly behaviors.	An assessment criterion on the fair treatment of employees
Operations - Recruitment	Revise the recruitment process to ensure the guarantee of equal opportunities.	A four-eye principle; decision-makers training
	Sensitize HR personnel/ talent acquisition teams to implicit gender biases	Training/ online tutorials
	Organize HR marketing events specifically for women; Offer internships to female students Cooperate with educational institutions	Job fairs, open days (with company tours). Information sessions for apprentices, joint development of a vocational program
	Ensure that HR marketing fairly attract female and male potential candidates	Training of employees in charge, checklists or guidelines

Operations - Retention	Support employees in balancing family and professional life	Toolkits, an in-house contact person for consultation or group discussions
	Enforce family-friendly working schedules	Shift work: shift swaps or parents having priority in planning. Non shift work: flexible working hours, teleworking or part time options.
	Offer leave permits in family emergencies	Half day or full day leave opportunities
	Support child or elder care leave	An in-house nursery, cooperation with childcare centers, financial support
	Introduce parental leave; support the parent before, during and after leave	Joint planning of leave or keep-in-touch programs during leave
	Introduce a zero-tolerance policy against sexual harassment	A paragraph in the code of conduct
	Provide safe transport for commuters	Corporate buses, carpooling, reimb. for taxis during late night hours
	Ensure the corporate environment covers both female and male needs equally	Changing rooms, rest rooms, breastfeeding rooms
Operations - Career Advancement	Revise the performance review system to ensure that female and male employees have equal opportunities to obtain good evaluation	Elimination of penalizing parents for assuming childcare obligations
	Revise the promotion process to ensure equal opportunities to all employed	Four-eyes principle; decision-makers training
	Revise the career path to be equally feasible for female and male employees	Limiting obligations regarding mobility
	Motivate and prepare female employees for management positions	Mentoring, coaching or training
	Actively plan female succession to top management positions	Talent management and succession planning
	Introduce temporarily policies or quotas	Increased share of women at higher career levels

Source: own elaboration based on Arns, S., Holzberg B., (2016), *Manager Guide to Gender Diversity - plan and implement successful gender diversity projects*, Econwin, pp.18-37.

There are varieties of programs in the field of GDM, including recruitment process, promotion and retention. It is crucial for the organizations to involve managers from low to top layers as well as equip them with concrete tools in order to implement GDM into action and enhance inclusive culture in the organization.

3. GENDER BALANCE IN FINANCIAL SERVICES SECTOR – RESEARCH RESULTS

This part of the article focuses on the condition of gender diversity in the financial services sector (FSS) in the light of the most recent and relevant reports on this matter. Table 3 presents author's motivation to include and analyze the mentioned reports in this paper. On the other hand, certain available reports were not taken into account due to their irrelevance to the author's research methodology: e.g. limited research criteria (executive committees only), geographical restrictions (UK specific), and limited type of operations (hedge funds and private equity subsectors only).

Table 3. Reports used in the research

Report	Short characteristic
<i>Gender Diversity Financial Services Industry Report. When women thrive</i> (Mercer, 2016)	The report aims to help organizations to map their own gender diversity needs. 67 companies from the sector were interviewed. Set of robust analytics used to examine the research. Regional comparison executed in global report. The relationships presented in this report are statistically significant at conventional levels. Analysis is based in the data of present workforce. The research not only contains examination of the firms' programs and policies but also operational context in which people work.
<i>Women in the workplace</i> (McKinsey & Company and LeanIn.org, 2017) <i>Closing the gap. Leadership perspectives on promoting women in financial services</i> (McKinsey & Company, 2018)	Studies since 2012. Probing issues based on data (incl. regression analysis), employee experience survey and qualitative interviews. Over 14,000 employees at 39 financial services companies were surveyed; 12 female senior executives at financial services firms in North America were interviewed. Although the data are based on American research, the insights and implications have global relevance (many financial institutions have their headquarters in US). Report represents three financial sub-sectors: banking and consumer finance, asset management and wholesale banking, and insurance.
<i>Women in financial services 2020</i> (Wyman, 2019)	The most recent report in FSS globally. A comprehensive comparison of 2019*and 2016**research results. A panoramic approach to gender diversity theme. (*) The sample contains the organizations from 2016 as well as 2014 and adds organizations from new countries (Greece, Indonesia, Portugal, Saudi Arabia, and Kuwait) and new subsectors (Payments, FinTech banks, FinTech payments). It also includes top financial institutions in each subsector and each country with targeting market coverage of greater than 50% each. (**) 381 financial services institutions in 32 countries-both boards and executive committees.

