Inclusion at the top, engagement in the middle

There is stronger engagement among male and female managers in financial services organizations with gender-diverse boards.
Across major economies, gender equality is becoming a business imperative in the financial services industry. Both commercial and non-commercial institutions are setting ambitious goals and performance indicators to “bake in” diversity and inclusion commitments. Measurable objectives include targets for female representation on boards, talent acquisition ratios, pay equality, and the introduction of progressive practices such as return-to-work programs.

In the ever-evolving competition for talent, employers in the industry cannot afford to limit their attractiveness. This then begs the question whether all this good intent is translating into better real-world experiences for professional women.

Using one of the world’s largest datasets of employee opinions, this Korn Ferry Hay Group study of more than 100,000 managers aimed to explore the link between gender diversity at the top of the organization and managerial engagement and enablement, and to uncover which workplace factors drive managers’ engagement and enablement. Across 14 organizations in the financial services sector, organizations with at least one woman on the executive board saw higher levels of engagement and enablement at all managerial levels assessed, for both men and women (see Figures 1 and 2).

Engaged and enabled employees are more productive and perform better (Gallup, 2016; Korn Ferry Hay Group, 2009; Rayton, Dodge, & D’Analeze, 2012). If leadership diversity impacts engagement and enablement, the case can be made for a mediating effect of engagement and enablement on the relation between leadership diversity and performance. In other words, leadership diversity positively impacts engagement and enablement, which positively impacts performance.

“Why gender parity? Because it’s 2016.”

—Canadian Prime Minister Justin Trudeau

Engagement refers to an employee’s commitment to the organization and willingness to go above and beyond the formal requirements of the job.

Enablement refers to the extent to which the work environment supports the employee’s productivity and the extent to which the job fits the employee’s distinctive knowledge, skills, and abilities.
The number of females on executive boards is low in the financial services sector, and the potential for impactful change is therefore large. Korn Ferry Hay Group researchers identified 14 financial services companies for inclusion in this study; five had at least one female board member, here called “diverse,” whereas nine had zero, here called “non-diverse.” Although the gender diversity in the 14 companies is high overall (49% of the total company population on average is female), there is a clear pipeline problem: the percentage of female managers drops off from lower management (39%) to middle management (30%) to upper management (17%). Despite the thinning of women in higher ranks, even just one female representative on the executive board makes a drastic difference. Three main findings emerge.

“Companies and countries run better if you have men and women working together at the top.”
—Former British Prime Minister David Cameron

Figures 1 and 2
Engagement scores by gender, level of management, and diversity status.
First, both engagement and enablement levels are higher for all three management levels in diverse organizations than in non-diverse organizations (see Figures 1 through 4). Cause and effect is unclear: It could be that more diverse boards result in creating a more engaging/enabling atmosphere, or it could be that women are attracted to companies with higher engagement/enablement scores. The first explanation, that more diverse boards create more engaging and enabling cultures, is supported by other research on diversity in organizations. Diversity is considered a valuable resource because it generates cognitive variety, thus accelerating decision-making and innovations, especially in influential situations, such as on executive boards (Cox, Lobel, & McLeod, 1991; Hambrick & Mason, 1984; Jans, 2006).

Second, regardless of diversity, engagement and enablement generally increase with job level, such that upper management reports higher levels of engagement and enablement than lower management does. This increase in engagement and enablement associated with moving up the career ladder is more pronounced for men than for women. For men, engagement increases from 64% to 65% to 71% for lower, middle, and upper management, respectively. For women, these numbers are 67% to 66% to 70%. In fact, the findings suggest that for women, there is a dip in middle management, which is especially pronounced for enablement scores. For men, enablement changes from 66% to 65% to 72% for lower, middle, and upper management, respectively, whereas for women, these numbers are 70% to 67% to 70%.

Third, there are only small differences between the engagement and enablement reported between men and women, across diverse and non-diverse organizations and the three managerial levels (see Figures 1 through 4).

