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

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**WORKING DRAFT**  
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## Contents

The business case for diversity

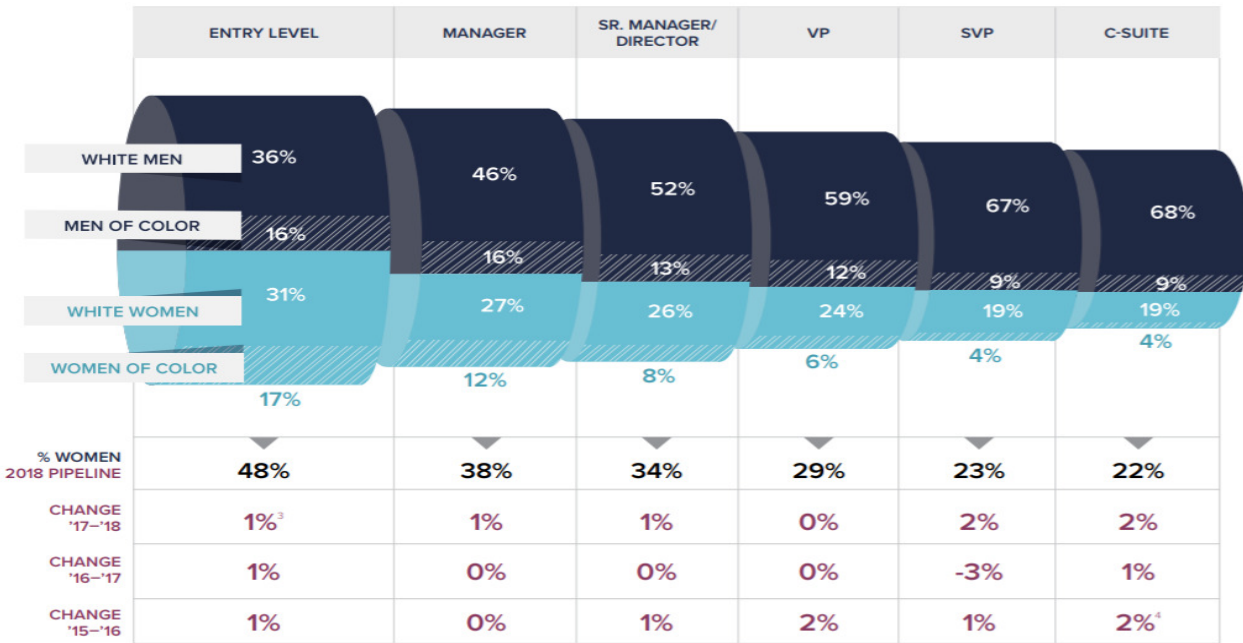
Diagnostic of the challenges

5 game changers to make a difference

It's a leaky pipe... and women of color face the steepest drop-off<sup>1</sup>

■ Women ■ Men

**Representation in the corporate pipeline by gender and race, %**



- 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 performance<sup>1</sup> above national industry median by diversity quartile

Percent

■ 4<sup>th</sup> quartile  
■ 1<sup>st</sup> quartile

## Why Diversity Matters (2014)<sup>3</sup>

## Delivering through Diversity (2017)<sup>3</sup>



### EBIT margin

### Gender

Sample, N

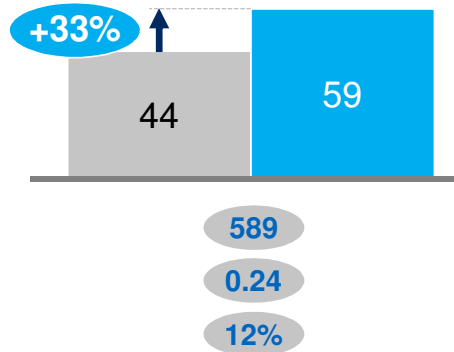
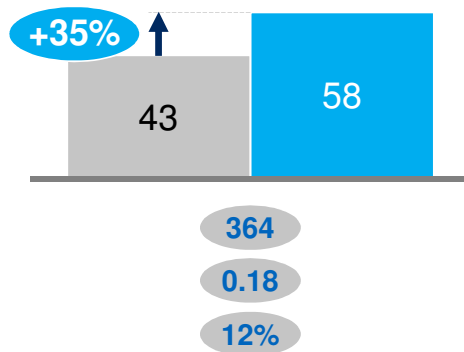
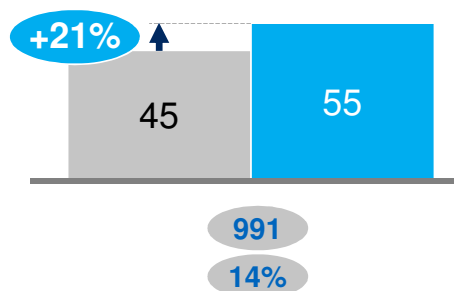
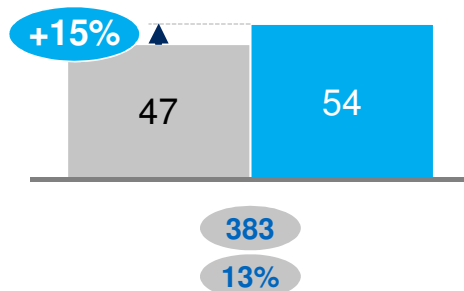
Avg % women

