HEIDRICK & STRUGGLES

FINANCIAL SERVICES PRACTICE

Want to get more women to the top of European finance? Sponsor them.

Achieving gender parity in the upper echelons of the European financial services sector is proving difficult. One particularly effective tactic—individual sponsorship—is often overlooked.

At surface level, the European financial industry appears to be making progress bringing more women into senior positions. A 2016 survey, for example, found that women comprise 26% of boards in the banking and capital markets industries, compared with an average of 21% among S&P 500 companies.[1] Although the progress is real, it is slow-going, and women continue to face stark challenges in obtaining the most powerful roles.

To help clarify the picture of gender diversity in financial services, we took a closer look at female representation on the executive committees of European banks, insurers, and investment companies. The findings are stark: in these positions, which carry the greatest operational influence within a company, women remain chronically underrepresented.

Our study covered 80 publicly traded financial services companies listed on benchmark indices of 14 European countries.[2] Of the 763 senior executive positions we investigated, just 17% were held by women, with representation across functions varying widely (Figure 1). We found that women had a strong showing in human resources and relatively strong representation on executive committees from the sales, marketing, and communication; legal; and operations functions. However, women had much less representation in technology- or finance-related roles and barely any among chair/vice chair and CEO positions.[3]

The survey also found a wide disparity in gender diversity across countries (Figure 2). In Norway, for example, about one in three executive committee members at financial institutions is a woman and in the United Kingdom, one in four. The poorest diversity is shown in France, Switzerland, and Poland, where barely 1 in 20 senior executives is a woman.

Regulations and culture create a complex environment

Attempts to encourage gender diversity and the underlying obstacles in Europe create a complex environment for tackling this issue. Regulatory mandates seem to have little noticeable impact on the gender diversity of European financial institutions' executive committees. Belgium, France, Germany, Italy, Norway, and Spain all have some form of mandatory requirements for gender diversity at the board level,[4] though not specifically within the executive committee, and these countries demonstrate a range of diversity outcomes. Due in part to the lackluster impact of the mandates, Germany and other countries are under pressure to establish gender quotas specifically for executive committee members.

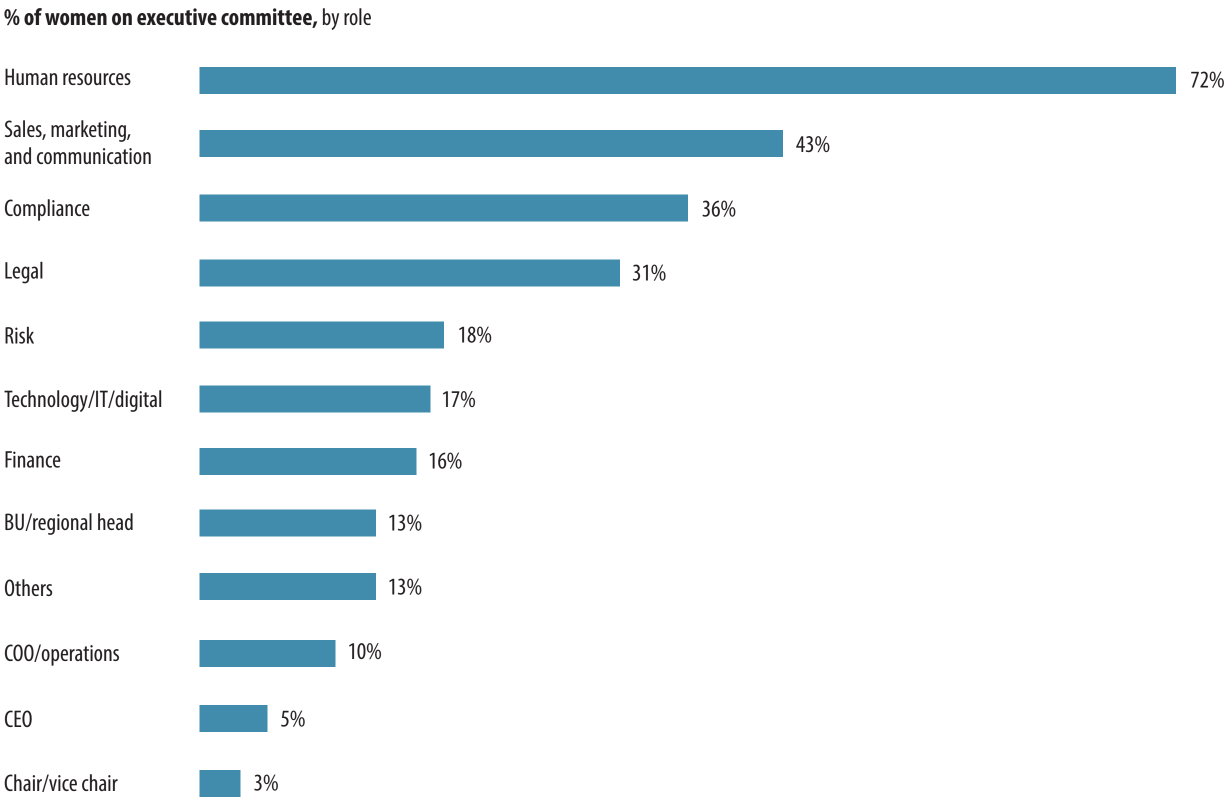
1 Elizabeth Olson, "Banking industry addresses diversity, adding women to boards," *New York Times*, DealBook blog, February 23, 2017, nytimes.com.

