



Who's the boss? Diversity increases profitability

I take a look at representation of women at C-suite level in the asset finance industry

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Who's the boss?

Diversity increases profitability

This short commentary starts from a hard-nosed business observation: diverse boards are commercially important. Having an equal number of women in senior roles is not merely a good and right thing to do. A watershed report series from McKinsey¹ has demonstrated that gender- and racially-diverse boards are more profitable. The analyst even says, "Our latest report shows not only that the business case remains robust but also that the relationship between diversity on executive teams and the likelihood of financial outperformance has strengthened over time."²



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Why, then, are too few companies still failing to address the diversity issue even more urgently and seriously... when diversity at board level merits being a business objective and a driver of change?

There are certainly many good discussions and forums organised within companies to make the business environment more diverse and inclusive. Nevertheless, most contribution and effort still comes from more junior levels – where progress is genuinely being made. Move up the ranks in the org charts, and both the noise and the action peter out. Talk is cheap. Action and (most importantly) results, along with evidence of diversity at the senior level, is what's required. Every business leader should consider it their responsibility to create more inclusive environments.

Some positive noise is gaining momentum on senior-level diversity. Much has been made in recent times of the need to improve the representation of minority social groups in British business – and rightly so! This is an important initiative to make the country's business community think consciously about inclusion and representation of all aspects in

society, especially in the highly visible leadership ranks. Such is the momentum behind this movement, that the investor community is threatening to withdraw from equities where the company does not declare its track record in this regard³. Nearly three-quarters of the U.K.'s largest companies failed to report the ethnic make-up of their boards at annual shareholder meetings this year, according to The Investment Association⁴. That's despite a target for firms in the FTSE 100 stock index to have at least one director from an ethnic minority by next year⁵.

This rising level of attention to ethnic representation now needs to be blended with the equally important issue of gender-equality. Both need focus to bring women of every background and ethnicity to the forefront of business. "Handsome is as handsome does", quotes Chaucer's Wife of Bath, a historic role model of the independent strong woman. Only effective action will really move the dial – and while progress has clearly been made, the evidence presented in my commentary shows it remains just a fraction of what is really needed.

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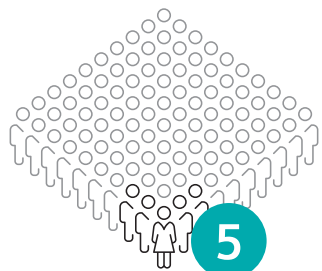
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Women in Business – Representation

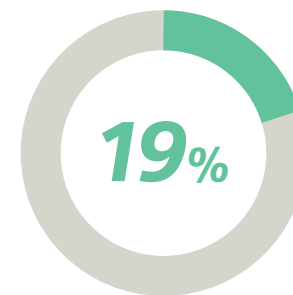


Only five of the FTSE 100 have a female CEO

The current gender imbalance is indeed glaring. Only five of the FTSE 100 have a female CEO. Only 41 of the Fortune 500 are run by a woman⁶.

The wider picture of women in senior roles is summarised by the 30% Club – a global campaign led by Chairs and CEOs taking action to increase gender diversity at board and senior management levels⁷. Across the FTSE 100, 36.2% of board seats are held by women, with 33.2% across the FTSE 250 and 34.3% across the FTSE 350. However, just 21.5% of FTSE 350 executive committee positions were held by women. Yet gender diversity is a business benefit, with studies noting that male dominated boards tend to turn in lower commercial performance⁸. Once again, the ground-breaking McKinsey study on higher performing diverse corporations, with which this paper began, backs up the point.

Are organisations so focused on retrograde notions of culture and fit, that senior and board levels only recruit from within the incumbent network – namely ‘people like them’? How long will it take male lead cohort to recognise – and not feel threatened by – the richness of experience that more women bring? Women have often had to overcome huge life challenges – perhaps managing most of the child care and home responsibilities while navigating a career in business, overcoming experiences of harassment, and discrimination – which offers important leadership qualities such as empathy, tenacity and resilience.



The median share of female senior managers in major institutions sits at 19%

Women in Financial Services

What about the financial services industry, in particular? The senior management gender balance is increasingly recognised by official sources.

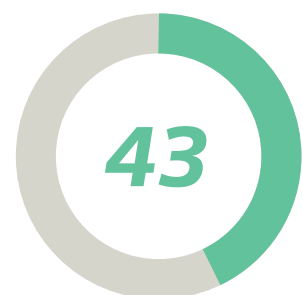
However, the situation to date is far from inspiring. According to research from the Financial Conduct Authority (FCA)⁹, gender diversity is low at the industry level overall with women making up just around 17% of FCA-approved individuals. Since we know that more diverse organisations perform better, this is simply irresponsible. Such lack of progress is restricting the talent pool and – ultimately – business sustainability because people are attracted by a culture of fairness, choice and meritocracy.