### Ethnicity/ culture

Sample, N

Avg NHHI<sup>2</sup>

Avg % minority



On our expanded, 2017 dataset the relationships between executive team diversity and profitability continue to hold, and with greater statistical significance

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



There continues to be a penalty for companies lacking diversity  
 Likelihood of financial performance<sup>1</sup> above national industry median by diversity quartile  
 Percent

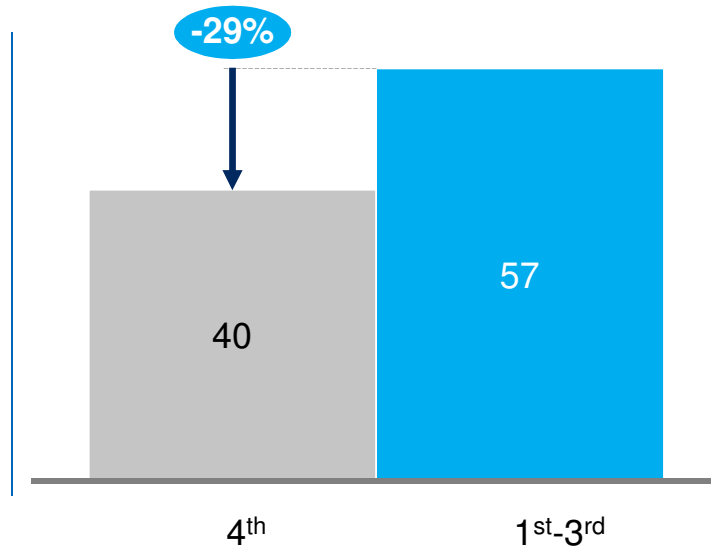
■ 4<sup>th</sup> quartile  
 ■ 1<sup>st</sup>-3<sup>rd</sup> quartile

### Gender and Ethnic/cultural Executive team

Bottom on both vs. Rest



EBIT margin



**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**

<sup>1</sup> Average economic profit margin 2011-15 and Average EBIT margin 2011-15; <sup>2</sup> 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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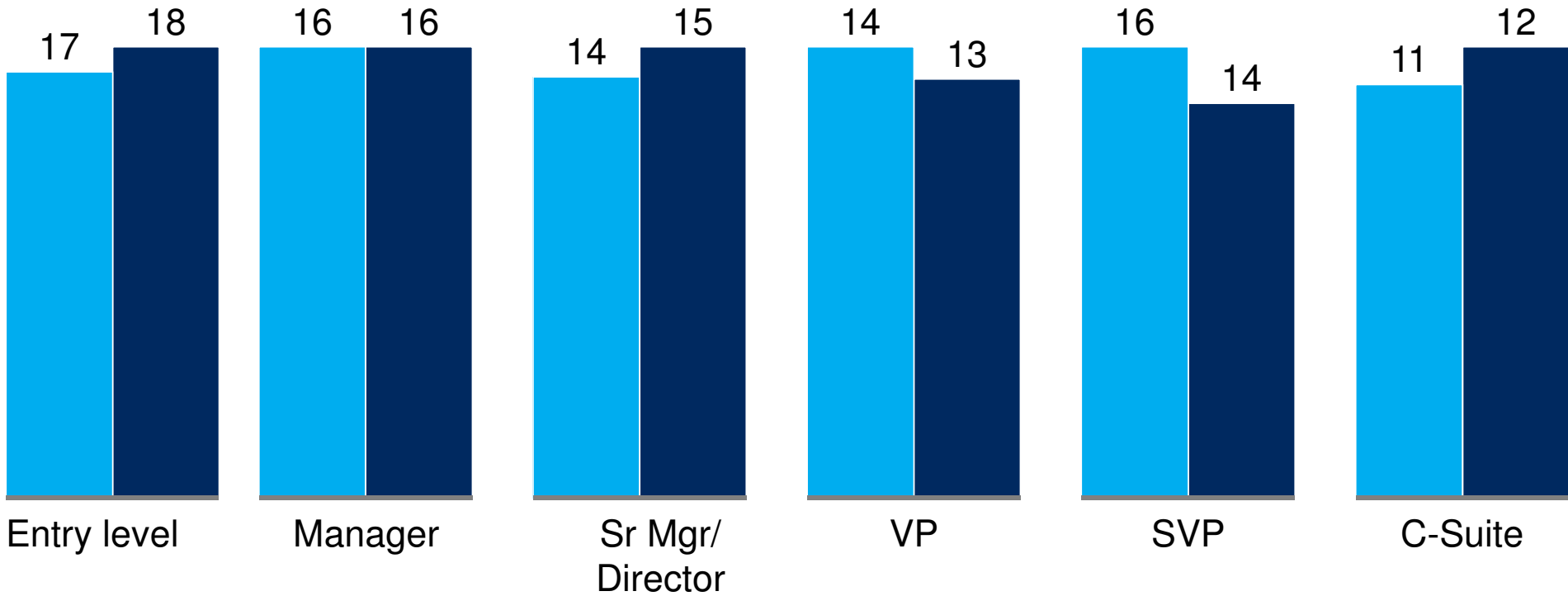
Diagnostic of the challenges

