

GAPCO

INVESTING IN WOMEN IN WEALTH MANAGEMENT

TACKLING BARRIERS AND BIAS IN LEADERSHIP POSITIONS



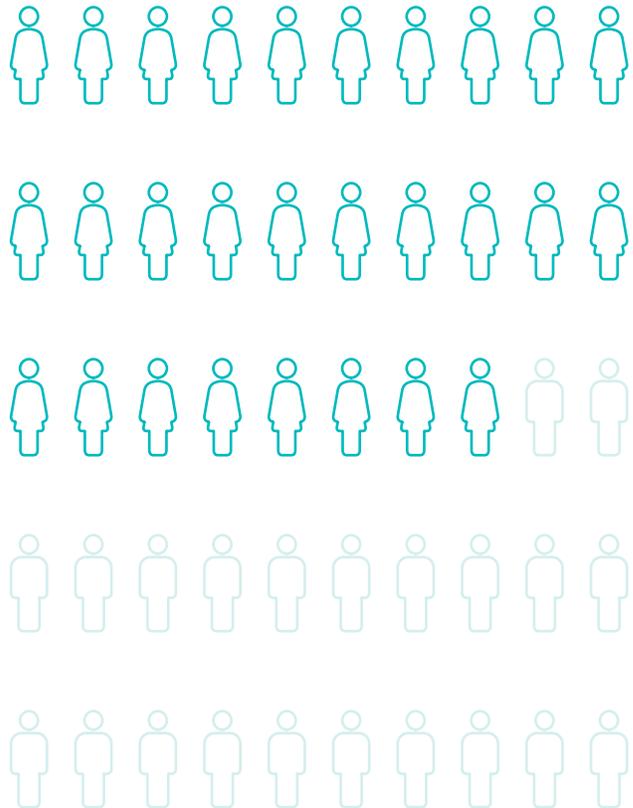
ABSTRACT

Today, women across all industries are underrepresented and underpaid compared to men. It is a huge concern that women are still far from being afforded equal opportunities to take on leadership positions within financial services, and specifically within wealth management. Diversity in the workplace, in any form, has the ability to enable an optimal team culture while also increasing a business' reputation. Senior leaders by definition are always looking to enhance their firm's core competencies, particularly when it comes to how prospective employees perceive the culture. The key to long term success is simple: invest in your people and the workplace culture. The first step towards achieving this is acknowledging the extent of the problem and taking the appropriate measures to remediate it.

According to the National Center for Education Statistics, women make up more than 57 percent of college students nationwide. However, statistics also indicate that a woman with a bachelor's degree earns roughly the same as a man with an associate's degree. The gap is evident, and some of the largest wealth managers are already making a conscious effort to narrow this gap. The priority has now shifted to investing in the right talent, putting aside any bias, conditions or gender preferences. These firms have devoted a lot of time and capital towards initiatives that bring more women into the workplace, resulting in an environment that is more attractive for the next generation of leaders.

To succeed in this competitive, disruptive environment, firms must fully embrace the move towards equality. The firms that lag behind will need to be more proactive in their efforts to empower future leaders of wealth management.

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1. <https://nces.ed.gov/programs/coe/indicator/cha>

INTRODUCTION

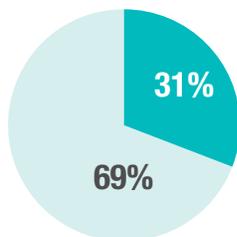
Research and multiple statistics suggest that women in financial services are underutilized and undercompensated compared to their male counterparts. The wealth management industry is no exception. It has been more than 100 years since the first International Women's Day and over the years, it has become clear that equal representation from both genders is one of the keys to success. Despite this, only 31% of financial advisors and 23% of certified financial planners in banks are women.⁽²⁾ This number gets progressively lower as we move up the corporate ladder, where women represent only 36% of executive committees in major financial services firms.

