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An illustration featuring several paper airplanes flying through a sky with clouds. The airplanes are made from folded banknotes. One prominent airplane is a ten-pound note, with a woman in a pink top and skirt standing on it. Other airplanes, including a five-pound note, are visible in the background. The overall theme is financial growth and investment.

How UK companies can stretch their diversity spend

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How UK companies can stretch their diversity spend

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AT A GLANCE

Companies are investing significantly to achieve gender diversity, and there have been some outstanding individual success stories, but overall progress in the UK remains slow. Many find it challenging to know which initiatives are most effective in driving change and matter most to women. BCG's proprietary research with 20 of the UK's largest organisations provides a snapshot of what is working for employees and outlines opportunities for CEOs to drive more impact from their diversity spend.

We believe that the UK is at a tipping point. If all the energy currently engaged can be harnessed and directed into interventions that truly work, UK companies could create a step-change in gender diversity over the coming years.

METHODOLOGY

We interviewed CEOs and CHROs at 15 FTSE 100 UK companies and conducted a survey of ~1,350 UK employees of both genders to understand their perspectives on diversity and the obstacles they have faced. Executives and employees identified which of 39 discrete diversity interventions exist within their organisations and which are

most and least effective. Participating organisations and employees spanned a broad cross-section of industries, including financial services, insurance, media, consumer goods, energy, industrial goods, the charity and the public sector. This research was undertaken as part of a global BCG study surveying >17,500 employees in 21 countries.

COMPANIES ACROSS THE UK ARE INVESTING SIGNIFICANTLY IN GENDER DIVERSITY

The financial case for gender diversity is proven. As a result, organisations are spending millions of pounds (in cash, effort or opportunity investment) and many hours of C-suite time on different diversity initiatives and ways to foster inclusion. The UK employees we surveyed knew of, on average, 10 gender diversity initiatives in their organisations.

SENIOR LEADERS DO NOT ALWAYS KNOW WHICH INVESTMENTS WILL HAVE THE GREATEST IMPACT

Driving diversity is a major cultural change that can be tough to implement. UK senior managers tend to have different views on what works to those of mid-managers, particularly mid-management women. As a result, the heads of some UK companies feel they are “doing all the right things” but are not seeing the progress they want.

OUR RESEARCH HIGHLIGHTS THE ACTIONS WHICH APPEAR TO GENERATE THE BEST RETURNS

Senior managers favour a focus on recruiting more women. However, often interventions to support the retention and promotion of the women already in the pipeline have a higher impact. The highest returns come from interventions:

- To make flexible working truly effective;
- To improve the visibility of role models;
- To involve men in gender diversity efforts, particularly middle managers; and
- To support the programme with clear targets.

