

Why...

...despite an increased focus,
have we not moved the needle
on the diversity dial and
what else can we do to drive
tangible results?



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01 | Introduction

In August, Morgan McKinley, together with Women on Boards, held our annual Women in Leadership Luncheon. This year's event was entitled: **"Why, despite an increased focus, have we not moved the needle on the diversity dial and what else can we do to drive tangible results?"**

There was a structured panel discussion and networking session on some of the key themes of our latest research. Panel members included business leaders with a wealth of experience and a diverse range of perspectives.

This topic is an important one for the Joint Managing Directors of Morgan McKinley Sydney. Over the last few years Morgan McKinley has formalised a programme of work, which has included specialist workshops designed to help key clients navigate this area; and to help females within their organisations to step up to senior leadership roles. Morgan McKinley also produced a **report** earlier this year on the reasons why there are not more tangible results in this area.

Diversity has been a hot topic in Australia following the Liberal Party's decision to deny the Conscience Vote. As noted during the panel discussion, this was a surprise for many Australians and it will continue to be topical. Recently, well known Liberal Federal MP Sharman Stone called for a greater representation of women standing for safe seats, if women are to have a strong voice in national decision making.

Independent senator for South Australia Nick Xenophon's bill in parliament is seeking 40 percent men and 40 percent women on Federal government boards.

In Victoria and Queensland, where the number of women declined significantly on boards, both state governments have come out strongly to follow the South Australian stance, where they are looking to mandate 50 percent women across their boards.

However, women in leadership is about so much more than boards, says Claire Braund - Executive Director, Women on Boards. For many women, the situation has not shifted fast enough, particularly for women in senior leadership positions.

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02

How well are we managing structural change?

First of all we want to be disruptive where this topic is concerned, says Independent Consultant Rhonda Brighton-Hall. One of the deepest structural influences we have on gender balance or diversity in general is the way that we approach talent. Currently, there is a race to find high potential people between the ages of 28-35, so that we can over-invest in them, over-sponsor them and give them abundant opportunities.

However, this age group coincides with a time when 73 percent of Australian women are having children, and a further five percent go through IVF treatment. Women are often juggling work and competing family priorities and may not be at their sparkly best during this period, yet this is when future leaders are chosen.

The current approach to talent does not take into account professionals who are living and working longer and who may reach their potential or the highlight of their careers at very different ages, in comparison with the social climate in the 1950s.



The reality is that individuals can have great potential at any age, whether it be 22, 52 or 72 years of age, says Brighton-Hall. The current approach to talent does not take into account professionals who are living and working longer and who may reach their potential or the highlight of their careers at very different ages, in comparison with the social climate in the 1950s.

This age factor is a critical issue, agrees, John Lydon, Managing Partner, McKinsey & Company. If you want to explore root causes as to why women are underrepresented at the top of most firms, these are the issues you need to address.

03

What does success really look like for flexible working conditions?

We need to think about the way we work, as the current system of congregating at the same time in the same place is really changing, says Kate Aitken, Managing Director, Goldman Sachs.

Aitken adds that success factors for flexible working are that both the organisation and the individual get what they want and need. However, no one is going to get everything they want in the negotiation process and you may need to meet somewhere in the middle. There are both formal and informal flexible working practices, and often managers are more empowered than they think to make the informal ones happen.

The importance of dialogue, where you have reasonable conversations with your managers about what will work for everyone.

Flexible working can help people to stay engaged in the workforce throughout the different stages of their lives.

Aitken emphasises the importance of dialogue, where you have reasonable conversations with your managers about what will work for everyone.

The benefits of this can flow on to the broader team and assist both men and women build fulfilling careers.

04

A changing workplace

We need to think about the workplace in a different way – not just at a structural level but at the behavioural and cultural level too, says Braund.

Fundamentally, we look at work upside down and back to front, says Brighton-Hall. The eight hour, five day working week originated in the 1800s, yet we are now in 2015. Businesses are now working seven days a week, 24 hours a day and we should be looking at work as a division of those seven days in pieces, as opposed to the traditional work week.

What is even worse, she adds, is the current epidemic of taking big jobs out to seven days a week and saying that is perfectly reasonable. Anybody with children, caring responsibilities, or a life outside of work does not want to do that.