2 The study surveyed companies listed on the following indices: Austria (ATX), Belgium (BEL 20), Denmark (OMX Copenhagen 20), France (CAC 40), Germany (DAX), Italy (MIB 20), the Netherlands (AEX), Norway (OBX 25), Poland (WIG20), Russia (MICEX), Spain (IBEX 35), Sweden (OMX Stockholm 30), Switzerland (SMI), and the United Kingdom (FTSE 100).

3 A separate Heidrick & Struggles study, *Route to the Top 2017*, found that in 2016, women represented only 6% of the CEOs across industries in the United Kingdom, 2% in France and Switzerland, and 1% in Germany. This report is available on heidrick.com.

4 Kevin De Pril and Matthew Roberts, *Gender Diversity on European Boards*, European Women on Boards and ISS, April 2016, european.ewob-network.eu.

Figure 1: **A wide disparity**



Policy and sector maturity also seem to have an anemic influence on gender diversity in power positions at financial institutions. Germany, Switzerland, and the United Kingdom are all major European financial centers, yet their gender diversity at the highest ranks spans the extremes. Indeed, in the United Kingdom, the financial sector rises above others in terms of gender diversity, with women comprising 25% of executive committees compared with less than 10% for FTSE 100 companies generally.[5]

Some of the variances across borders could be attributed to differences in culture, economics, or more general, family-friendly policies. For example, in Sweden, where about 23% of executive committee members in the financial sector are women, companies must offer 480 days of parental leave after childbirth, and each parent has 90 days reserved exclusively for themselves.

Other supportive Swedish policies include sick leave when children are ill, legal guarantees to part-time work, and affordable, high-quality childcare.[6]

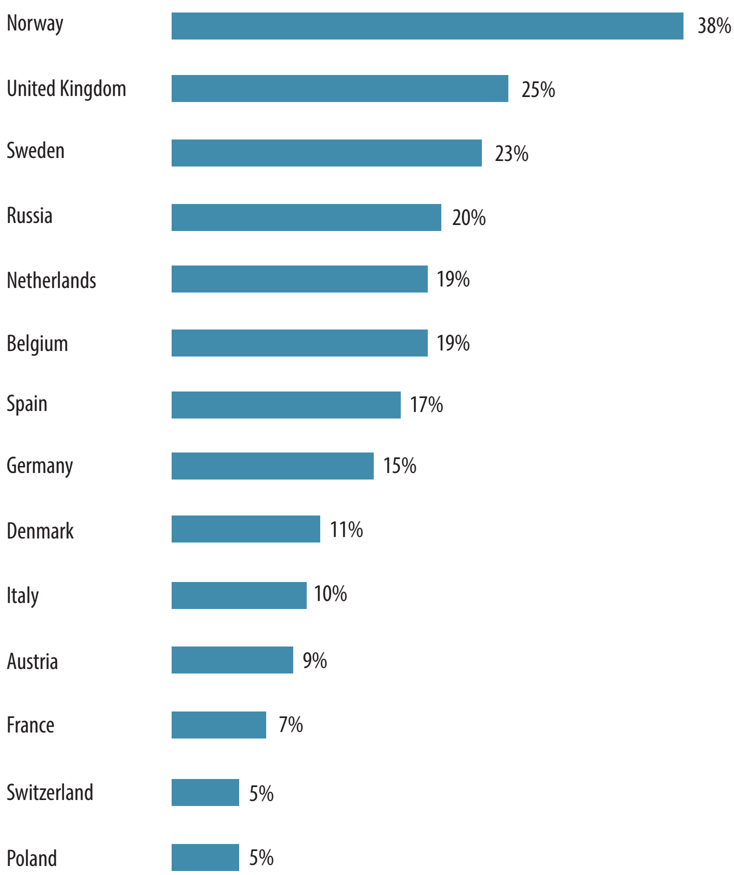
But policy alone is not sufficient to propel sufficient numbers of women into the upper ranks of financial services companies. Germany and Switzerland, for example, are both prosperous countries with well-developed financial sectors and highly educated women. In our study, while Germany's showing in executive diversity is mediocre, it still outperforms Switzerland, which sits with Poland at the bottom of the range. German policies, which are more family-friendly than those in Switzerland, help explain

[5] Julia Kollewe, "Less than 10% of executive directors at FTSE 100 companies are women," *The Guardian*, December 29, 2015, theguardian.com.

