



RADICAL ACTIONS: A FORENSIC APPROACH TO DIVERSITY DATA

UNDERSTANDING HOW FINANCIAL SERVICES COMPANIES ARE USING DATA TO IMPROVE DIVERSITY AND INCLUSION

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> The industry is realising that its diversity data and analytics capability is underdeveloped and falls far short of other key business metrics. Early adopters are making changes – and delivering results.

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INTRODUCTION

Why we need radical action to improve diversity

As HM Treasury's official data partner for assessing the progress of signatories to the Women in Finance Charter, New Financial has unparalleled insight into how financial services companies are approaching the challenge of increasing female representation at senior levels. We have also analysed gender pay gap reporting for the sector and gathered feedback from our broad network across the industry.

While we see evidence of a great deal of activity (plenty of which is useful and long overdue), the vast majority of it is tinkering at the edges of legacy systems. We believe such actions will serve to maintain an equilibrium, but not drive the step change to a new equilibrium, not just for women but people from any under-represented group, and certainly not in an acceptable timeframe.

So, what then must we do? This is the question we are seeking to pose and answer with our *Radical Actions* series of ideas that we think will drive the step change, including taking *A Forensic Approach to Diversity Data*.

What this report is about

The financial services industry is all about numbers, yet few firms apply even a fraction of the analytical rigour to their people data compared to their product and market data. In this report, we focus on why and how progressive financial services organisations are taking *A Forensic Approach To Diversity Data* in order to drive their diversity agenda to the next level.

This report addresses the following areas:

- the drivers of the data agenda
- the changes to how data is gathered, analysed and shared
- the benefits and impact of improving diversity data
- next steps for the most advanced firms.

Our research includes industry case studies based on interviews with a range of financial services firms that have already changed or are in the middle of changing how they approach diversity data. We cover both quantitative and qualitative data, but the main focus is on the quantitative.

In many ways, improving diversity data is not a radical action – the foundations have long been in place to do it. Yet we see few (if any) examples of firms using data to the extent we propose. There appears to be an assumption that the level of people data analysis we are advocating has been industry standard for a long time, but in reality it isn't. The reason is because, for the overwhelming majority of firms, it is incredibly challenging.

We have framed this report to be relevant to those firms that are at the beginning of thinking about data collection as well as those who have been doing this for some time and want to get even more from the processes they have in place. It's time for organisations to get serious about diversity data. It's not an easy fix, but an incredibly valuable one.

NEW FINANCIAL
Rethinking capital markets

New Financial is a think tank and forum that believes Europe needs bigger and better capital markets to help drive its recovery and growth.

We believe diversity in its broadest sense is not only an essential part of running a sustainable business but a fundamental part of addressing cultural change.

We provided data to the government-backed Gadhia review of senior women in financial services, *Empowering Productivity*, and we are working with HM Treasury to monitor the progress of signatories to the HMT Women in Finance Charter.

New Financial is a social enterprise that launched in September 2014. We are funded by institutional membership.

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SUMMARY

Highlights of the report

- 1) **A growing appetite:** The diversity data agenda is being driven by an increased appetite not just for more but better data. Pressure is both internal, from boards, excos and business leaders who are themselves being held accountable for improving diversity, as well as external, from clients, shareholders, regulators and government.
- 2) **The language of business:** A focus on data positions diversity as a strategic business priority. Business priorities are set by the board, led by the exco, monitored by data, and achievement is rewarded accordingly – the same logic needs to apply to decision-making around people. A data-led approach is particularly suited to the financial services industry, which is all about numbers.
- 3) **A tricky proposition:** Building a robust dataset is a huge project in itself, taking from three to 12 months to complete and requiring significant investment for all the firms we interviewed. The systems integration work is complex, legal and compliance fears need to be allayed, and often HR and/or the D&I function need to source the necessary data expertise to execute.
- 4) **Choosing the datapoints:** The common data points are a gender breakdown by division, function and seniority for headcount, joiners, promotions and leavers. The more progressive firms are unpicking the top-level data showing where women sit across the organisation to better understand the criteria that lead to someone joining, being promoted or leaving – and are gathering data on those underlying stages.
- 5) **Driving accountability:** Data enables firms to hold their leaders to account. If managers are expected to deliver a diversity-related objective, they need to have access to the data that shows them how they are doing and can help them create customised strategies. For the more advanced organisations, granular diversity data can be linked to a range of performance metrics, including pay and promotion, just like any other business objective.
- 6) **Evidence-based decision-making:** Collecting and analysing data shifts the diversity discussion from anecdotal to evidential – there is nowhere to hide if the numbers state a problem in black and white or expose a lack of rigour in decision-making. The data increases understanding of the current workforce and can then be used to identify where to focus energy and resources for a targeted approach to diversity planning and future recruitment, retention and promotion opportunities.
- 7) **Delivering results:** Data allows organisations to measure the impact of their interventions, see what does and does not work in a granular way, and debunk unhelpful myths. Firms that have stepped up the rigour of their approach to diversity data are seeing swift results. For example, the Financial Conduct Authority said the very act of measuring had a transformational impact, and at Schroders, improved data is changing managers' behaviour.
- 8) **Next steps:** The most advanced firms are innovating with new datapoints covering more diversity strands, experimenting with predictive analytics, overlaying insight from behavioural science and connecting diversity data with employee engagement survey data to build a fuller picture of inclusion.