We need to rethink the way work is built. Rather than an organisation saying all its five day roles are flexible – meaning people do five days' work for three days' pay - organisations should instead offer jobs that take, for example, approximately three days, two days or four days.

Through his involvement with the organisation Male Champions of Change, Lydon became aware of Telstra offering all roles as flexible and if a manager did not think a

04 | Continued

role was flexible, they were required to justify that. He decided to implement this at McKinsey too. However, very few people wanted to do their role under this flexible arrangement. Employees, particularly in that 28-35 age group, highlighted their concerns; the same workload for less pay, fears of lack of promotion, and less access to special projects.

In order to tackle this, McKinsey decided to change the incentives; if employees worked three days they would be paid 70 percent, not 60 percent and if they worked 4 days per week 90 percent. However, this still didn't encourage enough employees to take up flexible working options.

After delving a little deeper, it was discovered that many clients wanted full time staff that were always accessible, especially the project manager. McKinsey then acted 'disruptively'; any client who takes a part-time project manager will get an additional full-time skilled junior project manager at no additional cost.

The benefit of this, says Lydon, is that the person working three days per week really does work part-time because someone, who is trusted by the client, is available on

their days off. It also provides great staff development for junior employees. Whilst this may be more costly to an organisation, in the long run it provides a better outcome for the client, as well as employees, he adds.

As an events and entertainment business, employees at the NRL need to work when there is a game or an associated event around the game. Its COO Suzanne Young says the organisation tries to be flexible with its staff in relation to managing their team. The NRL is currently putting in place its first formal flexible working policy and provides additional days off to staff in recognition of extended working hours.

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05 | Gender balance – Is enough being done?

It is important to have more women in NRL, which is typically seen as a male dominated game, because not only are women and girls a significant portion of fans and members, but women and girls are a fast growing segment of participants across touch, tag and tackle forms of the game, says Young. As a game, the NRL needs to be more inclusive for women, children and across different cultures, if it is to become stronger, and reflective of its participants and audience, she adds.

Almost every corporate has bold targets on gender balance, so we are seeing progress, says Lydon. Businesses are taking initiatives, whether they are 50/50 or better on shortlists, flexible working, symbolic sponsorship or mentoring within organisations that filter down.

Whilst much is being done to address gender balance, an immense cultural change is needed within corporates across Australia. He adds that two thirds of the cultural changes people set out to implement in organisations fail and we have to appreciate how hard this is. Businesses need to explicitly change and disrupt the status quo; otherwise the system will naturally exclude women. There needs to be a conscious effort at all levels of a company.

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06

Are we seeing that deep cultural change?

Those who are optimistic are moving gender equality forward; if you simply get outraged, it does not achieve much, says Brighton-Hall. Changes that are happening now will be helped by a couple of things.

Firstly, the ageing population will mean that more people need to contribute, as there will be a shortage of people and we will need to work longer. To ensure a sustainable economy, groups that have been side-lined, such as women, will be required in the workforce. Secondly, there is a social change where men are now assuming that their partner will want a career, and women are assuming that their partner will want an active role in parenting.

All families, whether they are traditional, single parent or same-sex, are saying that they want different flexibility. That social change is now so loud, says Brighton-Hall, that the rules are starting to change and when this happens, there is a real opportunity for deep social change.

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07

Investment banking – Is it ready for this kind of change?

Millennials are demanding things that many people want to see in the workplace, says Aitken. They want a workplace where people are measured on output, there is flexibility, and a mature approach which means it matters less where you get the work done, as long as it gets done. This means that people can create space for other aspects of their life outside of work.

Organisations, such as Goldman Sachs, are competing for the best and the brightest university graduates and the expectations of what they want from a potential workplace are increasing, says Aitken. This is essentially forcing workplaces to evolve.

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08

Reasons for the gender pay inequality, and what can we do about it?

Gender pay inequality is a global phenomenon. Brighton-Hall uses an example which is exactly the same in two different countries. Graduates join a company on exactly the same pay scale and have set rotations for the first year and there are no formal salary reviews in that first year.

However, at the end of that first year the men are paid 8-10 percent more than the women. This is illogical, so it is assumed that the men are negotiating, and so the women are told to get out there and negotiate too.