[6] Nathan Hegedus, "In Sweden, women make up 45% of parliament but only 13% of corporate leadership," *Quartz*, December 17, 2012, qz.com.

Figure 2: **Underrepresented**

% of women on executive committee, by country



the difference, but they are not enough to propel Germany to gender parity in the C-suite. One study concluded that similar cultural views, specifically regarding traditional gender roles and a masculine orientation, hold both counties back.[7]

Indeed, outdated macho attitudes can slow the progress of rising female executives in even the best-performing countries in terms of gender diversity. When testifying before a UK parliamentary committee, Jayne-Anne Gadhia, CEO of Virgin Money, recounted "a definite alpha maleness" when told why she was passed over for a promotion at an insurance company years earlier.[8] She told the parliamentary committee that more recently a senior executive questioned why he should promote a woman to a top job "when she could turn around the next day and say, 'I'm pregnant.'" Despite some success in promoting women, "there is definitely a long way to go" in the financial industry, Gadhia said.

[7] Astrid Jäkel, Finja Carolin Kütz, and Emily Niemann, *Female Leadership in Germany and Switzerland: Culture Trumps Policy*, Oliver Wyman, June 2016, oliverwyman.com.

[8] Martin Arnold, "Virgin Money boss warns sexism is still rife in the City of London," *Financial Times*, October 24, 2017, ft.com.

Sponsors are crucial to improvements at upper levels

Many studies have found that corporate performance improves when diverse opinions are included in decision making.[9] Companies are also more likely to find and hire superior talent if they recruit from the entire labor pool.

To address the gender gap in management, companies have implemented a range of policies, including more concerted recruitment efforts and policy changes that encourage work-life balance. However, while our research suggests that such initiatives and policies have a positive effect, it also shows they are not sufficient for the final push into the executive committee. The leadership consultant Harvey Coleman proposed that almost two-thirds of professional success is based on exposure and just 10% on performance.[10] In this view, it is not who you know that matters, but rather who knows you.

As such, professional sponsorships are a crucial—but currently underutilized—tool for helping overcome the myriad obstacles that talented women face.

Unlike mentors, sponsors play a direct and active role in fostering and even promoting the careers of highly talented colleagues. A sponsor, usually a senior leader at the organization, openly advocates on behalf of his or her protégés by connecting them with career opportunities, recommending them for high-profile assignments, and helping them build relationships with other company leaders. Sponsors take keen interest in the accomplishments of their protégés, and because the role requires a greater commitment than mentorship, sponsorships are better suited for helping the smaller pool of talented managers on the cusp of senior positions.

To be clear, mentors are very useful in helping women navigate the early and middle stages of their careers. For example, they can explain the unwritten rules and informal culture of an organization. Mentors can help their junior colleagues recognize their own strengths and weaknesses and advise them on career plans. And, crucially, mentors are a ready contact for questions and concerns—they provide needed guideposts that help set their colleagues in the right direction.[11] But to reach the height of management, talented managers—women and men—need more than guidance; they need the helping hand that sponsorships can provide. As Sava Berhané noted in a *Fast Company* article, "there's a key ingredient for moving up the ladder that all those [mentoring] relationships lack: *capital* . . . a direct ability to give you opportunities, not just advice about how to maximize them when they come along."[12]

Taking Coleman's research and applying it to the highly networked environment of today's management suites, a recent Heidrick & Struggles study at a US professional services firm highlighted the need to actively encourage women to build

[9] Among the relevant studies are *Women Matter*, McKinsey & Company, October 2007; *Women Matter 2*, McKinsey & Company, October 2008; and each consecutive year's study up to and including 2017, available on mckinsey.com; Marcus Noland, Tyler Moran, and Barbara Kotschwar, *Is Gender Diversity Profitable? Evidence from a Global Survey*, working paper No. 16-3, Peterson Institute for International Economics, February 2016, piie.com.

[10] Harvey J. Coleman, *Empowering Yourself: The Organizational Game Revealed*, Second Edition, Bloomington, IN: AuthorHouse, 2010. Coleman asserted that 60% of career success relies on exposure, 30% on image, and 10% on performance. Performance has a low impact because top employees are expected to perform, so this is not a distinguishing quality.

[11] For more on how mentorship can make a difference in fostering both gender and ethnic diversity at all levels, see "Creating a culture of mentorship" on heidrick.com.