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For most companies attrition is not the problem

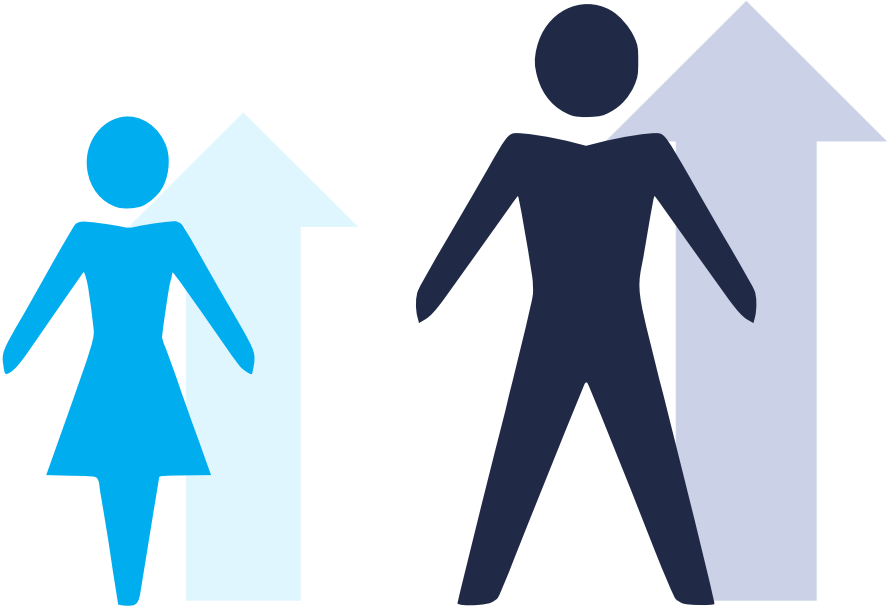
Women Men

### % Men and women that left their company by level



SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study

# Women are progressing more slowly than men through the corporate pipeline



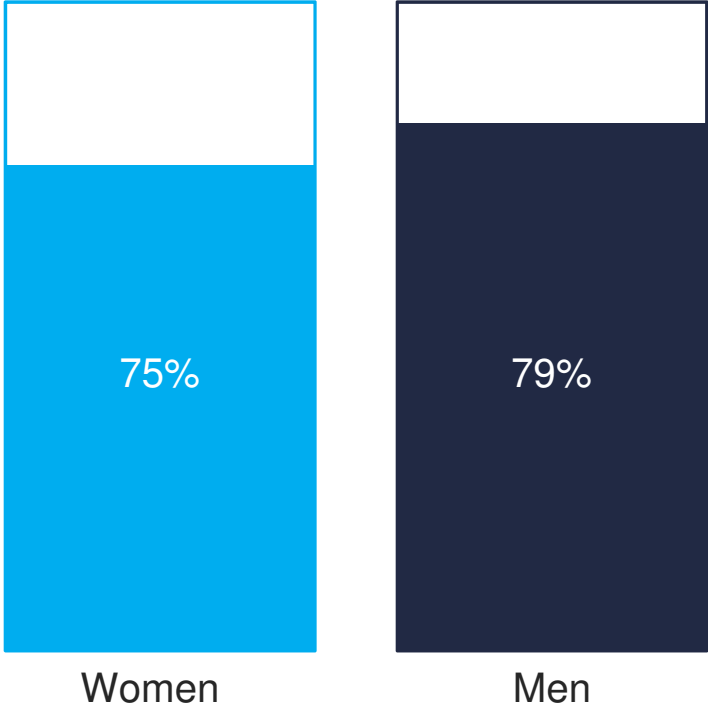
Women are  
**18%** less likely  
than men to be promoted to  
manager

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**

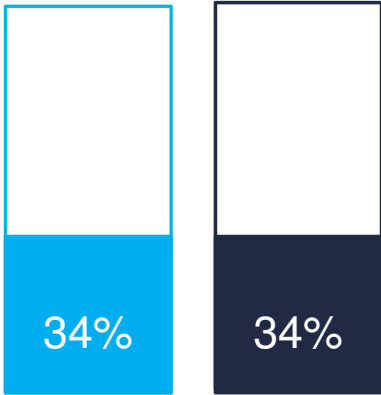


SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study

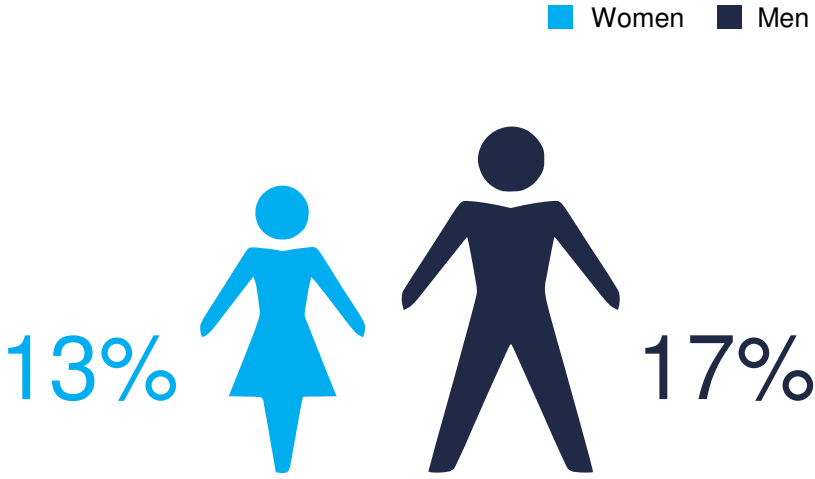
# Women ask as often, but men move up more without asking



