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Gender parity in financial services: an opportunity for cultural change

The financial services sector is taking stock of the pandemic's impact, and future working practices. Against this backdrop, female Grant Thornton partners working with financial services clients around the globe share their perspectives on advancing female leaders in the sector, and enabling financial services businesses to realise the performance benefits of an inclusive culture.

The coronavirus pandemic has given financial services firms the opportunity to reimagine what the immediate and long-term leadership of the industry could look like. New working models have opened up access to talent and could allow alternative routes to senior management. By acting on this potential window in which to create positive, lasting change, financial services businesses can ensure female colleagues reap the benefits of the altered working landscape. And by building more diverse teams, they will increase resilience within their organisations, and their ability to thrive.

Above and beyond the disruption wreaked by COVID-19, diversity and inclusion (D&I) is a key area of focus for financial services businesses. There is growing regulatory pressure for firms to respond to, and greater stakeholder demand for leadership that reflects the market and their clients. According to Grant Thornton's 2021 International Business Report (IBR), which surveys the global mid-market, 72% of businesses in financial services believe stakeholder pressure to improve gender balance is set to increase.

Many financial services firms are already acting on these external and internal influences. Our IBR data reveals that financial services and banking businesses are a short step ahead of the curve when it comes to diversity, compared to the cross-sector aggregate. The percentages of women in senior leadership are higher in both financial services and banking than the global average: 33% and 37% respectively, compared to 31%. For financial services, this represents a three-percentage point rise since 2020.

But despite this improvement, there is still a long way to go in achieving gender parity at the top, with research from Catalyst showing that in 2019, women's global representation on executive committees in major financial services firms stood at just 20%.[i]

The potential of flexible working post-COVID
Propelled by the pandemic, the rise of female leaders in financial services has the potential to accelerate. The impact it has had on the way staff are able to operate is striking. Three-quarters (75%) of IBR respondents in financial services believe new working practices as a result of COVID-19 have enabled women in business to play greater leadership roles, while 82% believe these will benefit women's careers in the longer term.

"The lockdown restrictions have demonstrated that you can work effectively in an agile manner from home," says Sarah Talbott, partner and head of financial services key (strategic) accounts and gender diversity lead for Grant Thornton UK. "This virtual and flexible way of working has created more 'trust' between employer and employee – people are measured on effective quality output and delivery rather than hours in the office."

Enabling people to be more productive with their time through hybrid working – splitting time between home and office – will drive a better work-life balance, increase staff performance, and attract a broader talent base. "Agile, flexible working creates a more inclusive culture, allowing firms access to a more diverse talent pool, which in turn will lead to strong business outcomes," Talbott adds.

But seizing on this window of opportunity will depend on financial services leaders taking deliberate action to propel what continues to be a traditionally office-based, hierarchical sector into a more inclusive future. There is a risk that financial services will return to a focus on presenteeism over production. Recent announcements by Goldman Sachs and Morgan Stanley in the UK and US respectively, suggest that they may eschew a hybrid working environment, expecting staff to return to the office full time. This model is synonymous with that of Saudi Arabia which is a people and relationship driven model that requires regular face-to face engagement. That said, the hybrid working model is becoming widely accepted and adopted as the economy reshapes itself to realise Vision2030.

The inclusive culture challenge

Failure to fully appreciate the correlation between inclusivity and performance was also apparent among financial services firms in the height of lockdown. Grant Thornton's research reveals that financial services firms were slow to act on engagement during the pandemic, and are weaker at creating an inclusive culture than other industries. Only 32% of financial services respondents instituted new working practices to better engage all employees, compared to 37% across all sectors. Similarly, at 36%, financial services businesses were nine percentage points behind the global score in promoting work-life balance and flexibility.

The seeming contradiction between the relatively encouraging numbers of women in senior management and the belief that flexible working benefits women's careers within the sector, and its sluggish progress on inclusion may reflect the work of quantitative diversity policies and quotas around gender balance, versus an established organisational culture that has yet to evolve.

To change this state of affairs, cultural tone must be set by those at the top, and cascade throughout the business.

"The issue of gender diversity and female leadership is not just a women's problem, it is a business issue, and until such time as senior males are on board with representation and diversity at all levels, we're not going to get there," says Madeleine Mattera, national head of financial services, Grant Thornton Australia. So should quotas and D&I metrics be abandoned in favour of organisational transformation?