[12] Sava Berhané, "Why women need career sponsors more than mentors," *Fast Company*, August 28, 2015, fastcompany.com.

influential connections.[13] Even taking into account the ratio of women to men at the company, the study showed that men were 5.6 times more likely to be connected with other men than with women.

Sponsorships can help correct these imbalances. Sylvia Ann Hewlett, an expert in corporate gender diversity, has found that women and men with sponsors are more likely to ask for a challenging assignment or a pay raise. However, she wrote, "Women have more than enough mentors but are only half as likely as their male peers to have a sponsor. Consequently, they miss out on the measurable impact of the sponsor effect."[14]

Developing a program template

Financial services companies that are committed to bringing talented women into senior management positions must break through the inclination toward mentors and begin putting more emphasis on sponsorship. The process can be a natural one, as the industry values relationships and networks, both internally and externally.

In some instances, sponsors, like mentors, naturally or informally take on the role. Yet, in financial services, as in other sectors, ad hoc sponsorship relationships do not happen frequently enough to accelerate gender diversity in the C-suite. Companies should therefore consider a formal sponsorship program to move the effort forward.

Deutsche Bank is among the leaders in this approach. In 2009, the German bank noticed that highly talented women were being recruited by competitors not on promises of a better work-life balance, but rather for straightforward career advancement, which they felt was not available at Deutsche Bank. In response, the bank launched a formal sponsorship program, Accomplished Top Leaders Advancement Strategy (ATLAS), to support women ready to move to the upper echelons of the company. In its first six years, the program was credited with helping increase the number of women at the managing director level or higher by 50% and cutting the company's attrition rate among program participants by 50%.[15]

While each formal sponsorship program should be tailored to its specific corporate environment, there are opportunities to learn from peers. For example, an initiative started in 2013 by a major European insurer can serve as a practicable and successful starting point. Each year, the members of the insurer's 20-person executive committee each select a protégé to join the company's sponsorship program. The women are highly talented managers on the verge of reaching the next levels of their careers. The new protégés gather with potential sponsors and past protégés for an initial meeting, during which the goals of the program are outlined, the responsibilities of sponsors and protégés are detailed, and opportunities for participants to meet alumnae (past protégés) and senior executives are presented.

Along with providing the advice and encouragement associated with a traditional mentorship relationship, the insurer's program sponsors identify and help remove any obstacles blocking the career progression of their protégés, use their influence to give their protégés exposure to senior executives, and fight for their protégés' advancement (e.g., through promotions or participation in high-profile assignments). Protégés, for example, have

[13] Bogdan Yamkovenko and Stephen Tavares, "To understand whether your company is inclusive, map how your employees interact," *Harvard Business Review*, July 19, 2017, hbr.org.

[14] Sylvia Ann Hewlett, "The real benefit of finding a sponsor," *Harvard Business Review*, January 26, 2011, hbr.org.

[15] "The Women Global Leaders programme: The story of a successful partnership between INSEAD and Deutsche Bank," Deutsche Bank, June 25, 2015, db.com/news.

been tasked with helping refine the company's marketing strategy, specifically looking at the female customer segment.

For their part, the program's protégés actively prepare themselves for their next career step through additional training, polish their internal profiles by expanding their personal networks, and continue their high-quality work. In addition, sponsors and protégés work closely throughout the year so the protégés can witness the challenges faced in high-level positions and benefit from observing how their sponsors address these challenges. Structured and unstructured feedback sessions are an intricate part of the sponsorship program.

The formal program ends after a year, at which point executive committee members assess the results and begin a new cycle by selecting a new cadre of protégés to work with over the next 12 months. But because of the close ties built during the program, sponsors and protégés often continue their relationships even after the formal portion of the sponsorship ends.

The European insurer credits the sponsorship program with helping increase the share of women in top management positions to 25%, from 14%, in just three years. About 90% of internal promotions of women to top leadership posts were offered to alumnae of the sponsorship program.

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Sponsorship programs require a greater commitment from companies, sponsors, and protégés than more informal mentorship efforts, which in our experience is one reason they are not as common. The effort, however, has the potential to fast-track women with high potential and enable companies to extract the greatest value from all their best talent.

"Good sponsors can supercharge a woman's career by providing her with access to essential networks, bringing her achievements to the attention of senior-level executives, and recommending her for key assignments," Ilene H. Lang, the former CEO of Catalyst, a nonprofit group focused on women in business, said on the organization's website. "Companies that educate their employees about sponsorship, link it to talent management systems, and make it a hallmark of organizational strategy will reap tremendous rewards."

Europe's financial services sector has moved slowly toward greater gender diversity and should acknowledge its successes. But the proportion of women in management positions with the greatest authority and influence is still too low. Sponsorship programs will be an important tool in the quest to achieve gender parity at all levels of the organization. ■

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Financial Services Practice

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