Then the men are asked how they obtained more pay and it turns out they did not negotiate at all. They all said they were doing their job and the boss gave them extra work to do and they thanked them and worked really hard. The boss then rewarded them for this with more pay.

Those managing the graduates, who are second or third tier managers, were asked one by one why they gave this particular person a pay rise. They said the men were simply working really hard and they wanted to do the right thing by them. The study then looked at why these male managers did not give the women a salary increase too and the answer was that many of them had gone to private boys' schools and/or were not used to working with women. They did not form the same working relationship early in their career with both genders, as they were still finding their feet as a leader of

diversity. As a consequence they unintentionally gave it to the men because they had greater affinity.

When the male managers were told they need to put a gender lens over decisions around compensation – both men and women – they agreed. They now understood and had the tools to make the right decisions. They were well intentioned, value-driven people and when those managers were revisited 12 months later they had indeed done the right thing and this continued into the second year. This provides



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a micro example of how to hold more effective pay discussions by giving the information to the decision makers, who are not necessarily in the top management positions.

Another reason for the pay gap is that women often do not progress as fast through the ranks in their careers. This is often because females are significantly more likely to take part-time roles or parental breaks, says Lydon. As a result they are not promoted as soon, as often, or as much as men. Over a lifetime of earnings, this means women earn less and retire with much less.

However, something we can all do, he adds, is disregard tenure in a role when choosing people for promotion and focus on the skills, the impact and track record of the individual. By removing 'years of service' off the form and looking at the person, their achievements and capabilities, then more women will start to be promoted.

Additionally, when going for roles you are often asked to give your current salary. For women who have had part-time roles, interrupted careers and lower salaries as a result of not progressing as far, Young says that when they do go for that stretch role and state their current salary, prospective employers will often think they have got a good deal. Young continues by noting someone from another firm who says they love to hire women because you get them cheap, which she adds is not acceptable.

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Young also gives an example of a personal situation in her career where she took on additional work, as did a male colleague. Whilst he was given a 'stepping up' allowance, she was not and therefore she approached her male boss and asked for it. Again, this could have been a case of him feeling more comfortable with the male colleague, and whilst he was apologetic that she had to ask and realised he should have thought of this, this kind of thinking needs to change.

09 | Redefining merit

Meritocracy requires exceptional leadership, says Brighton-Hall. In most organisations, even those that are great, you don't consistently get great leadership. And merit by definition is as good as the leader.

When you look at the differences between men and women, there is also a rising tide of conversation around the fact that there is value in the role that many (73 percent) women play in childcare or elder parent care. This is a valuable skill set that should be recognised as part of the whole person, says Brighton Hall. She adds that Barbara Kellerman, who has been an outspoken gender equality advocate for approximately 40 years, has said that until society accepts there is a physiological difference between men and women she will not write on the subject of gender balance again.

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10 | Scandinavian model

Sweden and Norway give one year parental leave shared between the parents and fully paid for. Both countries are at the top of the charts for gender balance on their executive teams and above median earnings in those companies.

A barrier to adopting this same model is unconscious bias, says Lydon. Well-intentioned leaders want to be merit based and want to cover all life skills. However, there is a natural human bias where we want people to be like us and to succeed the way we succeeded. We want people to learn from us as leaders. Therefore, leaders need to consciously do something about these biases otherwise they will infiltrate the evaluation process.

Lydon discusses how McKinsey audited and analysed the language used in the hiring and evaluation process and discovered that some people were inadvertently asking questions such as;

- 'Can she go toe-to-toe with a hostile CEO?'
- 'Does she have the command of an audience?'

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10 | Continued

McKinsey now has explicit roles in its people discussion reviews that can put a stop to this language and recognise the value of other skills, including parental skills. It is about looking at outcomes and how those draw upon life skills. He adds this was a huge move for the company and required significant effort from people who thought they were getting it right. You need to get conscious about unconscious biases.

Young discusses a study on the falseness of merit based recruitment, where exactly the same resume is used but with a different name on the top (Howard or Heidi). The name that gets picked out most often is Howard. She adds that when the New York Philharmonic Orchestra switched to blind auditions, their recruitment of women shifted from 10 percent to 45 percent.