## % that asked for a promotion



## % that got a promotion without asking

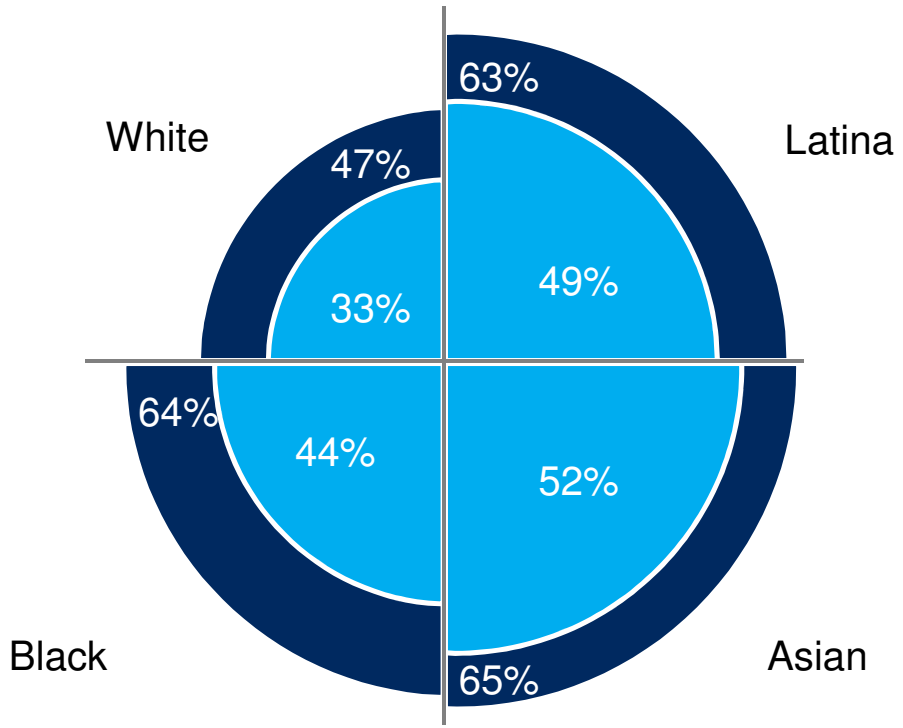


SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study

# Less women aspire to and believe they will be a top executive

■ Women ■ Men

## % Who aspire to 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

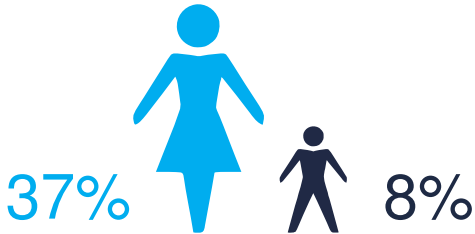
# What contributes to women's belief that they are less likely to reach the top?



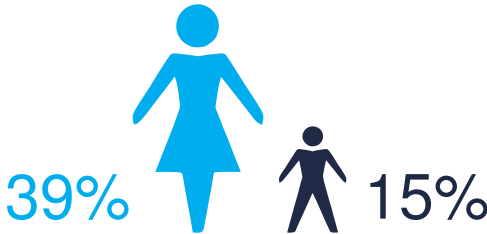
# Gender impacts women's opportunities and day-to-day experience

## % Of women and men who think ...

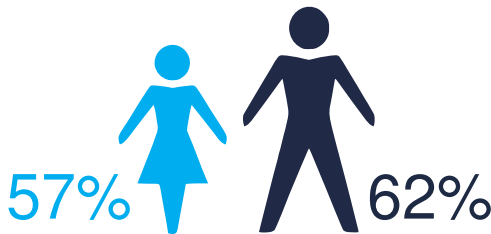
■ Women ■ Men



My gender has played a role in missing out on a raise, promotion, or chance to promotion, or chance to get ahead get ahead



My gender will make it harder to get a raise



I have equal opportunity for growth as my peers

... and this is particularly stark for women of color

■ Black ■ Latina ■ Asian ■ White

## How women view opportunity

% Of women who think ...