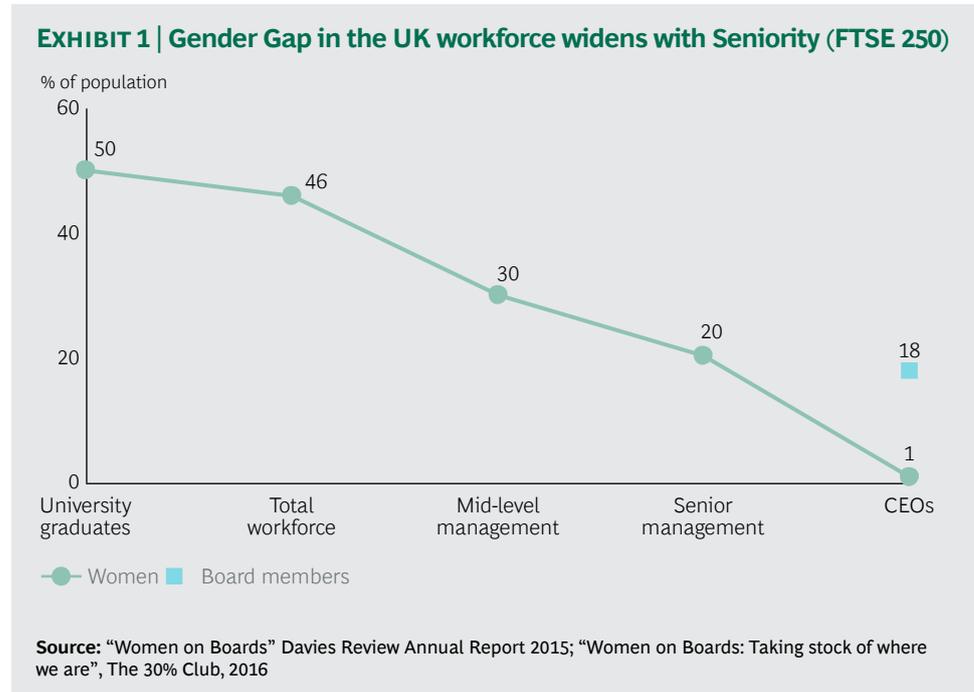
THE BEST RETURNS ALSO COME FROM TAILORED PROGRAMMES

Organisations have different starting points, depending on their pipeline of women and their level of success to date. The best-practice UK leaders know where they are at and have developed programmes of robustly-tracked interventions to tackle their particular issues. As the Head of People from a FTSE 100 Media & Telecommunications firm told us, *“We’ve managed to substantially increase gender diversity in leadership in recent years. We’ve approached the topic in a very systematic way, analysing exactly what the issues were and targeting initiatives.”*

Organisations are spending millions of pounds and many hours of C-suite time on different diversity initiatives and ways to foster inclusion.

Why this is challenging: an overview of progress to date

The UK workforce gender gap widens starkly with seniority (Exhibit 1).



The financial case for closing this gap and for increasing gender diversity is proven. As Neil Carberry, CBI Director for People and Skills policy, put it, “*The business case for diversity and inclusion is strong and getting stronger. We know that more gender diverse businesses perform better. Embracing gender diversity, as a part of our wider efforts to create inclusive workplaces, improves firms’ access to skills and enables everyone to feel more engaged and able to perform at their best.*”

UK ORGANISATIONS ARE HIGHLY ACTIVE IN TACKLING THIS PROBLEM

Only ~3% of UK employees surveyed said their organisation was not committed to gender diversity. ~60% of those surveyed believed that progress had been made at all levels in their organisation over the last 1-3 years. UK employees of major organisations on average were aware of no fewer than 10 gender diversity initiatives in their organisation, on areas ranging from flexible working to bias training; all the CEOs/ CHROs that we interviewed had multiple interventions underway.