Knowing that board gender diversity may potentially impact managerial engagement and enablement in financial services organizations, a deep dive into the drivers of engagement and enablement will help organizations further attract, retain, and improve the productivity of key male and female talent.
Engagement alone does not drive employee effectiveness. Employees also need to be enabled. In other words, employees need to be in the right role and given a supportive environment with no significant barriers to performance. Figure 5 lists the aspects of the workplace that are commonly drivers of engagement and enablement. A common driver of engagement can also surface as a driver of enablement (and vice versa).

**Figure 5**
The strongest drivers of engagement can also surface as the strongest drivers of enablement.

**Engagement Drivers**
- Clear and promising direction
- Confidence in leaders
- Quality and customer focus
- Respect and recognition
- Development opportunities
- Pay and benefits

**Enablement Drivers**
- Performance management
- Authority and empowerment
- Resources
- Training
- Collaboration
- Work, structure, and process
Across the 14 financial service organizations, Korn Ferry researchers conducted analyses to better understand what aspects of the workplace drive male and female employee engagement levels within different levels of management (see Table 1). The following aspects of the workplace stood out as the strongest drivers of engagement: clear and promising direction, development opportunities, and authority and empowerment.

### Clear and promising direction

Clear and promising direction surfaced as the top driver of engagement for men and women at nearly all managerial levels, with the most important aspect of it being the company’s ability to retain high-quality workers. The group of organizations with a gender-diverse executive board has a larger proportion of men and women (across all three management levels) who feel positive about their company’s ability to retain high-quality employees (see Figure 6).

Because employees are increasingly responsible for their own careers, they cannot be expected to bind their futures to those of their employers unless they are confident that their company is headed in the right direction (see Hay Group’s 2009 Employee Effectiveness Model). However, excessive employee turnover impacts organizations’ morale, productivity, reputation, and survival (Hemdi & Nasurdin, 2006).

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**Table 1**

The drivers of engagement are ranked below, with 1 representing the strongest driver. Overall, the strongest drivers of engagement for both genders at all managerial levels included clear and promising direction, development opportunities, and authority and empowerment.

<table>
<thead>
<tr>
<th>Drivers of Engagement</th>
<th>Upper Management</th>
<th>Middle Management</th>
<th>Lower Management</th>
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</thead>
<tbody>
<tr>
<td>Clear and promising direction</td>
<td>1 2</td>
<td>1 1</td>
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<tr>
<td>Development opportunities</td>
<td>2 1</td>
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<tr>
<td>Authority and empowerment</td>
<td>3 3</td>
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Development opportunities

Development Opportunities surfaced as one of the strongest drivers of engagement for men and women across all managerial levels. The proportion of men and women in upper management who feel positive about their opportunities to achieve personal career objectives is larger among organizations that do not have a gender-diverse executive board; however, once we move down to the middle and lower management levels, the story changes—a larger proportion of males and females who hold middle and lower management positions have a favorable view on the same topic within the group of organizations with a gender-diverse executive board (see Figure 7).

What if we set the bar lower and look at employee satisfaction with learning and development opportunities? Across management levels, the group of companies with a gender-diverse executive board has a larger proportion of men and women who feel positive about their opportunities for learning and development (see Figure 8).

In general, development opportunities are one of the steadiest predictors for employee engagement (see Hay Group’s 2009 Employee Effectiveness Model). Employees are aware that they are accountable for managing their own careers; if they don’t develop their competencies they risk losing their employability. While the results that surround development opportunities are certainly useful, they do not give us a clear idea around the meritocracy in organizations with or without gender diversity in the executive board.

A larger proportion of men and women (across all three management levels) in the group of organizations with a gender-diverse executive board have favorable perceptions of their organization’s tolerance for low performance (see Figure 9). When employees have more favorable perceptions about performance management, they are more likely to have favorable perceptions about their development opportunities.

Authority and empowerment

The authority and empowerment dimension consistently surfaced as one of the top predictors across gender and management levels for engagement and enablement. One of the most important aspects of authority and empowerment is the opportunity for employees to have their ideas adopted and put into use.