These examples illustrate that gender bias exists. By discussing this and exposing people through all levels of an organisation to this fact, one hopes that it has to change.

Anyone with children can support them to look at the world through a different lens and have different expectations, adds Young. From a very young age her sons were encouraged to help with household chores and as a result they have grown up in an environment where this is normal. She emphasises that we need to make this happen for the next generation.

If anyone has any doubt about this, Braund recommends that they read Annabel Crabb's book, *The Wife Drought: Why Women Need Wives and Men Need Lives*. It includes statistics on the fact that the married man is the most marketable commodity in the workplace and consequently gets more of the jobs.

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11 | Gender balance across different functions

Goldman Sachs spends significant amounts of time recruiting the top university graduates, says Aitken. There are not as many women studying STEM (science, technology, engineering and mathematics) as there are men. This creates a pipeline issue and it will be a while before women are a majority within STEM. She adds that as part of their efforts, Goldman Sachs canvass potential hires from a broad range of non-traditional investment banking related degrees.

However, she adds that women have been very well represented in graduating classes as lawyers, and this is having a positive impact on gender balance in the legal profession at a much faster pace and will inevitably lead to women being well represented at the partnership level.

The reasons for the lack of women in STEM are occurring even before people have left high school, says Brighton-Hall. Often, when you have a bright, young woman, who is very good at science there is a massive social pressure for her to be steered towards the caring jobs; for example, to become a nurse instead of a doctor.

The lack of people studying STEM is so huge that it is critical that we address the issue and solve it right back at primary school age. Brighton-Hall adds that currently just 16 percent of the Australian population studies STEM subjects, while we need this figure to be in the sixtieth percentile in the next ten years. The highest percentage for any country is 50, so Australia is really lagging in this area.

12 | Leadership lessons from science

Many businesses are run by people who didn't study science; they have often studied law, finance or accounting. In that respect anyone coming from a science background is going to be unique, says Brighton-Hall.

The lessons of leadership from science are going to be really valuable for us all; they are taught that to be a good doctor or scientist requires a team of really smart friends working in collaboration to get the job done. She believes that whilst management and leadership in business are similar, we don't look at it in the same way. Rather than focusing on aspects such as being forthright and having executive presence, corporates should be honing in on the impact of a leader upon others and their impact upon a collaborative group. That mind-set change surrounding what makes a great leader will benefit people that have feminine leadership skills – both men and women.

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Hiring strategies

A practical tip all organisations can use is something which Lydon first came across through his involvement with Male Champions of Change. It is called: '50/50 – if not, why not?' You need to tell your recruiter or your human resources department that there must be 50/50 representation of males and females on the shortlist, even in areas where women are underrepresented in the graduate population. If this is not the case, then there must be a really good reason. Women may not be putting themselves forward or emphasising other skills that they bring to the table. However, once they are on that shortlist they have the opportunity to demonstrate they are the best candidate for the job, and can become role models for other people coming through.

It also important that businesses hold the recruitment agents they are using accountable – whether they are internal or external recruiters, says Young. For example, the NRL recently received negative feedback on a role that they were hiring for through the marketplace where a recruiter had said something along the lines of: 'You know you don't want a woman for this role'. When the recruiter was questioned as to why he had said this, their answer was 'because it's the NRL'. However, approximately 50 percent of the team at head office is female and people are very surprised by that.

Therefore, whilst it is important to hold the leadership accountable, it is also important to hold the people that corporates are sourcing candidates through accountable for the language they use, adds Young.

You need to tell your recruiter or your human resources department that there must be 50/50 representation of males and females on the shortlist, even in areas where women are underrepresented in the graduate population.



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**If we remove the parent argument,
where does diversity sit?**

If you look at women in senior roles, statistics show that those who have children and those who don't are about 50/50. However, women who don't have children come from 22 percent of the population that have chosen not to, or are unable to, have children. This is a small group representing a lot of senior positions. Statistically, the odds are stacked against women who have children, says Brighton-Hall.

Due to the way work is structured in corporate environments, the exodus of women in the 45+ age group is also extraordinary, she adds.

However, there is a massive social change under way, where people for various reasons, whether they have children or not, are saying that they choose not to work a seven day week. This will change the way we look at work.