BUT EMPLOYEES DO NOT NECESSARILY FEEL THE IMPACT OF COMPANIES’ GOOD INTENTIONS

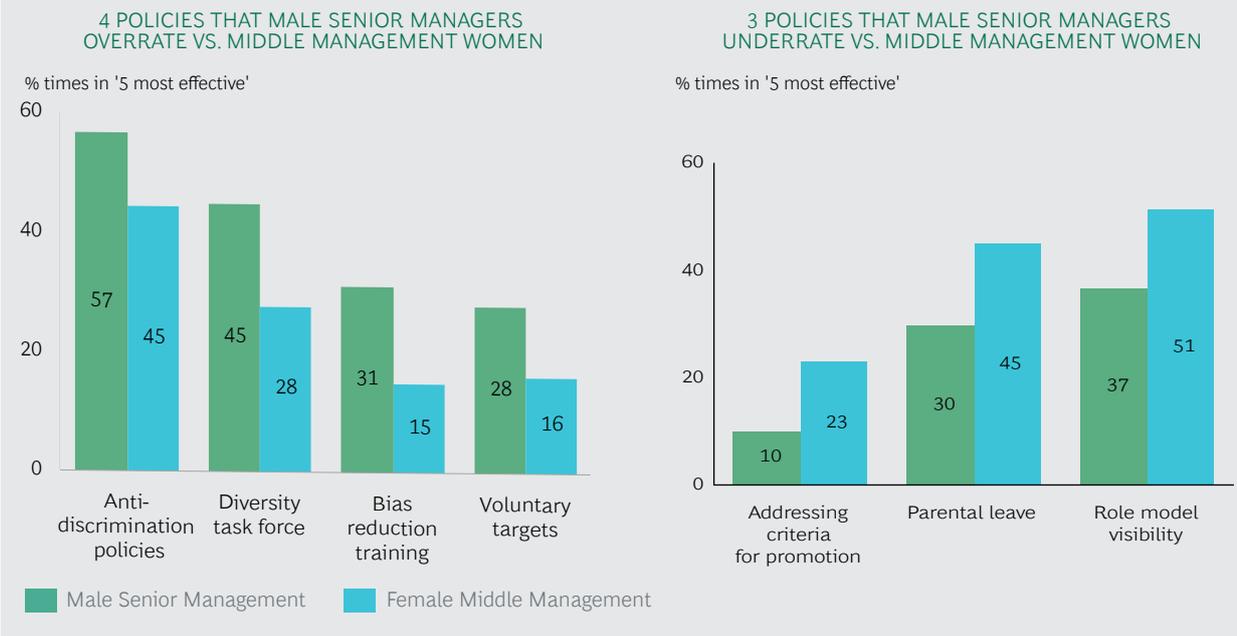
Only 26% of women feel that they have directly benefited from their company’s gender diversity programme. Indeed, only 37% feel they have had personal exposure to it at all. Some interventions are seen by employees as ineffective – e.g. for the worst 5 interventions, an average of ~ 35% of all respondents labelled them “least effective” mostly because they were not important enough to really make a difference to people’s career trajectories.

Employees do not necessarily feel the impact of companies’ good intentions.

THERE IS A GENDER PERCEPTION GAP. MEN ARE ON AVERAGE MORE POSITIVE THAN WOMEN ABOUT THE IMPACT OF CURRENT ACTIVITIES

They are more likely to believe that their organisation is committed to gender diversity (76% versus 65%). ~ 60% of men say they have not witnessed any gender discrimination, versus less than half of women. They are more likely to believe that men in their company are involved in championing gender diversity (59% versus only 42% of women).

EXHIBIT 2 | DISPARITIES OF VIEWPOINT AROUND WHAT MATTERS



UK SENIOR MANAGERS HAVE A DIFFERENT VIEW TO THE ‘RANK AND FILE’ OF THEIR COMPANIES ABOUT THE REAL GENDER DIVERSITY OBSTACLES

Female UK employees tend to cite obstacles related to retention (39%) and advancement (34%) in their roles as the most important to tackle. Senior managers meanwhile tend to blame a thin recruitment pipeline as the most significant barrier to progress (32% of senior managers). Whilst recruitment is clearly important, particularly in typically male-dominated sectors such as engineering, it is not where the surveyed women see the greatest need. As a result, we estimate a serious mismatch in the effort being deployed against diversity obstacles – in particular, with 25% more employees seeing retention as a major issue versus recruitment, but it receiving in our estimates ~ 5% less effort invested (spend and management attention).

Middle managers are pivotal when it comes to increasing gender diversity, yet they see it as less of an issue relative to senior managers.