Since the Women in Finance Charter was launched by the Treasury in 2016, more than 330 firms across the industry have committed to implementing its recommendations. Yet despite the scrutiny and public commitments to evolve, financial services have seen only modest improvement in gender diversity. The median share of female senior managers in major institutions sits at 19% (range: 3%-40%). In investment management organisations, this rises to 26%. However, there is evidence to suggest that women in senior positions at UK financial firms tend to represent support functions, rather than strategic or profit-generating ones¹⁰.

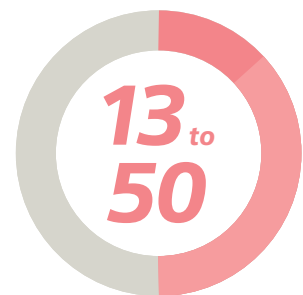
Women in Asset Finance – Positive Steps



20.1% of board directors in the asset finance and leasing industry are women



43% of asset finance providers' boards have no women members



Where women are represented at board level, the range of representation is 13%-50%

In the light of this data on women's representation in the wider financial services industry, I will now focus on the asset finance and leasing industry. It aims to introduce parallel statistics that inspire a similar debate and set of remedial policies that aim to redress the current imbalance. There are few available statistics specifically for the asset finance industry and it is hoped that others in the industry will use the springboard of this initiative to investigate the subject further.

We analysed the UK players in asset finance and leasing, assessing the representation of women at the most senior level. The key findings are:

- 20.1% of board directors in the asset finance and leasing industry are women
- 43% of asset finance providers' boards have no women members
- Where women are represented at board level, the range of representation is 13%-50%

This short piece reveals that the financial services industry as a whole is behind the curve in women's representation, and that the asset finance and leasing industry is broadly consistent with this state of affairs. The following section reflects on some of the key initiatives and changes – especially attitudinal – which may help to move the dial and address the imbalance.

CHANGE #1

More Realistic Role Models

Organisations have often featured 'alpha female' super-women role models who have pursued stellar careers while also having large families. However, for most aspiring female businesspeople, these examples are neither realistic nor attractive. As one climbs the professional ladder, few can afford to largely outsource childcare or domestic tasks, some may not want to make a wholesale shift away from motherhood and partner at home... in addition, most women in financial services do not get the rewards of a star fund manager or trader to afford them this choice in the first place.

Even if the process is simply internal, there is a need for more realistic and representative senior role models to be identified and their story communicated, talking about experiences of life and professional development that younger women can identify with, juggling home commitment with work. Otherwise, women are being told they cannot succeed without sacrificing large segments of a 'normal life'. More realistic role models will have better experiences to pass on to aspiring women candidates. What bias did they encounter? How were attitudinal obstacles overcome? How were family duties

juggled with professional pressures? What sacrifices were made? What did the partner have to do to make things work? Which offers of flexibility from management really made a difference? We also need more men to support and sponsor these women too. This poses a question to all incumbent leaders – are your mentees, coaches and succession plans diverse? If not, then you need to move up a gear. I put this point to my colleague, Julian Hobbs, CEO UK SFS recently, and he commented, "The aim is that we eventually achieve a new normal of gender equality (similarly for ethnicity and disability) where success is when attitudes have changed sufficiently that there is no need for specific women's support initiatives. The evidence will, in the future, be measurable in our gender-balanced talent pool." He then added, "This ambition of ours should not be the aim of one leading company, but should be representative of our industry as a whole. The whole industry needs to get on the bus."



CHANGE #2

Reshape Senior Roles

Most serious senior roles, and the expectations around them, still conform to outdated male stereotypes. No-one expects senior managers and directors to avoid very hard work and major commitment in return for their responsibilities and remuneration.

Nevertheless, posturing and presenteeism, unnecessarily long hours, overly aggressive/alpha-male management style – none of these are required to achieve business success. Much is made of flexibility to attract Generation Z employees at the start of their careers; the same attention is also needed to enable senior career opportunities for a more diverse range

of candidates, particularly women. The issue is not that senior women should work less, but that the time and place of that highly committed senior work should be more flexible. The shape of senior roles is ripe for a re-think and – more importantly – demonstrable action.

