



CLOSING THE GAP.



**CULTURE HOLDS
THE KEY.**

The role of culture in closing
the gender pay gap

EXECUTIVE SUMMARY

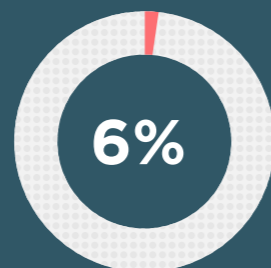
The headline figures from the first UK Gender Pay Gap (GPG) report demonstrate the scale of the issue. Over three quarters of businesses have a gap in favour of men – a fact that hasn't changed substantially in 15 years according to the Office of National Statistics. Two thirds of the discrepancy can't be explained through factors such as age, location or working patterns, putting the focus on culture as the overwhelming reason holding back women joining senior management. Barriers to change begin with a lack of awareness of the root causes, leading to untargeted interventions that do not deliver lasting results. With any actions organisations take now not reflected until the 2020 report, the risk of reputational and business damage is increasing.

Challenges of fairness aside, the GPG threatens business competitiveness, now and even more so in the future. We're at a tipping point, with new ways of working, technological disruption and changing workforce demographics all impacting businesses. **It's vital that companies achieve a closer gender balance if they are to benefit from a wider, more diverse range of skills, become more innovative, successfully manage risk, demonstrate integrity, and make better decisions.** Open, meritocratic cultures are increasingly crucial to attracting and retaining top talent, customers and even investment. For example, Credit Suisse found that **companies where women make up at least 15% of senior managers had more than 50% higher profitability** than those where female representation was less than 10%.

Gender Pay Gap
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Just 6% of chief executives of companies in financial services are female



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Yet, our own research with employees across financial services highlights a paradox. The vast majority of women (and men), believe their organisations are meritocratic and offer equal opportunities, regardless of gender. But, as the Gender Pay Gap figures show, financial services has some of the least diverse senior management in business – **just 6% of chief executives of companies in the industry are female**, contributing to large discrepancies in average pay. That’s why this whitepaper focuses on the sector, but the lessons are equally applicable to many other industries.

What is the reason for this chasm between perception and reality? Put simply, it comes down to culture. Unconscious gender bias is deeply embedded within the cultures of many financial services organisations, meaning that the traits and behaviours that they automatically value and consistently promote tend to be masculine. These stereotypes unconsciously permeate role profiles, search criteria and performance evaluations. This means that businesses are missing out on the benefits of a more balanced approach to decision-making that is increasingly vital in a changing, and more competitive world.

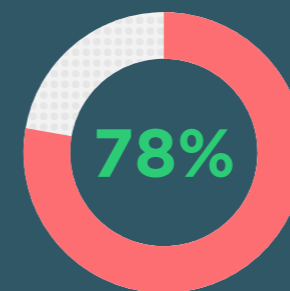
Transforming corporate culture is not something that can happen overnight, but change is impossible without a real acknowledgement and understanding of the extent of the problem. According to the Office of National Statistics, the Gender Pay Gap has hardly changed over the last fifteen years, and the clock is ticking towards the April 2019 deadline for the next set of Gender Pay Gap reports. Some companies have started making changes, but to be effective these actions have to be based on a more culturally-informed understanding of where they are, and where they need to be.

INTRODUCTION

4,600 men earn over £1m per year in financial services – and just 400 women

Every organisation operating in the UK with over 250 employees now has to report a range of remuneration figures every year, leading to a concerted focus on activities that aim to close the Gender Pay Gap. The first set, published in April 2018 highlight a stark truth – 78% of firms have a Gender Pay Gap in favour of men, while the median salary for women is 9.7% less than male colleagues. This is even higher in financial services, where the median salary gap is 22.1%. Individual firms had gaps between 30-60%.

The key factor behind this is simply the overwhelming number of men in senior, and therefore the most well-paid positions. According to the figures there are 4,600 men earning over £1m per year in financial services – and just 400 women. Men make up an average of 71% of those in the top quartile for pay, while the Commons Treasury Select Committee found that bonuses for women working in UK banks were on average 52% less than those of their male colleagues.