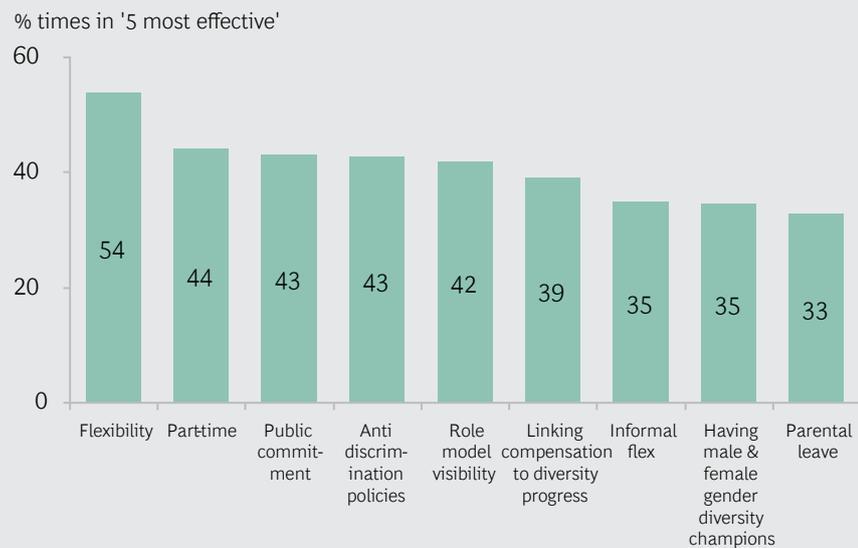
MIDDLE MANAGERS ARE LESS CONVINCED THAN SENIOR MANAGERS ABOUT THE NEED TO ACT

Middle managers are pivotal when it comes to the daily implementation of gender diversity initiatives. Indeed, they directly influence the day-to-day journey that women experience on their way to leadership. But UK middle managers are less likely to understand the goals of their company’s gender diversity programme than their senior managers (60% vs 66% of senior managers), and much less likely to say they have personally benefited from it (17% vs 37% of senior managers). UK middle managers also tend to see gender diversity as less of an issue, citing fewer obstacles to progress for women, and appear less willing to change their own behaviour to address these obstacles. For example, they are 10% less willing than senior managers to take the risk of promoting high-potential candidates who need to stretch into their roles, and 17% less willing to redistribute travel to allow specific team members to work locally.

So which interventions are perceived to be the most effective?

54% of employees identified flexibility as the most effective intervention.

EXHIBIT 3 | Overall perceived effectiveness of gender diversity interventions



There was broad agreement in our research from both men and women on the most effective interventions. A few deserve additional commentary, based on our interviews and research:

INVEST IN MAKING FLEXIBILITY REALLY WORK

Having policies and arrangements in place to enable flexible working - both informal and formal - and facilitating part time roles, was seen as the most important intervention by both men and women at all levels. ~54% of UK respondents identified flexibility as the most effective intervention at their company, regardless of age, gender and whether or not they had children.

Some companies may have such policies in place already, so feel that no more action here is needed. In our experience however, having arrangements defined on paper is important, but not sufficient – most companies need to do more to make these policies genuinely effective. We found that in some cases, the actual uptake of flexible working models was low. And in some cases, flexibility was seen by managers to adversely impact the productivity of workers – when effectively implemented, it should actually improve it. Indeed, as the Global Diversity and Inclusion Lead at a multinational financial services firm said, *“Flexible working programmes are key in retaining women. Establishing a sound policy is important, but even more important is establishing the culture in which it is lived.”*

To get it right, companies must look in a more granular way at the practicalities of ‘getting the job done’ while working flexibly. How will job-sharing work in practice, in relation to performance management processes? How will expected promotion timelines be affected? Can technology solutions help teamwork to be maintained when remote working? Addressing these gritty details must be done with the engagement of middle managers.

Getting this right is no longer optional for companies: increasingly, offering a genuinely flexible work environment without compromising business performance will be a necessity.

SEEK TO REACH A CRITICAL MASS OF HIGHLY VISIBLE ROLE MODELS

Visible role models are seen by both men and women as an important pre-requisite to improve gender diversity. 48% of women (and 35% of men) identify role model visibility as a highly effective intervention. Many companies may feel they have ‘ticked this box’ by hiring in a few female senior executives. However, to make a genuine difference, reaching a critical mass of female role models who are highly visible to staff is essential – ideally women who have reached their positions from within the company to show others that this path is possible. Organisations should ensure high visibility to staff through appropriate and persistent communication at all levels.

Women want to see a range of leaders ahead of them that reflect their own background, priorities, or working styles. A broad range of different individuals, each with a different career journey, personal life and professional approach, is necessary in order to resonate with the diverse spectrum of women in any company. Reaching this ‘tipping point’ of women in management roles will also drive change in the organisational culture, by changing what is viewed as ‘normal’ leadership both in terms of style and background.