"It should be the right person for the job in every circumstance, and it's a falsehood to force that," says Andree Bourgon, managing director for insurance strategy & transactions for Grant Thornton US. In the financial services industry, leaders tend to hire the people they recognise and trust, rather than those who are different from them, she suggests. Tracking hiring practices rather than staff demographics might encourage leaders to use a more diverse lens.

"One data point we don't get a view of is how many people of which genders are long listed for a role, how many are short listed, how many get interviewed, and who gets hired," agrees Mattera. The intention to increase gender parity in senior leadership is insufficient: there needs to be a strategy. "You say you want to recruit women, so you show me what you're going to do."

"For females to be strategically represented in leadership positions across financial services in Saudi Arabia, this balance must be addressed in order to drive inclusive governance which drives value across the industry and wider economy. Stakeholder pressure coupled with mandatory requirements will act as levers to drive change, however this will not be sufficient to drive the industry cultural change which is required", Imad Adileh, Principal of Saudi Arabia Grant Thornton.

Taking action through mentoring

One such strategy being pursued by financial services firms is mentoring, an action which consistently features in Grant Thornton's Women in Business research on the female talent pipeline problem. In this area, the financial services sector appears to be ahead of the curve. IBR data shows that 45% of financial services firms, and 41% of banking organisations, provide mentoring and coaching to promote gender balance. This stacks up against a global average of just 32%.

Coaching and mentoring play very specific and different roles, says Bourgon. "Coaching is synonymous with leading a sports team. We're there to help them understand the field, and pick up a specific set of business skills." Mentoring, by contrast, is more about life skills, she opines, and mentors need to be carefully selected. "Forcing mentorship will not yield success. We need to be creative about how we match people up so that we can help them develop career life skills."

Coaching and mentoring should be available throughout women's careers to stem the pipeline problem, beginning from day one. "If we don't start coaching them as they come out of college, and allowing natural mentoring to take place, then we don't fix this problem," concludes Bourgon.

Building psychological safety

To enable effective mentoring, a sense of psychological safety must prevail, giving people the belief to speak out, step up and self-lead. But Grant Thornton's research shows financial services workers feel less empowered to contribute than those in other sectors. During the pandemic, only 35% of financial services firms focused on creating an environment where all colleagues can speak up with ideas, issues and questions, compared to a global average of 43%.

This needs to change, because inclusive leadership is about creating an environment where everyone is heard, believes Amanda Ward, financial services advisory partner at Grant Thornton Ireland. "We need to facilitate constructive arguments and give actionable feedback, reward authenticity over conformity, and allow people to express opinions without feeling disadvantaged," she says.

Emily Lai quote Emily Lai, business risk advisory partner at Grant Thornton Singapore, points out that local differences can significantly impact employees' sense of psychological safety. In particular, she says, it is not yet embedded in Asian businesses. "Psychological safety is not a naturally occurring concept in Asian culture. People tend to be less inclined to speak up or go against the bosses."

However, reports Lai, progress is occurring. "The dynamic is slowly changing. With the adoption of a more diverse, open culture, there's promotion of communication and direct access to senior managers." Leaders need soft skills to respond to employees' needs, she suggests, especially among the emerging diverse, multi-generational workforce. "Millennials have a different mindset. We need to connect with them on a personal and emotional level."

Mattera concurs that local culture has a huge impact. "We are a product of the society in which we live. In Australia, the paradigm is that women stay at home or work part time, but men are the breadwinners. To create change, we need to create a work environment that can transcend what goes on in suburbia."

While Talbott believes the UK had experienced a "tremendous culture shift" in acceptance of gender diversity, she admits there remains a long way to go. Ward points out that, across all geographies, business structures are still arranged to suit a model worker – most often male, middle-class, able-bodied, from the ethnic majority, and free from caring duties. "Only by breaking through these long-standing stereotypical norms can the situation change," she states.

In the wake of regulatory and stakeholder pressure, financial services firms now stand before an open window of opportunity to increase gender parity in senior leadership. To do so will be to reap the business benefits of engaging more agile, flexible, diverse, purpose-driven teams, but will require conscious action to create a change of culture from the top down.

For more insight into how your people and your business can benefit from the window of opportunity to a more inclusive future contact our advisory team here.

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