They have equal opportunity for growth as their peers



Promotions are based on fair and objective criteria



The best opportunities go to the most deserving employees



# 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

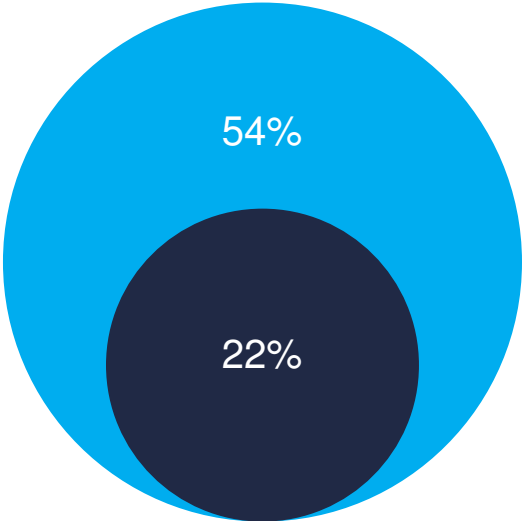
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# Women still work a double shift at home

■ Women ■ Men

## Women do most housework...

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



## ...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

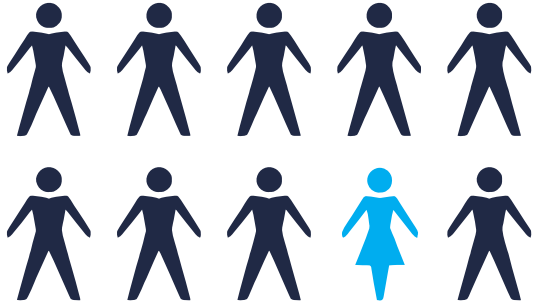


We do not all see that there is an issue – this is particularly true for men



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



SOURCE: 2017 McKinsey and LeanIn.Org Women in the Workplace study

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So how do we change the game?



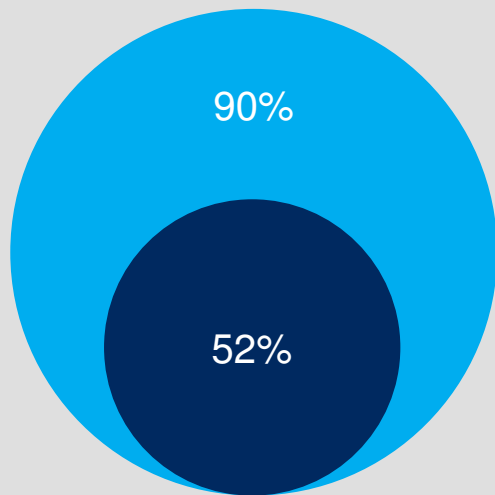


# 1 Make a compelling case for diversity

# 1 We claim diversity is a priority but employees don't buy it

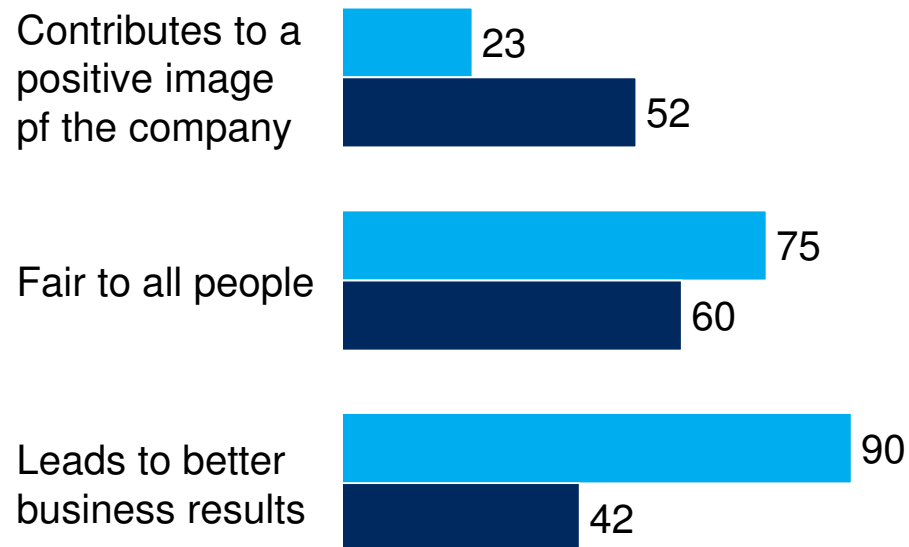
% Of companies and employees that say ...

## Level of commitment

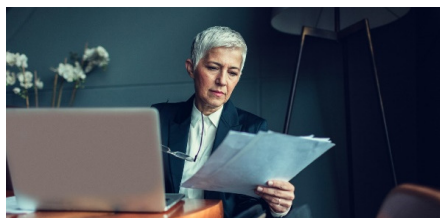


“ My company prioritizes gender diversity

## Reasons why



# 1 How to make a compelling case for diversity



## Get leaders on board

Ensure diversity is a priority for senior leaders

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## Develop a case

Articulate a business case

Back it up with numbers

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## Encourage an open dialogue