Unfortunately the overwhelming majority of people have an unconscious bias that associates women with family and men with career. This issue needs to be addressed; we have to intentionally start including women, otherwise our unconscious biases will unintentionally exclude them.

When an ambitious, talented woman finds it difficult to progress in her career, with or without having children, an unconscious bias exists. Lydon recommends downloading an app called 'Implicit Association Test' that will test your own unconscious bias surrounding women, career and family. He adds that unfortunately the overwhelming majority of people have an unconscious bias that associates women with family and men with career. This issue needs to be addressed; we have to intentionally start including women, otherwise our unconscious biases will unintentionally exclude them, he adds.

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Mentorship and sponsorship

Mentors can mean different things to different people and different organisations. Mentors can also take on different forms, says Aitken. For example, a range of mentors for different reasons, who are good at different things - inside and outside an organisation. Mentoring is something that benefits the individual, which they can choose to act upon or not, says Aitken.

Sponsorship is about advocacy; not just giving advice and sharing experiences but actively connecting individuals with other people, talking about them when they are not in the room to people that matter, in formal and informal situations, and advocating for women. Sponsorship is about other people talking about how great you are.

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Brighton-Hall was involved in a study across four of Australia's biggest companies at the end of 2013, where 250 senior women were asked: 'What's the one thing that matters?'. Sponsorship was noted as the most important thing for those women, and it was twice as important as the second item on the list.



16 | Women in senior positions on a part-time basis but only if the men are too?

When flexible working was introduced at McKinsey, the first three applicants were men. Whilst the organisation didn't expect this, Lydon says it was one of the best things the company has done and he is now actively encouraging more men to adopt flexible work options. This not only provides role modelling but sees men leading balanced lives.

Consultants at McKinsey also face a lot of work travel and pressure and if men in the organisation are not permitted to work part-time or flexibly, says Lydon, it can mean that their wives or partners will find it hard or almost impossible to have a demanding job elsewhere in the workforce.

17 | Bringing the men along

With the gender journey, if it is one person at a time that we need to convince, then that is what we need to do, says Young. Continuing the conversation, as well as challenging it is really important.

It is a shame that it is needed, but the belief that men need to step up alongside women is what organisations like Male Champions of Change is all about, says Lydon. Something which he says has helped him is reverse mentorship, where a junior/new starter/graduate at McKinsey was giving him advice. Women just starting at McKinsey were able to voice their expectations and what they really thought through this official programme; this information might not have filtered up otherwise. Lydon suggests thinking about adopting reverse mentorship with the senior men in your organisation.

If there was one single thing to help bring men along the journey of gender balance, then we would all be doing it, says Aitken. However, something to consider is the need for an emotional connection in order to be passionate about anything, she adds. For some men they have young daughters, or daughters that are entering the workforce, for some men it is about a commercial imperative, and for others it is the right thing to do. It is important to find out what is going to make men passionate about gender

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balance, to educate them and to keep going. She adds that it will not take care of itself; it is a day-by-day, decision-by-decision, mistake-by-mistake process and everyone has to keep moving forward.

Men and women have a lot they can learn from listening to the story of the Australian Aboriginal people, says Brighton-Hall. There are many lessons on great leadership; as a maternal culture, it has many interesting ways of looking at how we lead. Aboriginal people also have an amazing sense of humour, and you are able to get away with so much more if you are funny and smiling than if you are mean and angry, she adds. So that is one way to take people on the journey of diversity.

It is important to find out what is going to make men passionate about gender diversity, to educate them and to keep going. She adds that it will not take care of itself; it is a day-by-day, decision-by-decision, mistake-by-mistake process and everyone has to keep moving forward.

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Continuing towards gender balance

It is important that we remove our blinkers when looking at high potential talent, as we are missing out when we only focus on a certain age group in the market. Rethinking the way that work is built is really important to Morgan McKinley and we are constantly talking to clients about how we can set up and design job descriptions in terms of chunking it down and dividing up the week and thinking about the outputs that are attached to it.

It is also important to provide support to those first and second time managers, who are responsible for decisions that will ultimately change or impact on equality very early on in someone's career. Finally, changing our mind-set in terms of what is great leadership, is key.

There is much work to be done and we need to keep the conversation open and lay everything out on the table when it comes to gender balance.

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