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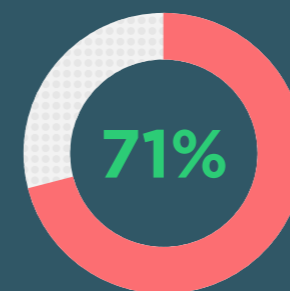


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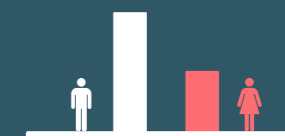


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Men make up an average of 71% of those in the top quartile for pay

52%

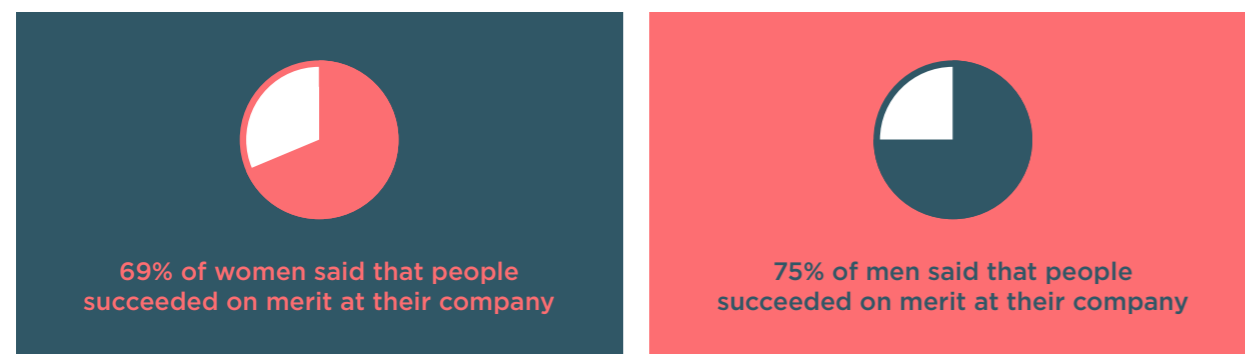


Bonuses for women working in UK banks is 52% less than their male colleagues

THE GAP BETWEEN PERCEPTIONS & REALITY

We surveyed 1,000 UK financial services professionals to gain a deeper understanding of the cultural factors underpinning the Gender Pay Gap. Comparing the results with remuneration figures highlights a major difference between what employees think, and what seems to be happening in reality.

Despite these well publicised disparities, the majority of financial sector employees believed that their organisations were meritocratic. For example, **69% of women said that people succeeded on merit at their company. 75% of men said the same, rising to 93% amongst the most senior managers.** This last figure is crucial, given that these senior managers are key to driving the necessary cultural change to ensure gender parity. Until leaders acknowledge the scale of the problem, they will lack the motivation to take sufficient action and drive lasting change.



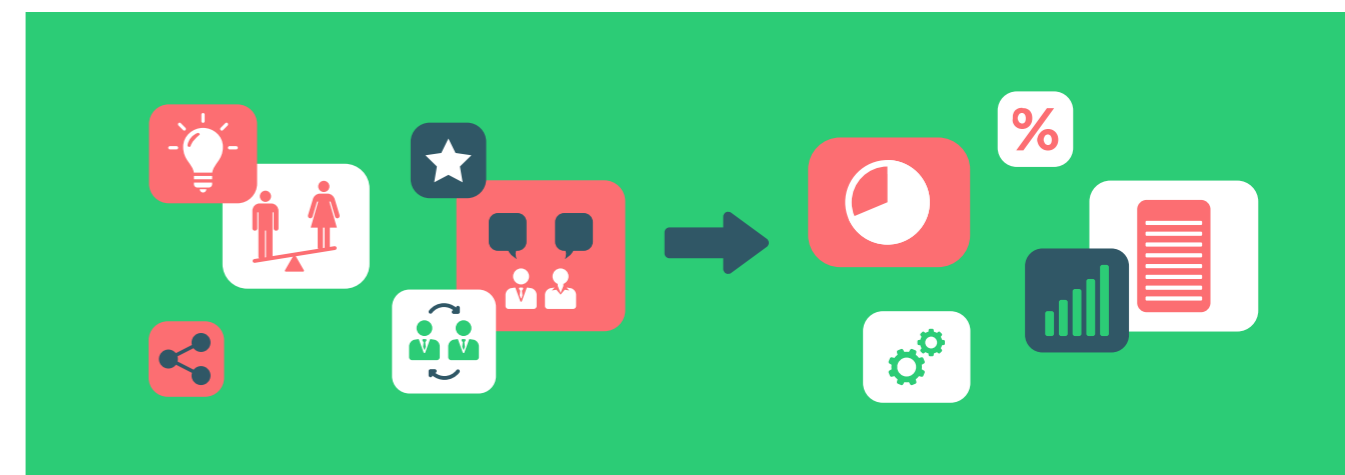
The disparity between perception and reality highlights what Emilio Castilla, Professor at the MIT Sloan School of Management identifies as the 'paradox of meritocracy'. This is exhibited by managers whose belief in the meritocratic nature of their business leads them to believe that their decisions are more impartial than they actually are. This allows them to unconsciously give themselves permission to act on their biases, with less self-scrutiny around their actions. In short, the belief in the meritocratic nature of the company can lead directly to increased bias which actually decreases meritocracy.