Within the group of companies with a gender-diverse executive board, a larger proportion of male and female employees (across all management levels) feel like they have opportunities to have their ideas adopted and put into use (see Figure 10).

It is the same story with authority; within the group of organizations with a gender-diverse executive board, a larger proportion of male and female employees (across all management levels) feel they have enough authority to carry out their job effectively (see Figure 11).

Employees who are empowered and have enough authority within their roles will be better positioned to leverage their skills and abilities fully in their job roles; in turn, employees who are in roles that make good use of their skills and abilities are more likely to be engaged (see Hay Group’s 2009 Employee Effectiveness Model).
Employees in diverse organizations tend to give more favorable responses to statements measuring important aspects of their work experiences than do employees in non-diverse organizations.

Figure 6: The ability of the company to retain high quality employees

Figure 7: Your opportunities to achieve your personal career objectives at the company

Figure 8: Your opportunities for learning and development

Figure 9: Poor performance is usually not tolerated at the company

Figure 10: I have opportunities to have my ideas adopted and put into use

Figure 11: I have enough authority to carry out my job effectively

Figure 12: My work group receives high quality support from other units on which we depend

Figure 13: I have the resources I need to do my job effectively
Drivers of enablement

In addition to authority and empowerment and development opportunities, collaboration and resources surfaced as strong drivers of enablement for men and women in lower, middle, and upper management.

<table>
<thead>
<tr>
<th>Drivers of Enablement</th>
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<th>Middle Management</th>
<th>Lower Management</th>
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<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
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<tr>
<td>Authority and empowerment</td>
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<tr>
<td>Collaboration</td>
<td>2</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Development opportunities</td>
<td>3</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Resources</td>
<td>4</td>
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Collaboration

Another dimension that consistently surfaced as a strong predictor of employee enablement across gender and management level is collaboration. An important aspect of collaboration is the extent to which employees believe they receive support from other units that they depend on.

The proportion of men and women that feel positive about the quality of support that they receive from other business units is higher across all management levels within the group of organizations with a gender-diverse executive board (see Figure 12).

Meanwhile, researchers consider quality of collaboration as a main area of focus when studying the positive and negative consequences of diversity. Their findings indicate more diverse groups tend to perform better (compared to less diverse groups) when addressing complicated problems. Executive boards that are more diverse may be more likely to value different perspectives and, in turn, they may be more likely to encourage and support a culture of cooperation and sharing of ideas/resources across their company. The results from our study support this perception.
Resources

The extent to which employees have the information and resources (i.e., tools, equipment, supplies) to do their jobs effectively surfaced as a strong predictor of employee enablement across gender and management levels.

When employees are asked to work hard, they understandably want to feel that they are working “smart” as well (see Hay Group’s 2009 Employee Effectiveness Model). Among organizations with gender-diverse leadership, a larger proportion of male and female employees (across all levels of management) are satisfied with the resources provided for them to do their jobs effectively (see Figure 13).
To be able to deliver a true change of atmosphere, the approach to gender diversity should start at the top of an organization. Companies with diverse executive boards seem to outperform those with non-diverse executive boards, not only in different aspects of financial operations (McKinsey, 2015); our findings also support that diversity in executive boards may lead to a better engaged and enabled workforce. Being aware of the positive relation between engagement and enablement and employees' productivity, diversity could consequently affect an organization's productivity in a favorable way. Future research is needed to identify the specific strategies and decisions made by more diverse boards that lead to more engaged and enabled work environments.

A large portion of today’s leaders will soon retire, leaving vacant plenty of management positions for a relatively smaller population of possible successors (Delaney et al., 2015). As nearly two-thirds of the latest college graduates in the U.S. are women and in many other countries women comprise nearly half (Delaney et al., 2015), it is important to address the needs and concerns of both men and women, as companies will soon be in need of the best talent—no matter their gender.

References


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