Leveling the playing field: The business case for diversity in the workplace – and how to deliver on it

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Contents

The business case for diversity
Diagnostic of the challenges
5 game changers to make a difference
It’s a leaky pipe… and women of color face the steepest drop-off

Progress has stalled in increasing female representation in the pipeline, especially for women of color.

The steepest drop off largely occurs between entry level and managerial roles, when women are likely in their 20s / early 30s.

Within the asset management and institutional investing industry, pipeline representation moves from 46% at entry level to 19% at senior levels.
Executive team gender and ethnic diversity are correlated with superior profitability

Likelihood of financial performance1 above national industry median by diversity quartile

Percent

**Why Diversity Matters (2014)**

<table>
<thead>
<tr>
<th></th>
<th>1st quartile</th>
<th>4th quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>+15%</td>
<td>+35%</td>
</tr>
<tr>
<td>Sample, N</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>Avg % women</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Ethnicity/culture</td>
<td>+21%</td>
<td>+33%</td>
</tr>
<tr>
<td>Sample, N</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>Avg NHHI²</td>
<td>0.18</td>
<td>0.24</td>
</tr>
<tr>
<td>Avg % minority</td>
<td>14%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Delivering through Diversity (2017)**

<table>
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1 Average EBIT margin, 2010-13 in Diversity Matters I and 2011-15 in Diversity Matters II; 2 Normalized Herfindahl-Hirshman Index
3 2014 findings are statistically significant at p-value <0.1; 2017 findings are statistically significant at p-value<0.05

SOURCE: McKinsey Diversity Matters Database

On our expanded, 2017 dataset the relationships between executive team diversity and profitability continue to hold, and with greater statistical significance.
There continues to be a penalty for companies lacking diversity

Likelihood of financial performance\(^1\) above national industry median by diversity quartile

<table>
<thead>
<tr>
<th>Percent</th>
<th>EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th quartile</td>
<td>40</td>
</tr>
<tr>
<td>1st-3rd quartile</td>
<td>57</td>
</tr>
</tbody>
</table>

Companies in the bottom quartile on both gender and ethnic diversity see a penalty for their underperformance versus more diverse companies.

The penalty is even greater relative to those who are top performers on both.

Being in either group is rare. Only 12% of our sample are bottom overall, and only 8% are top quartile on both types of diversity.

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\(^1\) Average economic profit margin 2011-15 and Average EBIT margin 2011-15; 2 Executive gender diversity analysed for 991 companies in all regions. Executive team ethnic diversity data analysed for 589 companies in all regions except Australia, France, Germany, India, Japan and Nigeria.

SOURCE: Company websites, McKinsey Diversity Matters database
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For most companies attrition is not the problem

% Men and women that left their company by level

- Entry level: 17% Women, 18% Men
- Manager: 16% Women, 16% Men
- Sr Mgr/ Director: 14% Women, 15% Men
- VP: 14% Women, 13% Men
- SVP: 16% Women, 14% Men
- C-Suite: 11% Women, 12% Men

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Women are progressing more slowly than men through the corporate pipeline

Women are **18%** less likely than men to be promoted to manager

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Women are just as interested in advancing as men

% of women and men interested in being promoted

- Women: 75%
- Men: 79%

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Women ask as often, but men move up more without asking

**% that asked for a promotion**

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>34%</td>
</tr>
</tbody>
</table>

**% that got a promotion without asking**

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>17%</td>
</tr>
</tbody>
</table>

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Less women aspire to and believe they will be a top executive

Women of all races and ethnicities who aspire to be are less likely to think they’ll become a top executive than men with the same aspiration.

% Who aspire to be a top executive

- White: Women 47%, Men 63%
- Latina: Women 33%, Men 49%
- Black: Women 44%, Men 64%
- Asian: Women 52%, Men 65%

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
What contributes to women’s belief that they are less likely to reach the top?
Gender impacts women’s opportunities and day-to-day experience

% Of women and men who think …

- **My gender has played a role in missing out on a raise, promotion, or chance to get ahead**
  - Women: 37%
  - Men: 8%

- **My gender will make it harder to get a raise**
  - Women: 39%
  - Men: 15%

- **I have equal opportunity for growth as my peers**
  - Women: 57%
  - Men: 62%

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
… and this is particularly stark for women of color

### How women view opportunity

<table>
<thead>
<tr>
<th>Perception</th>
<th>White</th>
<th>Asian</th>
<th>Latina</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>They have equal opportunity for growth as their peers</td>
<td>59%</td>
<td>55%</td>
<td>55%</td>
<td>48%</td>
</tr>
<tr>
<td>Promotions are based on fair and objective criteria</td>
<td>41%</td>
<td>40%</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>The best opportunities go to the most deserving employees</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>29%</td>
</tr>
</tbody>
</table>

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Women receive less support from managers on their journey

10% less women report receiving advice from their manager on how to advance than men

20% less women report regular interaction with senior leadership than men

People who receive advice from their managers are statistically more likely to receive a promotion

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Women still work a double shift at home

Women do most housework…

% Of men and women that do all or most of the housework

- Women: 54%
- Men: 22%

…this holds even for primary bread winners

- On average, 12% of men report doing all or most of the household work.
- Compared to 43% of women.