In addition to unequal opportunity, there is also the issue of unequal pay. Women, again, in almost all industries, are subject to both the uncontrolled and controlled gender pay gaps. The uncontrolled gender pay gap in 2021 still shows women earning a median salary of only 82 cents for every dollar earned by a man. Since the Equal Pay Act came into effect in 1963, this figure has narrowed by less than half a cent per year⁽³⁾. The controlled pay gap, which adjusts for factors such as title, years of experience and location, on the other hand, shows progress, with women now earning 98 cents for every dollar a man receives.

While this progress is of course positive, it is important to note that this pay gap has only shrunk by \$0.01 since 2015⁽⁴⁾.

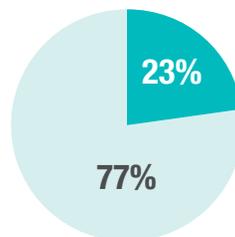
A significant reason for the underrepresentation of women in the wealth industry is the 'motherhood penalty,' and the typical stereotypes around women having a larger emotional bias towards family commitments, putting the job and the firm's future at risk. Aside from the presumptuous nature of this claim, society is now more progressive. Traditional roles allocated to men and women are becoming blurred and parental responsibilities are shared equally between partners. Adopting this outdated view, especially in leadership positions, is now recognized as a symptom of a wider problem. It shows the firm's orthodox mindset and bias in talent management, making the firm highly unappealing to the next generation of leaders.

“The biggest asset that any firm has is its people, and companies need to have the foresight to make gender diversity a strategic priority and invest in initiatives that will position themselves in the war for talent.”

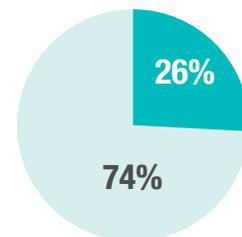


Women Financial Advisers⁽²⁾

■ Women ■ Men



Women Certified Financial Planners⁽²⁾



Women on executive committees in major financial services firms⁽²⁾

2. https://www.cfp.net/-/media/files/cfp-board/knowledge/reports-and-research/womens-initiative/cfp-board_win_web.pdf
3. <https://www.catalyst.org/research/women-in-financial-services/#easy-footnote-bottom-3-3702>
4. <https://www.payscale.com/data/gender-pay-gap>

IMPORTANCE OF DIVERSITY

Firm culture, which includes diversity initiatives, is considered a core competency alongside more common attributes, such as seamless customer service and industry-leading expertise. Corporate culture is one of the few unique measures that define the foundational values of a firm. Building an inclusive, diverse culture sets a firm apart and attracts prospective employees.

The term 'diversity' is incredibly broad. There is no set formula for becoming diverse. It not only refers to intrinsic characteristics like gender or ethnicity, but is also a celebration of uniqueness. It is about empowering people by respecting and appreciating what makes them different. In this current era of business that is dynamic and disruptive, innovation is the key to success. And the only way to drive innovation is to harness the power of unique ideas from diverse groups of people.⁽⁵⁾

Firms that prioritize diversity of thought will naturally create a deeper talent pool within their organization. But, for firms to achieve a real state of diversity, they must commit to both diversity of thought and equal representation. The current lack of gender diversity in leadership positions is counterproductive to this vision. Firms cannot claim to be investing in their culture without proving it at all levels of the organization, especially at the top. The call for equal representation in no way implies that men in leadership positions are undeserving. Instead, it means that there are likely women who are equally worthy and qualified for those positions, but certain factors including the notion about their commitment to the job may be dictating an unfair judgment

of sustainability in those roles. A lack of women in C-suite positions not only undermines a firm's inclusive culture but also damages the perception for those starting their careers.

It is a common sentiment that millennials are typically known to 'job-hop' more than any other generation; however, it is interesting to note that this trend has been attributed to the longing for an inclusive, open, and diverse culture.⁽⁶⁾

Young women beginning their careers within this field must feel welcome, but above all, appreciated and supported for their achievements. They need to see other women in senior leadership roles to identify a career path ahead of them. It has taken 226 years to name a woman as the President of the NYSE. This followed shortly after a woman was made the CEO of NASDAQ in 2017. While these are positive signs of change, there is still plenty of room for growth. These developments should not be considered exceptions, but rather the norm.

