Photo: Financial Times Live

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Gender balance: Overcoming barriers to female leaders in finance

By Lauren Juliff, Head of UK Institutional, SKAGEN Funds

The case for more diverse teams is clear and well-documented – 'groupthink' is risky and leads to poor decision making. At the recent FT CFO Dialogues conference, the founder of FutureBoards, Turid Solvang, led a workshop with SKAGEN CIO, Alexandra Morris, aimed at establishing why this widely-accepted principle is still not being put into practice in the global financial services industry.

Turid and Alexandra took the question of 'why' off the table – we should no longer be discussing the relative benefits of having more women at the top. Women are equally deserving of those seats as men, not least because the financial results speak for themselves - McKinsey found that companies in the top quartile for gender equality at executive level were 22% more likely to outperform their national industry average than bottom-quartile companies in terms of profitability[1]. The workshop aimed to understand the barriers to female leaders in finance, establish which were the most obstructive issues and debate practical solutions.

The lack of men involved in the discussion was striking. The conference, which was attended by 130 people, had six breakout sessions and the one exploring gender balance was the best-attended, yet only one man participated. If men do not engage in the debate, there is a danger that they will be left behind – we all have a stake in this discussion.

The barriers to female leaders in finance

The delegates discussed a range of barriers to gender equality in the workplace, based on their own experiences; the most prominent are outlined below:

1. Unconscious bias

The majority of delegates agreed that unconscious bias was the main barrier to achieving gender balance in the financial services industry. We discussed how this begins in early

[1] *Female leaders boost the bottom line, September 27, 2017, Financial Times* https://www.ft.com/content/f88a7c58-96ff-11e7-8c5c-c8d8fa6961bb

childhood and continues throughout education, how our daughters are often treated and spoken to differently when compared to our sons, who are encouraged to step forward and lead from an early age. Unconscious bias is prevalent in the language we hear as young women and as we progress in the workplace; we are ‘bossy, feisty, pushy and selfish’, our male counterparts are ‘persuasive, confident and dedicated’. A number of us had stories to tell of being underestimated in the workplace, where assumptions were made for us about our desire to progress, how successful we should (or could) be and whether we wanted to give up our careers to become carers.

2. Gender balance is not sufficiently high up the corporate agenda

The group felt that corporates were not sufficiently prioritising gender balance as a key business issue and one that could lead to improved decision-making and performance. Management teams could and should do more to promote gender equality but progress is very slow, particularly when no targets are in place, legislative or otherwise.

In 2016 the UK government set targets for FTSE 350 companies to have 30% female representation on boards and in senior executive positions by 2020. It isn’t working. A review into those targets, as reported in the FT recently[2] showed that the number of female executives has actually fallen in the last 12 months. There are five all-male boards in the FTSE 250, and 75 FTSE 350 companies have only one female director. Nearly two thirds of Board appointments went to men over the past year. It would appear unlikely that UK companies will meet these targets but they are, after all, just targets - not quotas.

In Norway, quotas have led to a better gender balance on boards, with women representing nearly a third (31%) of directors. However, research by CORE[3] into the top 200