Regularly communicate the importance of gender diversity and encourage dialogue

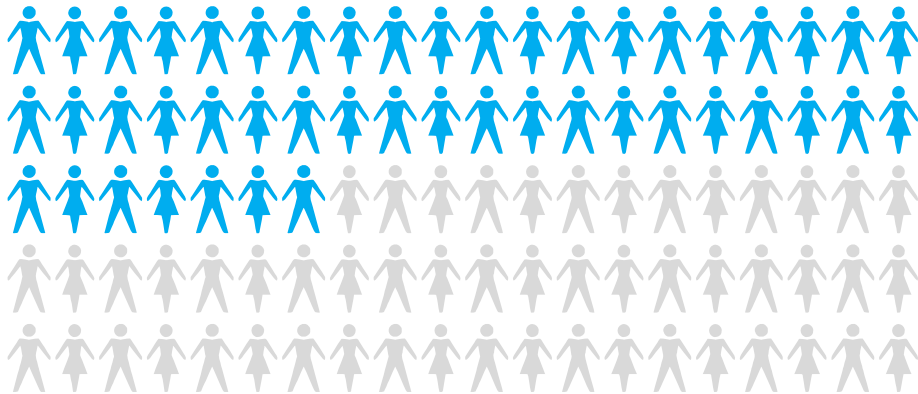


## 2 Invest in more employee training

## 2 Employees and managers would benefit from more training

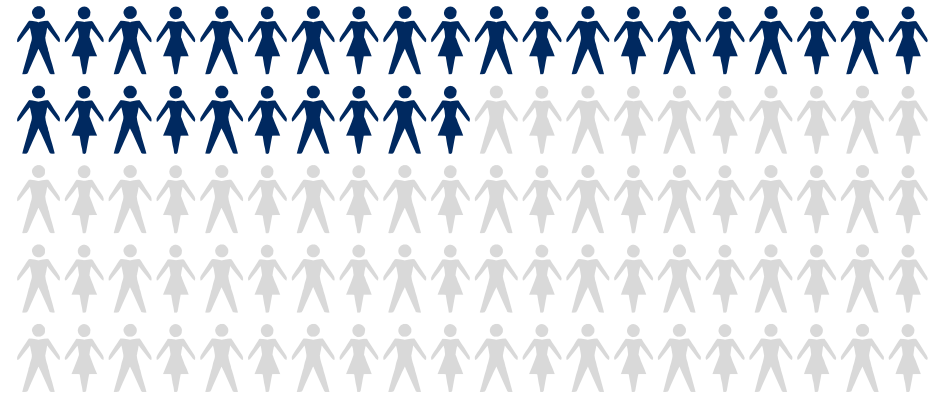
47%

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



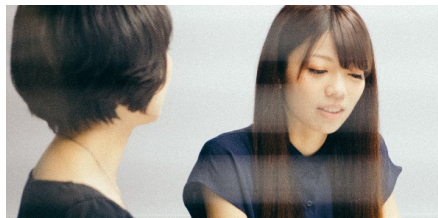
30%

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





## 2 Develop and promote skill-based trainings



### **Unconscious bias training**

Raise awareness of bias

Focus on avoiding thinking of others stereotypically

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### **Require employees to attend**

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

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### **Focus on building skills**