PROMOTE MALE AND FEMALE GENDER DIVERSITY CHAMPIONS

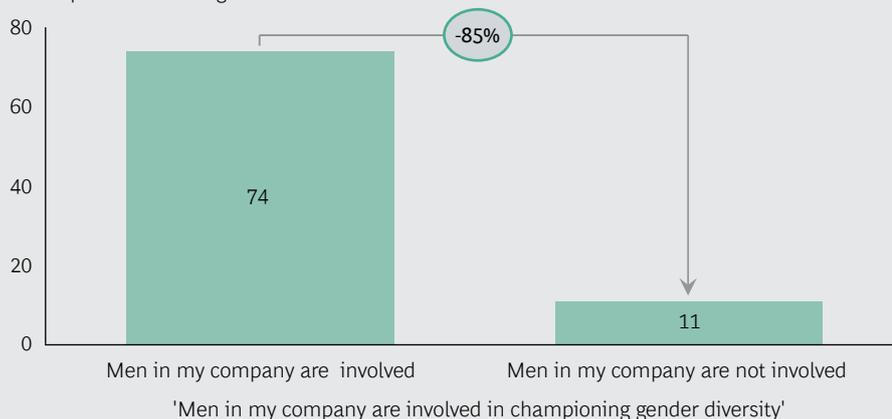
Our research shows that male involvement can dramatically accelerate progress, because organisational change can only occur when everyone in the organisation is bought into the agenda. Men who vocally and visibly support this agenda should be rewarded, and senior male leaders can and should be promoted as role models. Men should be equally supported to take advantage of flexibility and parental leave policies. Involving them in diversity benefits everybody – we have seen elsewhere that this is not a zero sum game (see BCG’s April 2017 paper *Dispelling the Myths of the Gender “Ambition Gap”*).

Visible role models are key. Women want to see a range of leaders ahead of them that reflect their own background, priorities, or working styles.

EXHIBIT 4 | HAVING MEN INVOLVED HAS A SIGNIFICANT IMPACT ON COMPANIES' PROGRESS

'MY COMPANY HAS MADE GOOD PROGRESS TOWARDS DIVERSITY IN LAST 1-3 YEARS'

% of respondents who agree with statement



However our analysis suggests that male involvement currently remains limited in UK organisations. Fewer than 50% of employees surveyed believe that the men in their company are involved in championing gender diversity. Exhibit 4 starkly highlights the impact and wide-reaching effects of involving men in diversity. Companies in which men are involved in championing gender diversity, seem to have made better progress towards increasing diversity over the last three years.

LINK COMPENSATION TO GENDER DIVERSITY PROGRESS IN A MEANINGFUL WAY

Targets, quotas and metrics deserve a special mention here. Only ~30% of UK respondents believe metrics and KPIs are effective, and the numbers are lower for quotas specifically – which is the most divisive and controversial intervention – with 25% of respondents citing it as “most effective” and 35% as “least effective”. Per Exhibit 3, however, there is strong support across all cohorts for tying executive compensation to gender diversity progress.

We observed a trend in our research: companies who have made real progress in gender diversity have successfully used targets and metrics to achieve results. Importantly, they have done this judiciously, focusing on rewards for success, and taking care not to simply add ‘diversity’ to the long list of complicated measures used to assess performance. As one Group HR Director told us, “*Setting ambition levels is key to increasing the share of women. At our company, we’ve set ourselves the target that 50% of all graduates we recruit should be female*”.

Conversely, those organisations with more limited progress have typically rejected the use of monitoring and targets at all, broadly categorising it as unnecessary or unhelpful.

Quotas are the most divisive and controversial interventions – with 25% of respondents citing it as “most effective” and 35% as “least” effective.

Leaders must not discount the value of measuring the starting point, carefully setting ambition levels and widely tracking outcomes, in order to create a step-change in progress. Our research shows that, when properly done and treated as seriously as other operational measures (e.g. discussed regularly in executive team meetings), targets can have a strong positive impact.

Action plans for a CEO



What to do depends on a companies' starting point – namely the proportion of women in the industry pipeline and the level of past success.