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CHANGE #3

Make Recruitment Processes & Governance **more Transparent**

Recruitment at the junior level tends to be better governed nowadays, with protocols and processes in place to impose diversity and inclusion targets.

In contrast, the lack of a balanced proportion of women in senior management roles would tend to imply that these improvements have not yet percolated through to the top. Senior management personally oversee and assess candidates in the upper echelons of business – which opens the gates to unconscious bias. People tend to hire people from their network or like themselves – without even thinking that they are doing so. Therefore, by definition this means white, middle-aged, middle-class, male managers are recruiting peers in their own image – in many cases without even thinking that they are doing so.

Clearly, senior appointments have a critical impact on the fortunes of the business, so no-one should be hired who does not present the right skills and capabilities. Yet, recruiting for 'like minds' places potential limitations on success in attracting diverse current and future talent. Accordingly, there is a need to apply the same rigorous processes to ensure objectivity and eliminate bias with middle and top management appointments. Practical evidence of this change of attitude will be seen in formal succession planning which can be audited for diversity.

CHANGE #4

Train Men: not just Women

An increasing number of firms have professional programmes to help women to achieve their leadership potential. These are of enormous value and are a valuable tool to advance the cause of women in leadership roles.

However, they are not there to 'fix' women's skills – especially if the women thus trained have to drop back into an unreconstructed 'male' working environment... or become 'alpha females'. Indeed, male peers and decision makers also need training – to develop their skills in recognising and appreciating women's capabilities and talents, and adjusting their own behaviours and attitudes to working in an

increasingly diverse environment. It is the responsibility of the organisation to recognise the culture change needed and the support that the incumbent male cohort requires, so that everyone's attitudes, outlook and actions are helped to move towards new ways of working.



| Conclusions

My short commentary makes one early step to drive increased levels of women's senior representation in the asset finance and leasing industry. Progress has been made in some quarters, but there remains a long way to go. Compared to the broader financial services sector, the asset finance industry looks at first glance to be neither better nor worse. However, financial services is behind the curve compared to generality of British business which is not something that can be left unaddressed or simply talked about. There is no logical reason why this should be the case; there's certainly no excuse for this to remain the situation.

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Work already in progress from bodies such as the FCA and the Leasing Foundation is positive and is to be welcomed and amplified – in large part by women grasping the opportunities this affords."

On a personal level, I hope that all players in the asset finance sector keep up the pressure to seek every means of increasing the percentage of talented women leaders sitting in boardrooms, as well as ensuring a good future feed from middle management roles. Work already in progress from bodies such as the FCA and the Leasing Foundation is positive and is to be welcomed and amplified – in large part by women grasping the opportunities this

affords. Women in leadership positions will bring in new skills and a fresh approach, many have overcome challenges such as navigating through a middle-aged, white male influenced world – with all its conscious or unconscious discrimination, social bias and stereotyping.

There are a few key next steps organisations can take:-

STEP
01

Train men in new cultural attitudes, don't just send women on leadership courses

STEP
02

Formalise (and publish) policies and succession planning that are demonstrably diverse... and audit their implementation

STEP
03

Report progress towards diversity in annual and interim reports

STEP
04

Make diversity a KPI for business leaders and audit its implementation

STEP
05

Reshape senior roles so that they move away from former male 'alpha' stereotypes (without losing any iota of pressure to perform!)

STEP
06

Find a variety of female role models to promote internally to rising female junior and middle management

STEP
07

Pair up senior male sponsors with rising females to ensure gender-blind talent development

STEP
08

Treat diversity as a business objective – if it were a project to increase profits by 10%, there would be a business case and roadmap for implementation. Given that diversity also delivers increased profitability then follow the same process

All of us – men and women – should not rest until an equal gender balance at every level in the sector is so normal, that we all wonder how the world could ever have been different.

¹ McKinsey, Diversity Wins: How Inclusion Matters, 19 May 2020

² ibid

³ Bloomberg, UK Investment Firms to Name and Shame Diversity Laggards, 9 Oct 2020

⁴ Investment Association, Investors call for greater transparency on ethnic diversity on boards, 9 Oct 2020

⁵ Parker Review/EY, Ethnic Diversity Enriching Business Leadership, 5 Feb 2020

⁶ Business Insider, There are now more women CEOs of Fortune 500 companies than ever before — but the numbers are still distressingly low, 30 Nov 2020

⁷ <https://30percentclub.org/>

⁸ CBR, Male dominated boards massively underperform, 27 Jul 2020

⁹ FCA, Gender diversity in UK financial services, Nov 2019

¹⁰ The Female FTSE Board Report, 2017