Teach employees to work with diverse sets of individuals

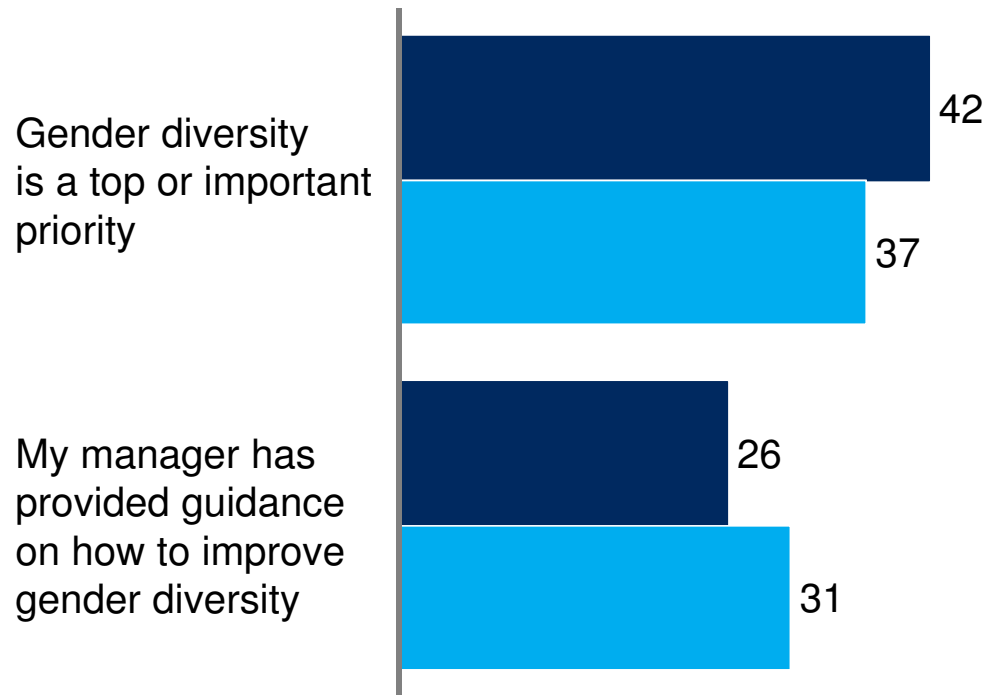


### 3 Give managers the means to drive change

### 3 Managers play a critical role in companies' gender diversity efforts

■ Women ■ Men

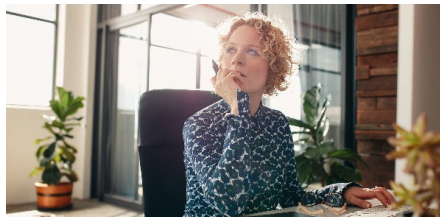
#### What employees say about managers



#### Top performer practice

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

### 3 Give managers visibility into the scope of the problem and the tools they need to succeed



#### **Train**

Teach managers why gender diversity is important

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#### **Invest**

Develop formal sponsorship and mentorship programs

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#### **Model**

Talk the talk and walk the walk

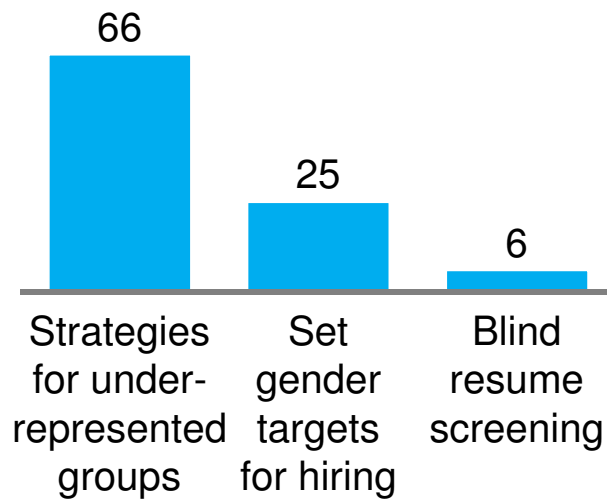


## 4 Ensure that hiring, promotions, and reviews are fair

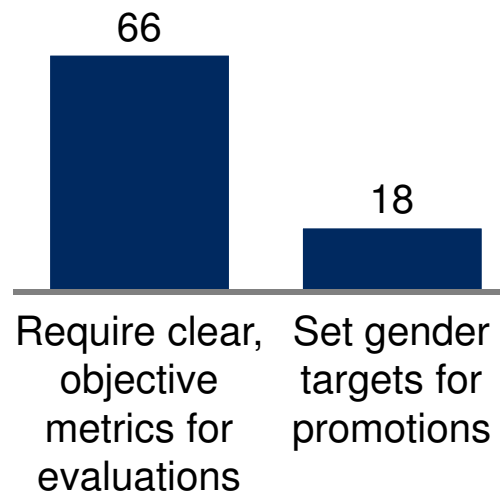
## 4 Few companies have comprehensive end-to-end processes in place for hiring and promotions

% Of companies that report that they...

### Hiring process



### Review process



### Top performer practice

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

## 4 Strengthen your policies and programs to encourage gender diversity in hiring and promotions



### Hiring

Blind resume screening  
Analytics to reduce bias

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### Reviews

Evaluation on criteria screens  
Personalized performance reviews

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### Promotions model

Diverse slate  
High potential candidate pools

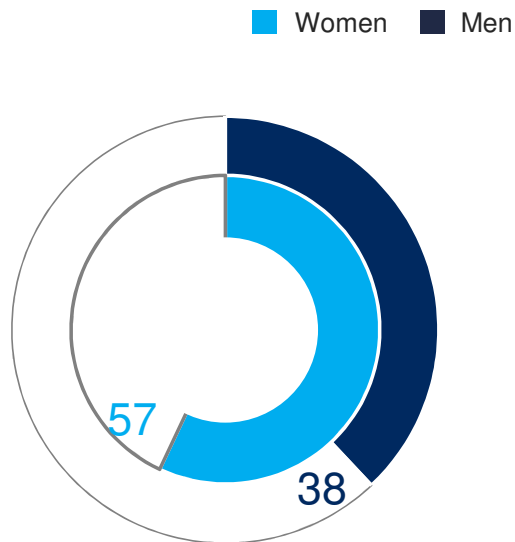


## 5 Give employees flexibility of fitting work into their lives

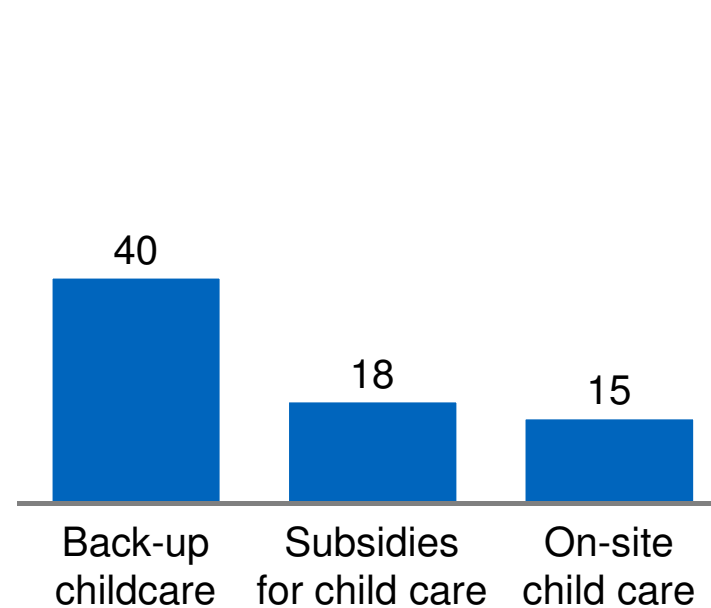


## 5 Develop support for those in dual-career relationships

### % In senior roles with partners who work full time



### % Of companies that offer...



### Top performer practice

Top performing companies are more likely to have extended parental leave and onsite care