Each company will have its own challenges and need to create a tailored programme that tackles them. Every path will be different, but in the below we lay out four potential starting situations - as ascertained from our research and in our interviews with senior UK executives - and the options we would recommend for a CEO in each situation.

LEADING THE PACK – FRONT RUNNERS

Front-runners have a history of successful gender diversity progress. They are typically in sectors such as media, retail, consumer goods, not-for-profit and government, which also tend to have a wider pipeline of women at entry levels. They have both increased women in senior leadership positions and nurtured a robust internal pipeline. They tend to be vocal about promoting gender diversity, with outspoken leadership in the public domain, and track their success with real consequences. They are moving the conversation on towards inclusion in all aspects of the daily lives of their organisations and beyond. However, they may continue to struggle with certain functions, departments or locations, where their existing policies have not made inroads – e.g. IT or supply chain. These organisations need to keep momentum while continuing to challenge assumptions.

Specific actions for companies in this group could include:

- **De-average to look at all areas of the organisation – and even beyond:** even companies with excellent overall gender ratios will often have departments, functions or locations that lag behind and need specific interventions. De-averaging targets to put a focus here will address these. Moreover, front-runners may be able to positively impact beyond their organisational borders, e.g. through their supply chain.
- **Ensure high-potential women can stretch to their potential:** specifically in three areas – first being given international travel opportunities early in their career (BCG research on this topic suggests many women even in the best companies do not get the mobility opportunities they crave because of implicit management assumptions about their willingness to travel); second, taking on P&L responsibilities to prepare for more senior roles; and third, taking on additional roles beyond the organisation, such as non-executive directorships, in their more senior years to get them board-ready.
- **Don't lose momentum:** sustained effort is needed to ensure that cultural change becomes truly embedded. Where gender diversity programmes are absorbed into a wider inclusion agenda, ensure that focus on continuing to improve the numbers of women isn't lost.

FALLING BEHIND FOLLOWING A HEAD START

These organisations are likely to have a gender diversity advantage due to the industry they are in – for example healthcare, the charity sector, the public sector. They are unlikely to struggle with recruitment and have a good gender split at the more junior grades. However, this may have created some complacency among senior and mid- management. Further investigation is likely to show that the retention and advancement of women remains an issue. Organisations in this group may still have a weak gender ratio at the top.

Specific actions for companies in this group

- **Build the leadership and cultural elements carefully:** is the value of gender diversity genuinely understood and taken seriously across senior leaders and down into the organisation, separately from a wider inclusion agenda? It may be necessary to demonstrate a tailored business case for why gender diversity is needed (e.g. showing diverse teams are more productive) and invest time to get the full cohort of senior and mid-managers on board – the involvement of men will be critical to driving change here.
- **Identify and actively manage key inflection points where attrition is being triggered:** such as return to work following maternity leave and specific promotion points. Speak to women (including alumni) about what practical support would make a real difference around these triggers. Ensure any scoring at promotion is not gender-biased (by running a qualitative and quantitative assessment). Interventions here may only need to be 'short and sharp' but they

could make a significant difference and given the healthy pipeline, create a big impact in a relatively short time.

- **Promote flexible working policies, which often exist but are sometimes resisted:** change the presumption - ask what can't be done flexibly, rather than what can; ensure successful role models of both genders are using the policies; track flexible workers' pay and progression. Our research shows that many women in organisations that have flexible working or part-time policies don't feel that they can use them without paying a significant penalty for their career progression. Look again at the small details of policies – what needs to be changed to make them genuinely implementable and effective for ambitious employees (men and women) seeking meaningful balance?
- **Don't over-rely on senior cross-hires:** however tempting to achieve a visible impact on numbers of senior women, it is critical for sustainability to also nurture an organic pipeline. Cross-hiring (like bringing back female alumni or equivalents through 'returnships') is an important initiative, but not the only way forward.

PUSHING THE AGENDA

There is a small but important group of organisations which, despite having a very limited female pipeline, have managed to grow their numbers of women leaders. These typically are in tech, industrial goods, energy, and certain areas within financial services.