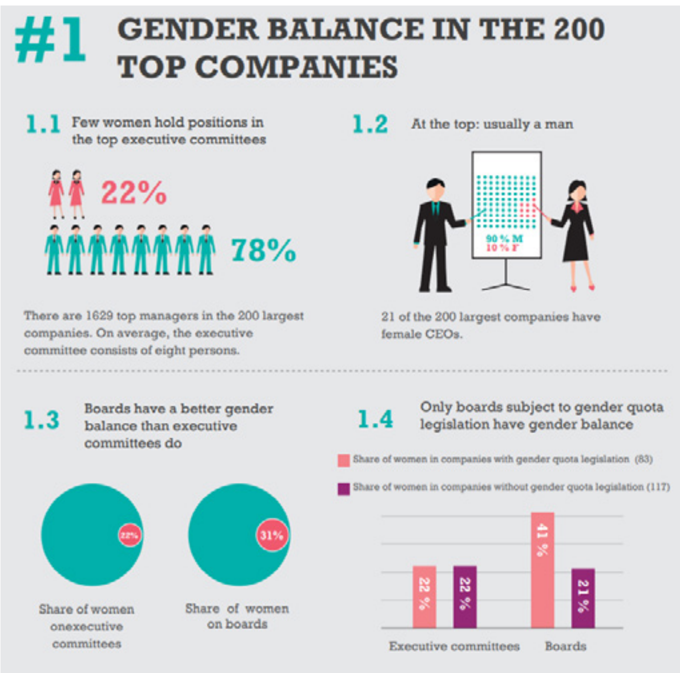

Illustration: CORE – Centre for Research on Gender Equality at the Institute for Social Research – is funded by the Ministry of Children and Equality to develop the CORE Norwegian Gender Balance Scorecard

companies shows that men still hold 78% of positions in executive committees and 90% of companies still have a male CEO. Also, boards may have a better balance overall, but only companies subject to the gender quota legislation have actually achieved significant progress with 41% comprised of women, compared to only 21% board representation for companies not subject to the legislation.

3. Family issues

The Norwegian ladies chairing the debate were surprised at how the burden of managing family life lies so disproportionately with women in the UK. In the Nordics there is a much better balance; men take extended, paid periods of paternity leave, even when in senior management roles - with no stigma attached. Relating this to a previous issue, as long as family life is considered a woman’s responsibility in the UK, unconscious bias about our need or desire to take extended leave, part-time positions or roles as carers, in contrast to our male counterparts in senior positions, will persist. We require companies to level the playing field for men and women in this area, both fathers and mothers may want to play an active part in family life, so that they can be equal at home as well as in the office or boardroom.

The UK government’s recently adopted shared parental leave scheme allows fathers to take more time off but statutory pay of only up to £145.18 per week is offered and take-up is low (estimated at two per cent of eligible couples)[4]. As of last year, Aviva offers 12 months’ parental leave, including six months at full pay, to all parents, regardless of gender. They found that, with financial barriers removed, around 500 UK parents used the scheme in the first ten months and almost half were male.

These types of flexible working policies need to be available - not only posted on the intranet, but actively encouraged in both male and female employees. We shouldn’t assume that new mothers want to work a four-day week unless we assume the same of new fathers.

4. Rules made by men

We often hear that women must change in order to reach the top - but maybe men should change more. The group expressed fatigue at being told that women need to speak up, lean in, be more confident and engage in typically masculine behaviour. Perhaps we need to think harder about what power means, who determines culture, how we define success and what is required in order to achieve it. When the rules are made only by men it is no surprise that they don’t always work for women. Referring again to unconscious bias, studies show that people tend to recruit in their own image. Academics at Harvard and Princeton researched the impact of using ‘blind’ auditions for female musicians, who in the 1970s accounted for only 5% of the top five symphony orchestras.[5] At that time they were made up almost

[2] *UK companies rebuked over lack of senior women appointments, November 13, 2018, Financial Times*
https://www.ft.com/content/9141e7ce-e664-11e8-8a85-04b8afea6ea3?accessToken=zwAAAWcskaIokdORQefO5mQR6NOKhQS4r-puow.MEYCIQCEgD140EJd_P_1c7EhU3OJQ7fai0DE8bESGbkIqoMZCAIhALli-2oHSVmvq_vABDA9Zn7s3faizmjKlRdxDwBnK2eHJ&sharetype=gift?token=c3e32173-76fd-4d8b-96ad-d06772d01ea8

exclusively of white men as directors claimed they were the only ones sufficiently qualified[6]. However, academic research found that using a screen to conceal the identity of candidates increased the probability that a woman would be advanced out of preliminary rounds by 50%. In fact, the switch to blind auditions meant that women became slightly more likely to be hired than men. This then had a positive impact on the number of women applying for positions, more confident that they would be judged on merit and not appearance.

In the absence of blind hiring in financial services, if there is no diversity amongst those making the rules, settling the corporate culture and making the hiring-and-firing decisions then real gender balance is impossible.