## 5 Offer support to help employees balance work and family



### **De-risk**

Signal acceptance of flexible working styles

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### **Focus on parents**

Develop childcare services to help working parents

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### **Make it easy for women to come back**

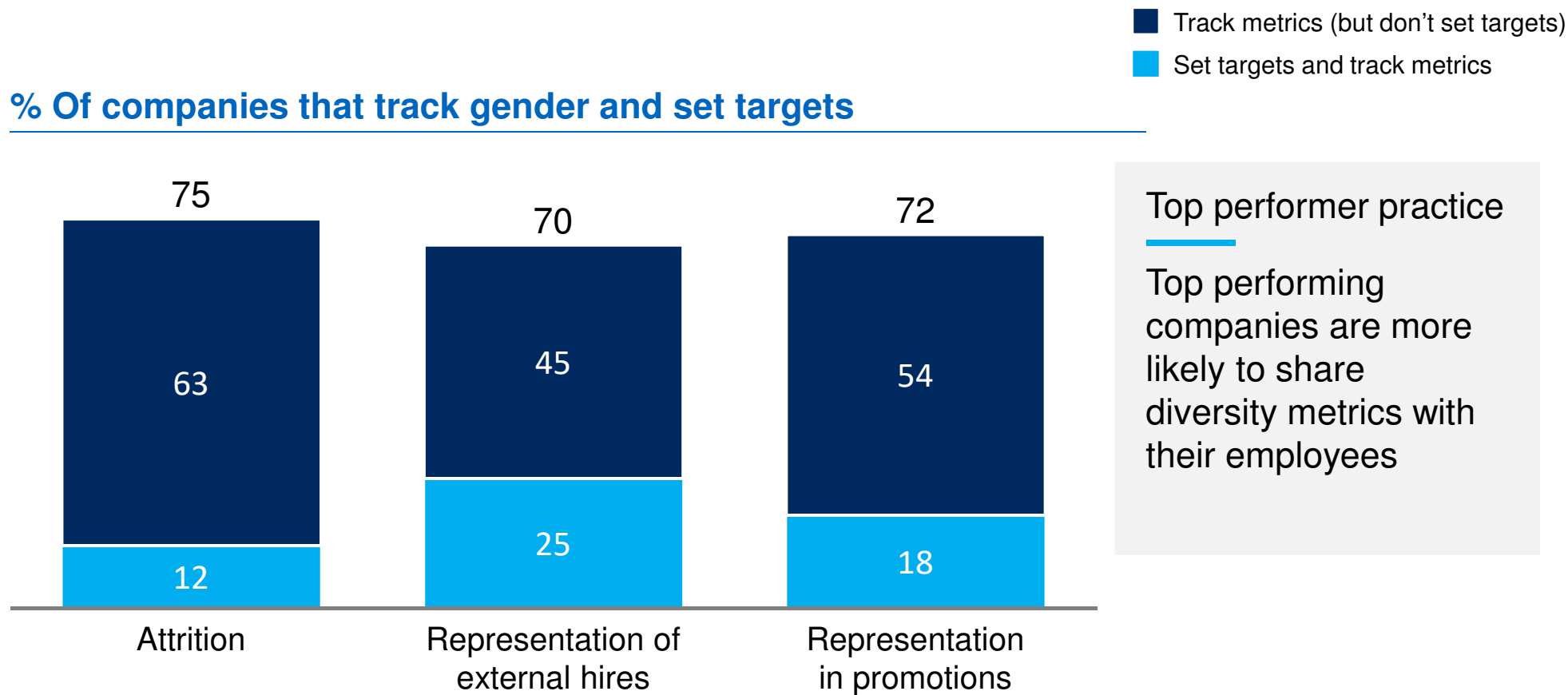
Offer extended parental leave and programs to smooth the transition back



## 6 Focus on accountability and results

## 6 Although many companies track metrics, very few set targets

### % Of companies that track gender and set targets



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

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### Targets

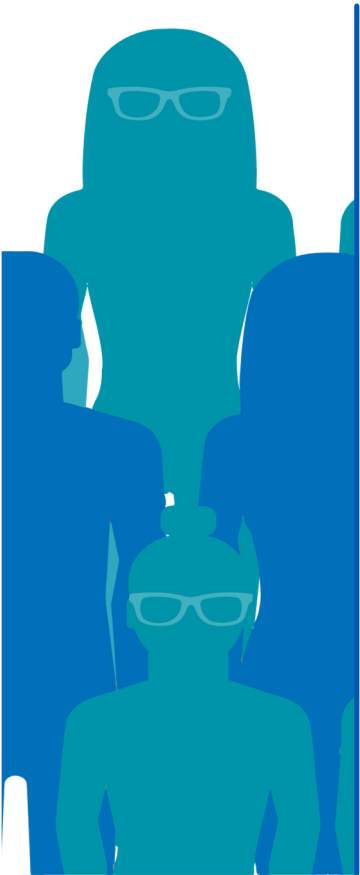
Decide where you want your company to be

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### Transparency

Communicate progress to employees to drive accountability

# Final thoughts



## From...

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



## 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 ethnic minorities at the top...



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

A one size fits most formula



A **customized formula** which will deliver in your **company's specific context**

# Questions & discussion