Source: own

According to Mercer's global report, women remain to be underrepresented in the workforce at different levels and females' presence declines with the rise of career level. Women's appearance at the professional level and above is just 35% and only 20% at the executive level. Additionally, organizations struggle

to build a female talent pipeline for the future. Current hiring, promotion and retention rates for female workforce is not sufficient to establish gender balance over the next 10 years [Mercer, 2016, p. 1]. The good news, according to Oliver Wyman, is that FSS is making the fastest progress on increasing women in the top positions since the start of their index in 2003 (23% of women on executive committees). The increase of companies that outperform the average is visible accordingly [Oliver Wyman, 2019, p. 9].

Notwithstanding representation of female employees on boards has increased by two-thirds over the last decade, the record on executive-level jobs in FSS is still low and below the average company across all industries. Moreover, although women formulate over two-thirds of workforce in the average financial services company, their representation collapse as career level rises. More specifically women comprise only 37% of managers and 26% of senior leaders [Mercer, 2016, p. 5].

As per collaborative research between LeanIn.org and McKinsey & Company - over 90% of financial services companies affirm a commitment to GD. This approach composes a clear business sense: organizations with greater GD do perform better. McKinsey's report, has demonstrated that companies in the top quartile in terms of GD on executive level were 21% more likely to outperform on profitability and 27% likely to express superior value creation [McKinsey & Company, 2018, p. 3]. The lower representation of females does not seem to be driven by attrition. De facto, company-level attrition is equal to or lower than attrition among men for all financial services roles (except the most senior positions). The major drop arises at early stage as women are 24% less likely to attain the first promotion compared to the male peers.

Women of color are specifically disadvantaged - they are 34% less likely to make their first promotion than men in financial services [McKinsey & Company, 2018, p. 5]. Additionally, women of color in FSS are promoted at lower rates than both men and white women at almost every stage of their professional career. This is notably perplexing taking into account that more women of color express their ambition to be promoted at entry-level (36%) than their white female peers (22%) [McKinsey & Company, 2018, p. 9].

The experiences of entry-level female in FSS may explain the steep drop-off in women representation between entry-level and middle management roles. The table below contains a range of barriers for entry-level female employees in FSS.

In order to help women progress in their careers from the early stage of their professional experience, it is recommended to help and teach them build a strong network of sponsors, take risks early and regularly as well as communicate own value.

Table 4. Entry-level barriers for women in financial services industry

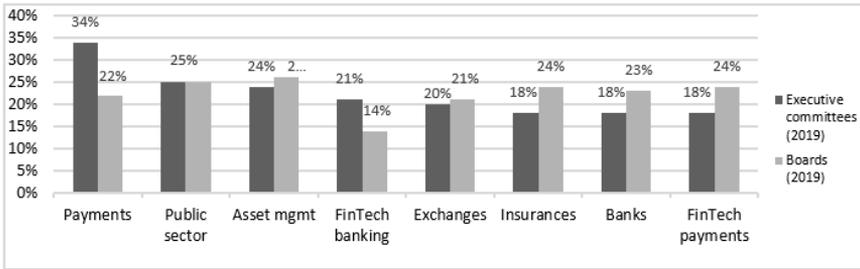
Reason	Details
An ambition gap	Lack of interest in such roles (41%), work-life balance challenges (40%), perceived pressure associated with the top positions [36%], too much politics (34%).
Limited number of female role models	A number of women in leadership positions may lessen females' motivation to progress in their careers [self-perpetuating cycle].
Confidence gap	Concern about failure. 57% of entry-level women admit that fear of a high-profile failure would impact the day-to-day experience, compared to just 42% of males.
Support received from managers	Reinforcement in identifying opportunities (42% women vs 49% men); guidance from senior manager to help advance in the following year (40% women vs 49% men); special opportunity advocated by leader (35% vs 40%); help in handling organizational politics (22% vs 29%).
Inadequate access to sponsorship	Female workers who obtain advice from senior leaders on their career advancement are more likely to receive promotion.
Not recognizing the importance of supporters and advocates	Women on entry-level claim that high performance including being an effective team player, delivering exceptional results, and strong communication skills is the most crucial element in future career success. Executive women leaders underline sponsorship as the most essential factor to success.
Cultivating female networking	81% of entry level women in financial services cultivate largely female networks whereas 94% of men with largely male networks. As women advance in their careers, those networks will have fewer and fewer female representatives - potential sponsors, considering the upper levels of management are mostly male.

Source: own elaboration based on McKinsey & Company, (2018), *Closing the gap. Leadership perspectives on promoting women in financial services*.