QUANTIFYING CULTURE

For managers used to analysing hard metrics, grappling with culture can appear challenging, but it is both necessary and achievable. Culture is not just something that's 'done to people'. It's as much about the decisions people make about their own careers as it is decisions made about them. In fact, culture can be made tangible as it can be measured through behaviours, attitudes and assumptions, with interventions put in place to drive change in a continual cycle of improvement.

Change has to happen. Gender pay reporting has shone a spotlight on the discrepancy between male and female earnings. Clearly narrowing the current chasm is a matter of fairness, but it should also be a business imperative. The world of work is changing, requiring new skills and greater innovation if organisations are to remain competitive. The old alpha male culture is not enough for future success.

Based on our experience and research, this whitepaper explains the cultural factors underlying the Gender Pay Gap and outlines how they can be measured and tackled within any financial services organisation. Every business has its own specific challenges, but the overall approach of listening, understanding, acting and monitoring the impact is common across all.



IDENTIFYING THE CULTURAL FACTORS BEHIND THE GENDER PAY GAP

To help organisations better understand the underlying reasons behind the GPG, we carried out research with 1,000 employees in UK financial services organisations with over 250 staff. While this sector was chosen as it has one of the least diverse senior management populations, the key findings resonate widely across industries.

From our research we identified six main conclusions:



“Masculine”, not “feminine” leadership traits are valued and rewarded

01

MASCULINE, NOT FEMININE LEADERSHIP TRAITS ARE VALUED AND REWARDED

We began by asking respondents to identify the key leadership traits (such as assertiveness, confidence, resilience, tolerance, compassion and empathy) they felt were most valued and rewarded within their organisation when it came to decisions around hiring, promotion and performance management. We then asked respondents to rate these traits as typically masculine, feminine or gender-neutral.

The relationship between the perceived value of these traits and their association with gender is quantified through the ‘Talent Parity Index’, which showed a very high correlation. ‘Masculine’ traits such as confidence and assertiveness were seen as being of far greater value in leadership than traits such as patience, compassion and empathy. These findings are true of all respondent groups, regardless of factors such as gender or seniority, and corroborate numerous previous studies in this area.

This suggests that in important decisions around recruitment, promotion, performance and reward, masculine traits are seen as more important to the business and are therefore rated and valued accordingly. This reinforces the gender gap around pay and promotion and prevents the creation of more balanced senior teams.

02

THERE IS AN APPETITE FOR CHANGE

When asked what traits should be most valued and rewarded if their organisation is to perform at the highest possible level, respondents placed a much greater emphasis on feminine traits. There was however a significant (but smaller) correlation in favour of masculine characteristics. This indicates a real appetite for change in favour of a more balanced approach – and an understanding that this is the best way to ensure business success. This dissatisfaction with the status quo is essential if organisations are to achieve the cultural change they need.

03

WOMEN ARE STILL CONFIDENT OF SUCCESS

Despite the pay disparity that Gender Pay reporting highlights, female respondents were still confident in their career expectations. Women in senior management positions were actually more confident of getting a promotion within the next 2 years than their senior male counterparts (66% compared to 57%). They were also significantly less likely than men to feel that their best opportunities for advancement lie outside their current employer.

04

GENDER DIFFERENCES APPEAR AT A SENIOR LEVEL

Much has been written about men being more likely to negotiate around salaries compared to women, and prioritising earning potential when evaluating a new career opportunity. Our research does not support this, with only marginal differences between men and women. Variances between men and women begin to show however when the responses of senior management were analysed. More men than women in senior management positions report being confident that they would be readily accepted into the leadership community and feel comfortable dealing with leaders more senior than themselves. This could be explained by the fact that women in senior management positions have higher exposure to the prevailing leadership culture than their junior female colleagues.