Specific actions for companies in this group

- **Support the professional development of your internal pipeline:** in industries where there are limited female graduates, any attempt to shift intakes will take years to come to fruition. Whilst STEM outreach and similar initiatives are nice to have, focusing on talent management and professional development for women already within your organisation yields rewards much more quickly, and creates the role models which attract women at graduate level. This includes promoting senior women who have taken unconventional career routes (including part-time working, job sharing, career breaks and lateral moves), if they are a good fit.
- **Invest in role model visibility:** publicise your senior women and senior male role models internally, celebrating their successes and supporting them to build an industry-level profile and network. This will often have commercial benefits as well.
- **Promote your recruitment advantage:** for organisations in male-dominated industries, being ahead of the curve in diversity is a real attraction for millennials. Promote your position during recruiting for a strategic advantage over competitors; and communicate internally the financial benefits that this has provided to the company.

STRUGGLING TO KEEP UP

There is a significant group of organisations who are struggling to make progress. They are likely to find it difficult to manage a diverse recruitment pipeline in the first place, and following on from this, retention and advancement of women also lags behind other companies. Typically these companies may be from sectors such as tech, industrial goods or oil and gas. They may be struggling to achieve even 20% of women at graduate level: several UK companies commented in interviews that they struggle with a lack of female UK STEM graduates. These organisations may also have challenges with genuine management buy-in.

Specific actions for companies in this group

- **Create a tailored business case for gender diversity and involve male colleagues:** showing how diversity is good for everyone – and setting concrete progress objectives as with other critical business plans. Assess how far away the ‘ideal’ situation is from your (measured) starting point. Getting the baseline right will be important to allow tracking of progress going forward. Be clear that the future state will be a few years away – it is important to set up for the long haul, acknowledging that there will be a lot of activity but it may feel like there is little progress on the numbers in the first 12–18 months.
- **Make the whole senior team accountable:** don’t just appoint a Head of Diversity and / or expect your few senior women to be running the initiative “off the side of their desks”. Every executive should be personally sponsoring talented women. They should know in their organisations who is developing female talent and how, and be able to demonstrate that they are rewarding them accordingly. Reflecting on their journey, the Head of HR at a FTSE 100 Media firm commented, *“You need to change the mindset on the Board first, in order to change the composition of the Executive team”*. Crucially, don’t promote into leadership positions people who are not bought into the inclusion and diversity agenda. Everyone knows who they are.
- **Use open-recruitment tools:** use agencies and merit-based appointment exercises, rather than relying on informal social networks and using personal referrals to fill positions. Look to adjacent but alternative recruiting pools to deepen the talent pool. Demand balanced lists from headhunters: rank headhunters for diversity and replace them if they don’t bring you plenty of high quality female candidates. As the Head of People from a FTSE 100 Media & Telecommunications firm said, *“The one tip I would have for any organisation aiming to increase gender diversity is to enforce broadly balanced lists for each and every position. From then on it is pure meritocracy, but if you haven’t got the balance at the very start of the recruiting process, then you won’t get to a balance in leadership.”*
- **Make sure you have the basics right:** anti-discrimination policies, ombudsman, flexibility, role model visibility, women’s networks at all levels. If you are more inclined towards a wider inclusion and diversity agenda – aiming to create an inclusive culture for example, that fosters many elements of diversity and not just gender – be very sure that you have the basics on gender covered, and that you look explicitly at gender alongside other key metrics.

Conclusion

Many UK companies have made impressive strides over the last decade. However, each organisation we encountered faces its own unique gender diversity issues tied to its own broader context—its business, people, and culture.

Companies that are willing and able to look within, embrace flexibility, and execute with commitment and consistency will kick-start a virtuous cycle of change—retaining and promoting their high performers, growing a strong cohort of senior female leaders, strengthening their culture, and attracting more talented women. Ultimately, as research has shown, these organisations will also improve their bottom line. This is an opportunity for a step-change in progress. Now is the time for CEOs to make bold moves.

Thank you

BCG wishes to thank all the employees and managers from the different companies across the UK who participated in the survey underlying this study.

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