“Employees need to know that the path to the top is fair, and not a derivation of one’s gender or other bias. The firms that make an active choice and invest in the advancement of these initiatives are setting the tone for success in the industry.”

5. <http://www.projectinvested.com/markets-in-action/how-the-financial-industry-is-working-to-improve-gender-diversity/>

6. <https://www.gallup.com/workplace/231587/millennials-job-hopping-generation.aspx#:~:text=Millennials%20are%20the%20least%20engaged%20generation%20in%20the,than%20any%20other%20generation.%20The%20data%20support%20this.>

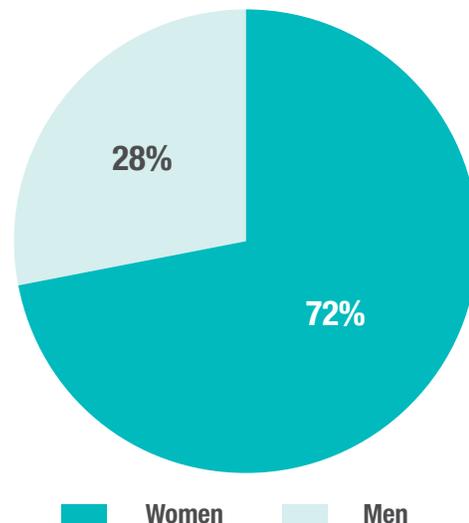
WHY IS DIVERSITY PARTICULARLY IMPORTANT FOR WEALTH MANAGERS?

The reason why wealth managers should ensure diversity at their workplace is simple – it makes good business sense. If firms want to be better positioned to compete in the future, they need to be willing to evolve with the ever-changing industry.

“Women are now completing advanced degrees, the pay gap is shrinking and the customer base is evolving. The changing landscape forces firms to adapt, if they want to remain competitive.”

As customer demographics are shifting, women’s earning power is increasing, and the imbalances in wealth ownership are slowly beginning to correct themselves. In America, research has shown that women control more than half of the household finances. American women currently oversee over \$10 trillion in assets and are projected to control \$30 trillion by the end of the decade.⁽⁷⁾

Moreover, nearly 72 percent of millennial women are the primary decisions makers when it comes to financial planning.⁽⁸⁾



Millennial women are the primary decision makers when it comes to financial planning

Regardless of gender, the industry is seeing customers demanding more personalized and tailored solutions. To remain competitive and meet customer needs, firms must alter their business models and create teams of people with different skills and expertise. Wealth managers need to be creative and strategic, focusing on what will work tomorrow versus what has worked in the past. This can only be achieved through creating a diverse workforce who can share their individual ideas, knowledge and perspectives.

7. <https://www.cnbc.com/2020/11/30/op-ed-heres-why-womens-money-decisions-will-shape-the-future-for-us.html#:~:text=Today%2C%20women%20control%20more%20than,the%20end%20of%20the%20decade>.

8. <https://www.rbcwealthmanagement.com/us/en/research-insights/the-new-face-of-wealth-and-legacy-how-women-are-redefining-wealth-giving-and-legacy-planning/detail/>

WEALTH MANAGEMENT COMPANIES THAT EMPOWER WOMEN

Today, there are only a handful of wealth managers who seek to empower women and place an enhanced focus on the development of their careers. Institutions such as UBS, Morgan Stanley, and Silicon Valley Bank have successfully implemented programs and initiatives to support the movement towards promoting women in wealth.

UBS

UBS is one of the key influencers committed to gender equality in its wealth management business. According to UBS Group CEO Sergio P. Ermotti,⁹ UBS “embraces diversity from the top of our organization.” As a proud signatory of the UK government’s Women in Finance charter, the core of UBS’s strategic plan is to “hire more, promote more and lose less” women, focusing mainly on senior level roles.

For one, UBS has shortlisted and deliberately interviewed qualified women for most of its open senior positions.¹⁰ Additionally, UBS is devoted to providing existing female employees with multiple opportunities for career advancement. In 2017, the bank became a global member of the 100 Women in Finance group. Through engagement, philanthropic, and educational initiatives, the 15,000 members of the organization regularly connect to strengthen gender equality within the field.