Even senior-level female employees declare that their gender has delayed their advancement. More than a half of the female executives surveyed claimed that they had missed out on opportunities due to their gender (versus 10% of their male colleagues). Compared to the male peers, women at most senior levels are also more likely to assume that work-life balance prioritization, including flexibility programs, might weaken the success at work. It may be caused by the perception of the penalty to be at higher grade as the responsibilities increase with seniority at work. Female senior leaders can be also limited by other employees' assumptions concerning their work-life priorities. [McKinsey & Company, 2018, pp. 17–19]. Most roles occupied by women on executive committees continue to be within corporate functions. There has been some improvement in the representation of women leading revenue-generating businesses – those most likely to provide the next generation of CEOs. But we are not seeing this change

translate into the most senior position [Oliver Wyman, 2019, p. 11]. The global representation of females in senior positions in the FSS is shown in Figure 1.

Figure 1. Representation of female employees in financial services sector (globally).



Source: own elaboration based on Oliver Wyman, (2019), *Women in financial services 2020*.

There are still some sectors within FSS that continue to move slowly. Banks and insurance companies have failed to reach 20% of the executive committee representation. Fintech firms have appeared as an outlier, encountering difficulties with gender balance at the board level. The geographic gap is not closing either. Leaders from 2016 report have maintained to progress faster than the average countries, whilst on the bottom quartile is slow. Part of the gap may be attributed to some cultural differences across geographies, however an economic health play as well.

In summary, women and men in FSS begin their careers at parity with almost equal portions of entry-level staff. However, higher up the ladder, females account for only 19% of positions in the executive level, which is lower than the 22% average for US women in other sectors overall [McKinsey & Company, 2018, pp. 4–5] and hold only 6% of CEO roles globally. Additionally, still some view placing women in CEO role as riskier, with higher scrutiny and more expectations [Oliver Wyman, 2019, p. 11].

It is worthwhile to mention that gender initiatives not taking into account other dimensions of diversity can also default towards females from majority group. Therefore, prior to the launch of a new gender initiative, companies are recommended to ask themselves how it will impact women of color, the LGBTQ or other socio-economic backgrounds. This could lead to broaden gender initiatives and inclusion of the business, as well as foster a sense of belonging [Oliver Wyman, 2019, p. 16].

The answer to GD in financial services industry lies in admitting that the workforce is not the only stakeholder to which a company is accountable. Women being the single largest group of customers in financial services are consistently underserved, despite playing increasingly influential roles [Oliver Wyman, 2019, p. 22].

SUMMARY

To conclude, there are many benefits of GD management in the organization. A greater GD can positively impact culture, conduct and risk, improve connection to customers, embrace new competencies leading to future growth, as well as access a broader talent pool. Financial services firms, can enhance gender balance at all career stages, e.g. through “rebranding” the industry to make it even more attractive to female candidates, improve the quality of and access to sponsorship, eliminating bias in reviews and promotions as well as supporting work and family balance. Moreover, companies should develop a holistic strategy to address women’s unique needs [Mercer, 2016, pp. 9–11].

Given a strong business case for change, much more work needs to be done, but companies which do not focus on GD will find themselves at a disadvantage in the war for talent [McKinsey & Company, 2018]. Managed inclusively, diversity can be a source of richness to an organization. Unmanaged, it often results in differential negative treatment, powerful emotions, and tension – at a cost to organizational effectiveness [Giovannini, 2004, pp. 21–22].

The goal aiming to achieve parity in financial services is ambitious. However, a deep research demonstrates the road to the top, as well as specific steps to be taken in order to pave the way for more female employees to get there. Moving toward gender parity at the top will involve corporate executives to consider gender equality as a strategic priority, integrated into the organization’s daily work [McKinsey & Company, 2018, p. 24]. To conclude, designing a truly effective I&D strategy is not a small thing to do, however the impact of a high performing company is definitely worth the effort.

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ZWIĘKSZANIE RÓŻNORODNOŚCI PŁCI W SEKTORZE USŁUG FINANSOWYCH

Zarys treści: Celem artykułu jest określenie znaczenia, korzyści i sposobów wzmocnienia kultury różnorodności płci w organizacji. Artykuł zawiera analizę zarządzania różnorodnością płci koncentrując się na sektorze usług finansowych, ze szczególnym uwzględnieniem reprezentacji kobiet na najwyższych stanowiskach w organizacji. W artykule wskazano, na bazie literatury przedmiotu oraz badań, jak zwiększanie różnorodności może wpłynąć na rozwój organizacji, a zwłaszcza na budowanie potencjału ludzkiego osób zatrudnionych. Artykuł ma na celu zwiększyć świadomość praktyków zarządzania o roli, najlepszych praktykach, jak i implikacjach wynikających z zachowania równowagi płci w organizacji.

Słowa kluczowe: różnorodność, różnorodność płci, równowaga płci, sektor usług finansowych