5. Talent pipeline

Are there enough qualified women waiting in the wings to take senior executive positions? If not, why not? Do graduate trainee programmes attract a broad mix of applicants? Historically, there has been a much better gender balance at graduate-level than for senior positions; the Association of Graduate Recruiters' 2015 annual survey found that females made-up 41% of new joiners in the UK, consistent with figures for the previous five years[7].

We also often hear that not enough females are choosing STEM[8] subjects in education. Is that really a barrier to the C-suite talent pipeline? How many male CEOs are qualified in a STEM subject? Perhaps there is something off-putting about the culture in financial services which means that women aren't applying and that needs to be addressed first. Or we are undervaluing 'new' skills that women can offer and therein lies the beauty of diversity. Some panel speakers at the conference suggested that the leaders of the future would no longer require STEM-type skills, which may instead be provided by robots. Leadership teams of the future may need different skills.

Overcoming the barriers

One thing is clear, from sharing thoughts and experiences among British and Norwegian ladies, if we wait for enforced and effective global equality laws, we will wait forever. Governments are too local and short-term in their focus and approaches vary dramatically around the world. However, corporates and industries have broader reach, typically with global employees and customers. We agreed that we have to demand better results as employers and employees, as investors, as clients or consumers, as an industry and as lobbyists.

In particular, corporate boards and executive management teams hold the keys to the top floors and are best equipped to affect change in hiring processes and organisational culture. However, investors, employees and customers ultimately hold the purse strings.

Gender equality is recognised by the United Nations as one of its key objectives to achieve corporate sustainability. Its Sustainable Development Goals (SDGs) are presented in a clear and effective way, highlighting measurable targets for improvements. They are a valuable tool for investor engagement, reporting and communication.

To achieve the required results in gender balance we need to see company management teams and boards working to defined Key Performance Indicators (KPIs). These need to be measurable and to come with a clear plan of action. To understand whether management teams are delivering on these KPIs, we must demand consistent reporting and track improvements in areas such as gender pay gap and bonus scheme reporting.

Investor engagement can be a powerful tool to affect change in companies, as can policies for voting against all male boards and senior management teams. Ultimately, if companies refuse to engage or consistently fail to achieve

[4] *Equal paid parental leave benefits all workers, Aviva shows, November 20, 2018, Financial Times*
https://www.ft.com/content/fcaf298e-e990-11e8-94da-a6478f64c783?segmentId=778a3b31-0eac-c57a-a529-d296f5da8125

[5] *Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians, Claudia Goldin and Cecilia Rouse*
https://www.nber.org/papers/w5903.pdf

[6] *Is Blind Hiring the Best Hiring, NY Times, February 25, 2018*
https://www.nytimes.com/2016/02/28/magazine/is-blind-hiring-the-best-hiring.html

[7] *The problem with the female talent pipeline, April 27, 2017, Training Journal*
https://www.trainingjournal.com/articles/opinion/problem-female-talent-pipeline

[8] *Science Technology Engineering and Mathematics*

KPIs on gender equality, or in fact any of the UN SDGs which investors deem to be vital for financial materiality or long-term corporate sustainability, then we must vote with our feet. Active, concentrated portfolios can be selective and choose not to invest. Systematically managed portfolios can divest and / or exclude companies that are not deemed sustainable.

One thing we can all do is ask for more information from our employers and the companies and organisations we deal with every day. We can also question the status quo, work together to raise awareness and speak out on the topic. We will no longer accept that 50% of the population, in every community and race, is left out of the discussion and left out of decisions about the future. Are targets of one third sufficient given that we represent half the population?

Finally, are we asking the wrong questions?

In any corporate environment, the team is much greater than the individual. Those that have better gender balance offer more cognitive diversity, which can lead to improved risk management and decision-making. Given the overwhelming number of barriers women face in financial services, I can't help but wonder, are we asking the wrong questions? What are the skills required to lead successful businesses in the future? Yes, we have to hire qualified people on merit and not on the basis of gender but are those currently in senior management positions there on merit, or as a result of hundreds of years of unconscious bias, privilege or because they were hired in the image of their predecessors? In the current management teams of financial services companies, do we need more people with the same skills, or do we need something a little different, more progressive and, if so, are we looking in the right places, if at all?

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The art of common sense

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