Furthermore, to ‘lose less’ female employees, UBS has made its global women’s networks open to all employees. In fact, one of its largest network-sponsored events – UBS’ International Women’s Day celebration – is well-attended every year by both men and women. The bank firmly believes that women in wealth are becoming a force for economic change and has been taking the necessary steps to support such women in their endeavors.

MORGAN STANLEY

Another wealth manager that prides itself on its gender diversity initiatives is Morgan Stanley. In September 2017, the firm gathered 300 top female financial advisors for its third biennial Women’s Leadership Summit. The purpose of this event was to kick off a multi-year campaign to propel more women to its top tiers of management. Only a few have landed thus far, but according to James Gorman, Morgan Stanley’s CEO, the firm is looking to change that. Currently, women account for just 19 percent of Morgan Stanley’s managing directors.¹¹ The ability to have a long-awaited discussion with senior men and women in the room has brought the bank one step closer to resolving the lack of gender diversity in the industry, and also sets an example for other firms on Wall Street to follow suit.

9. <https://www.ubs.com/fr/en/our-firm/our-culture/diversity-and-inclusion/gender-balance.html>

10. <https://www.ubs.com/uk/en/collections/gender-pay-report.html>

11. https://www.morganstanley.com/assets/pdfs/Morgan_Stanley_2020_Diversity_and_Inclusion_Report.pdf

SILICON VALLEY BANK

Silicon Valley Bank (SVB) has become a wealth leader in the dialogues on topics surrounding gender equality.⁽¹²⁾ In 2014, SVB launched a firm-wide Diversity and Inclusion (D&I) survey to understand its employees' experiences, interests and priorities⁽¹³⁾. The results from this survey identified areas of opportunity to raise awareness and shape the bank's D&I strategy moving forward.

A year later, as part of this strategy, SVB launched 'Unconscious Bias' workshops. In these workshops, employees learned how they could interrupt bias in their decision-making processes. Building upon that foundational program, in 2016, SVB started to roll out additional workshops with its leaders across the globe⁽¹³⁾. The goal for these workshops, which still take place today, is to provide managers with practical tips to mitigate unintentional bias within the language they use to talk about talent and leadership at SVB.

In August 2020, the firm reached their goal to increase diversity among senior leaders to 50%. By 2025, they have committed to increase diversity amount senior leaders by 56%.⁽¹²⁾

As a founding partner of theBoardlist, SVB has helped business leaders identify and recommend highly qualified women to join boards of innovative companies. In sum, its considerations for its female employees in wealth, and its focus on developing and supporting these women, have deemed Silicon Valley Bank a change advocate in the industry.

Though all these institutions have taken different approaches to address the gender gap, the underlying theme is abundantly clear. Firms that challenge the status quo, and are proactive in transforming their workforce, are best placed to succeed in the industry and attract and retain new talent.

PATH TO SUCCESS FOR WEALTH MANAGERS

Firms need to position gender-parity as a strategic priority and ensure that their policies and culture align. People are central to the success of any firm, so it is critical that employers focus on attracting and retaining talent. To evolve as a firm, and as an industry, we must embrace diversity.

Organizations who succeed will hire talent with no pre-bias and welcome different backgrounds and opinions. The focus should not be on giving priority or preference to gender-specific employees, but rather on providing an equitable and meritocratic environment for success.

Once an organization achieves equality within the work environment, it will also address the concern about aligning with the evolving customer demographics. To quote an executive of a large wealth management corporation: "The wealth industry needs to reach a state where the only thing you need to shatter a glass ceiling is talent, drive and a passion for what you do."

Roles should not be allocated based on gender, but on the person who attains the relevant skills, experience and passion for getting the job done.

12. <https://www.svb.com/globalassets/library/uploadedfiles/dei-at-svb.pdf>

13. <https://www.svb.com/living-our-values/inclusion-diversity>

AUTHORS

Rob Norris, Managing Principle

Anushka Nadkarni, Principle Consultant

Cassie Apgar, Senior Consultant

Mae Maltby, Senior Consultant

Katie Tuveson, Associate Consultant

ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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