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
We do not all see that there is an issue – this is particularly true for men

Nearly **50%** of men think women are well represented in leadership where **only one in ten senior leaders is a woman**

Remarkably **33%** of women agree
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5 game changers to make a difference
So how do we change the game?
1 Make a compelling case for diversity
We claim diversity is a priority but employees don’t buy it

% Of companies and employees that say …

- **Level of commitment**
  - 90% for companies
  - 52% for employees

- **Reasons why**
  - Contributes to a positive image of the company
    - Companies: 23%
    - Employees: 52%
  - Fair to all people
    - Companies: 75%
    - Employees: 60%
  - Leads to better business results
    - Companies: 90%
    - Employees: 42%

"My company prioritizes gender diversity"

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
1. How to make a compelling case for diversity

- **Get leaders on board**
  Ensure diversity is a priority for senior leaders

- **Develop a case**
  Articulate a business case
  Back it up with numbers

- **Encourage an open dialogue**
  Regularly communicate the importance of gender diversity and encourage dialogue
2 Invest in more employee training
Employees and managers would benefit from more training

47% of employees know what to do to improve gender diversity in their organization

30% of managers regularly address gender-biased language and behavior when it happens

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Develop and promote skill-based trainings

Unconscious bias training
Raise awareness of bias
Focus on avoiding thinking of others stereotypically

Require employees to attend
Involve key decision makers (e.g., those involved in reviews or hiring)

Focus on building skills
Teach employees to work with diverse sets of individuals
3 Give managers the means to drive change
Managers play a critical role in companies’ gender diversity efforts

What employees say about managers

- Gender diversity is a top or important priority
  - Men: 42%
  - Women: 37%

- My manager has provided guidance on how to improve gender diversity
  - Men: 26%
  - Women: 31%

Top performer practice

In top performing companies, managers help women and men navigate difficult situations and recommend them for new opportunities more frequently.

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Give managers visibility into the scope of the problem and the tools they need to succeed

**Train**
Teach managers why gender diversity is important

**Invest**
Develop formal sponsorship and mentorship programs

**Model**
Talk the talk and walk the walk
4 Ensure that hiring, promotions, and reviews are fair
Few companies have comprehensive end-to-end processes in place for hiring and promotions

% Of companies that report that they…

**Hiring process**

- 66% of companies have strategies for under-represented groups
- 25% of companies set gender targets for hiring
- 6% of companies use blind resume screening

**Review process**

- 66% of companies require clear, objective metrics for evaluations
- 18% of companies set gender targets for promotions

Top performer practice

Top performing companies are more likely to have dedicated programs to improve promotion rates for women

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
4. Strengthen your policies and programs to encourage gender diversity in hiring and promotions

**Hiring**
- Blind resume screening
- Analytics to reduce bias

**Reviews**
- Evaluation on criteria screens
- Personalized performance reviews

**Promotions model**
- Diverse slate
- High potential candidate pools
5 Give employees flexibility of fitting work into their lives
Develop support for those in dual-career relationships

% In senior roles with partners who work full time

% Of companies that offer...

- Back-up childcare: 40
- Subsidies for childcare: 18
- On-site childcare: 15

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
Offer support to help employees balance work and family

**De-risk**
Signal acceptance of flexible working styles

**Focus on parents**
Develop childcare services to help working parents

**Make it easy for women to come back**
Offer extended parental leave and programs to smooth the transition back
Focus on accountability and results
Although many companies track metrics, very few set targets.

% Of companies that track gender and set targets

<table>
<thead>
<tr>
<th>Metric</th>
<th>Track metrics (but don’t set targets)</th>
<th>Set targets and track metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attrition</td>
<td>75</td>
<td>12</td>
</tr>
<tr>
<td>Representation of external hires</td>
<td>70</td>
<td>25</td>
</tr>
<tr>
<td>Representation in promotions</td>
<td>72</td>
<td>18</td>
</tr>
</tbody>
</table>

Top performer practice
Top performing companies are more likely to share diversity metrics with their employees.

SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study
6 Place emphasis on tracking, targets and transparency

**Tracking**
Identify metrics & gather the data

**Targets**
Decide where you want your company to be

**Transparency**
Communicate progress to employees to drive accountability
Final thoughts

From...

Diversity just because it’s the right thing to do...

Increasing representation of women and ethnic minorities at the top...

A one size fits most formula

To...

Diversity as the right thing to do and as an enabler of inclusive growth and longer-term value creation

Increasing representation of women and diverse profiles in decision-making roles, combined with a corporate culture of inclusion

A customized formula which will deliver in your company’s specific context
Questions & discussion