05

CULTURE IMPACTS PERSONAL DECISIONS AROUND PROGRESSION

Culture is often seen as something that is ‘done to’ people. Culture is in reality demonstrated just as much in decisions people make about themselves as in the decisions made about them. For example, women were nearly twice as likely to exclude themselves from promotion opportunities because they did not believe they possessed the necessary qualifications or experience. Contrasted with men, they are 40% more likely to express a need to develop their skills and knowledge before applying for a more senior position. Despite this level of self-selection of those who have applied unsuccessfully for a promotion, men are 10% more likely than women to believe that the selection process was unfair.

06

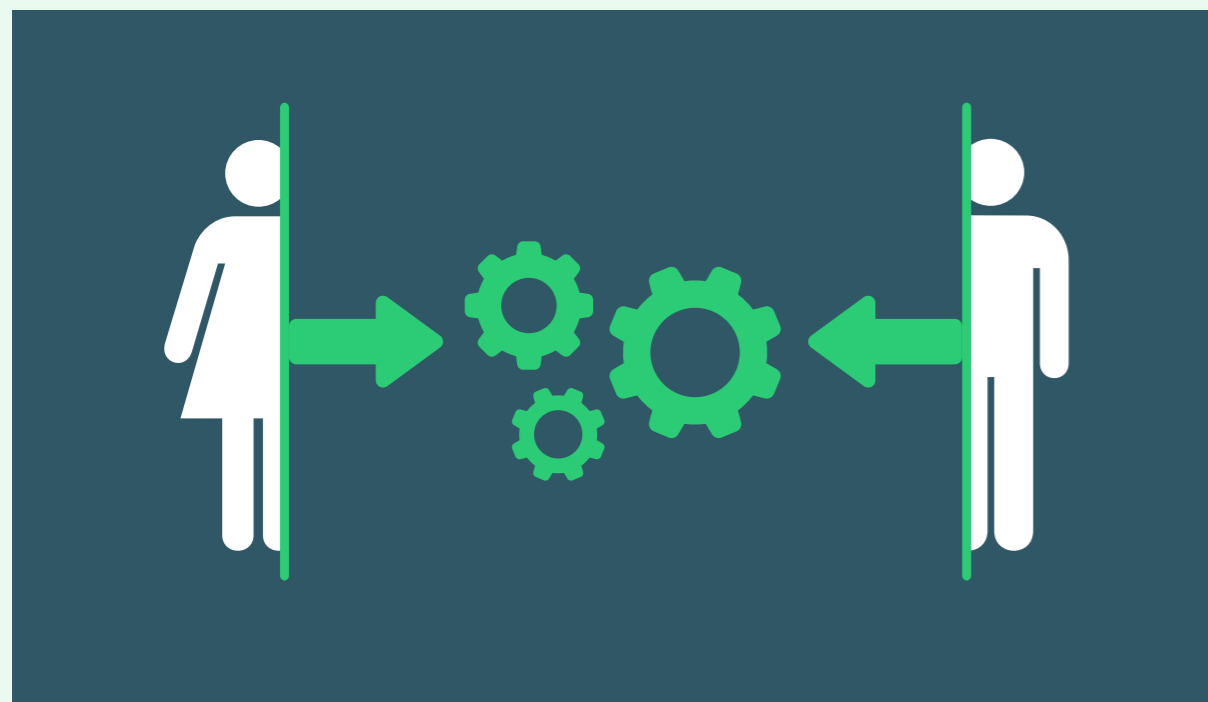
PROCESSES ARE NOT BEING FOLLOWED

As well as cultural and behavioural factors uncovered by the research, important procedural issues and gaps were identified in how organisations approach hiring, promotion and reward. These include the fact that only 20% of women and 16% of men who applied unsuccessfully for a promotion reported receiving constructive feedback regarding their application. This shows a gap between policy and reality – most HR departments specify that feedback should be provided, but these processes are clearly not being seen to be followed in practice.

RECOMMENDATIONS: HOW ORGANISATIONS CAN NARROW THE GENDER PAY GAP

The annual Gender Pay Gap reporting cycle means that organisations have to demonstrate that they are taking concrete steps to narrow the gap. Companies need to start work now and provide evidence of their progress if they are to reap the financial benefits of a more diverse senior management team and protect their corporate reputation. They need to show potential recruits, existing staff, regulators and customers that they are making changes now, and that they are committed to doing what it takes to improve gender pay parity.

Every company is different, but based on our research and further analysis we believe organisations need to focus on seven areas:



01

DEVELOP A SHARED VIEW OF THE NEED

Before any action can be taken on an issue, organisations have to recognise that there is a problem and appreciate that addressing it is a business imperative. Our research shows that employees have a desire and readiness for change. This needs to be matched by senior level leadership to drive real, meaningful actions. Culture change isn't always easy, but it is both possible and vital for your organisation's future. Leaders must understand the cultural factors at play and involve everyone in the solution. Culture surveys and audits generate hard data on employee attitudes and behaviours which can be shared across the business, thereby raising awareness of the scale of the problem and a shared commitment to act.

02

TARGET INTERVENTIONS WHERE THEY ARE NEEDED

According to the Government Equalities Office, "Employers who use high quality data to understand the drivers of their Gender Pay Gap will be able to target their actions and therefore deliver the most effective results." - Reducing the gender pay gap and improving gender equality in organisations.

While traditional approaches such as quota and target-setting and unconscious bias training have their place, to drive real progress organisations need a much more targeted approach based on hard evidence. This means combining structural population data (e.g. what % of my senior managers are female?) with cultural insights (Do women feel they fit in with senior management culture?) in order to derive targeted interventions that match your business and its specific needs.

03

MAINTAIN SCRUTINY AND SELF-CRITICALITY

You need constant scrutiny of your procedures around recruitment, performance management and promotion – simply believing that you are meritocratic risks unconscious bias impacting your efforts. Introducing diversity managers and taskforces can help. By giving them the power to ask for more information on why particular decisions were made, they ensure accountability and help safeguard against unconscious bias. Critically evaluate the language and tone of all your materials related to recruitment, competency frameworks, performance management and career development. Look for any inherent gender bias, for example such as around the language and tone within job adverts and the channels you are using to recruit. This is particularly important given women's increased tendency to self-select out of promotion opportunities.

04

DEVELOP SELF-AWARENESS AT SENIOR LEVELS

The tendency of organisations to give greater emphasis to masculine traits in leadership is given additional significance through the work of Adam Galinski of the Kellogg School of Management amongst others. These researchers have discovered that the more power a leader attains, the more likely they are to become confident and self-assured and to assume that their views are shared by others. This leads them to become more dismissive of the views that do not 'confirm' is right! In effect, leadership erodes the capacity to show empathy with another's point of view. The selection of potential leaders based on existing traits of self-confidence and self-assurance rather than empathy or compassion can only serve to exacerbate this tendency and inhibit diversity and inclusiveness. One of the positive conclusions of Galinski's research however has been that executive coaching is extremely effective in helping leaders to develop the self-awareness to recognise and mitigate the impact power has on their capacity for empathy.

05

STRUCTURE RECRUITMENT & PROMOTION PROCESSES

Informal and unstructured recruitment and assessment procedures are a major source of bias. Ensure you have structured, skills-based assessments in place for recruitment and promotion decisions. Rigour in selection based on clear, transparent criteria that stand up to further scrutiny help to eliminate bias. Practices such as blind CV screening can help as well. Also bear in mind that teams need to exhibit a balance of skills and approaches to function well. When recruiting, rather than focusing purely on the role profile, ensure that you are also considering a complementary balance of skills and approaches within the wider team.

06

INTRODUCE MENTORING AND SPONSORSHIP

As our research shows, a much higher percentage of women than men self-exclude from applying for promotion. Introducing mentoring and sponsorship programmes can increase confidence and provide a sounding-board for women looking to advance their careers. Role models demonstrate that opportunities are available to all, and that 'people like me' can successfully move into senior management.

07

ENSURE PROCEDURAL BEST PRACTICE

To drive lasting change, processes need to be in place and enforced across the organisation. It isn't enough for them to be set centrally if they are not put in practice. Ensure that all managers follow best practice, such as providing detailed feedback to unsuccessful applicants, reinforcing this with training so that it becomes the expected cultural norm. This will benefit the entire organisation and support the creation of an open, meritocratic business.

CULTUREQUEST PARITY POWERED BY QUESTBACK

Based on our years of experience working with HR and People programmes Questback has built up strong capabilities and expertise in understanding the cultural factors that underpin how organisations operate.

We've partnered with assessment psychologists at Conflux Ltd. to develop CultureQuest Parity, an assessment and culture change toolkit. This is underpinned by the Talent Parity Index, a validated measure that quantifies the inherent gender bias in talent decisions made within organisations.



ABOUT QUESTBACK

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