“Having a forensic grasp of data has been the most critical factor in making continuous, sustainable progress.”

Lloyds Banking Group

“People data sits in our business management dashboard, which includes cost, investment and performance data. The people section has multiple tabs including turnover, talent, cost, leavers, conduct, performance, diversity. It sits along every other business metric. It's a constant reminder of the importance of people decisions.”

Schroders

“Our leadership team are actuaries, engineers and economists. It feels embarrassing to talk about a critical topic like diversity without the data to back it up.”

Legal & General

“Gender and ethnicity are very emotive subjects, so we are trying to use the data to make evidence-based decisions. We have to overcome a cultural problem.”

Anonymous

DRIVERS OF THE DATA AGENDA

A growing appetite for diversity data

The diversity data agenda is largely driven by an increased appetite not just for more but better data. Company boards, executive committees and diversity councils are rapidly raising their data requirements in response to external pressures, such as gender pay gap reporting and HM Treasury Women in Finance Charter targets, as well as shareholder and client requests for diversity information.

Developing a diversity data capacity prepares an organisation for both existing and future reporting requirements. For example, to provide a basis for a coherent gender pay gap reporting action plan; to set objectives under the HM Treasury Women in Finance Charter; for benchmarking purposes such as Stonewall or the Social Mobility Employer Index; to improve responses to client Request for Proposal documents and supplier onboarding processes; and to get ahead on potential changes such as ethnicity pay gap reporting, which has already been widely flagged by the UK government.

Another important driver is companies' increased capacity to analyse big data and the wider availability of data tools to present it. The computer power required might previously have taken a couple of analysts several months, but now it is a much shorter and cost-effective time frame.

For several firms, including Lloyds Banking Group, Credit Suisse and Refinitiv, going through an organisational restructuring was the catalyst to overhaul data.

And arguably most importantly, a data review has most impact when it is driven by or in partnership with senior leadership and/or the business rather than just HR. Few HR or D&I functions have the data capability, the ear of the key influencers of change or the internal network necessary to access them. For example, Credit Suisse's diversity data project was a partnership between HR and the bank's strategic change team. It reports directly into the bank's UK chief executive, which gave the diversity agenda a different license and an enhanced level of credibility and authority.

Overcoming hurdles

Understandably, what data can and cannot be captured about employees without breaking the law, or that might be deemed inappropriate in the context of cultural and societal norms, is a serious consideration. This is particularly challenging for multinationals operating globally, further complicated by different priorities in different jurisdictions (for example, the UK has a strong focus on increasing female representation, while in the US the priority is often on ethnicity and race) and fears of potential law suits.

We found firms were able to leverage local pressures (be they voluntary or legislative) to launch regional data initiatives or change the emphasis of existing internal global reporting to prioritise what was considered to be important at local level – for example, gender pay gap legislation and the HM Treasury Women in Finance Charter in the UK.

“The FCA is a data-driven organisation, but D&I data tended to be pulled on a more ad hoc basis. When things were done more informally, senior leaders expended considerable time and energy questioning the validity of the data. Now the dashboard has been agreed, with a consistent format and presentation process, the conversations tend to focus on what the data is showing us and how are we going to respond.”

Financial Conduct Authority

“The demand for the data resource was driven by executive sponsorship from the business. We had fairly basic dashboards to start, and there were some gaps in data quality as we had multiple systems feeding in. Once leadership were accountable for their performance on diversity, they wanted a forensic understanding of the movement of people. They had a detailed understanding of their business – every level of detail, where money was moving and why – and expected to see similar data in a consistent place about people.”

Lloyds Banking Group

GATHERING DATA – INTEGRATING SYSTEMS

Bringing the data together

So what has changed? We see the early movers gathering more data in a more granular fashion, with a focus on improving both quality and consistency.

Gender is the most commonly collected data set. It is one of few data points that can be collected globally (the other data point that is commonly captured is age, but we have not seen the financial services industry focus diversity efforts based on age as yet). Gender data can act as a gateway to collecting other strands over time such as ethnicity, sexual orientation and disability (see p11).

Some firms started out by working out the data points they wanted and then getting the systems working to deliver them. Others worked out all the datapoints that were available to them, and then selected the most useful. Both of these processes go hand in hand.

The systems integration work was considerable and challenging for all the organisations we interviewed, taking from three to 12 months to complete and requiring significant investment. Common issues raised were the complexity of aligning systems that didn't previously interact, adding data fields, negotiating changes with external software providers and recruiters, siloed data in legacy systems as the result of mergers and restructuring or differences between operations of various business lines.

In many instances, this centralisation of data required a shift in mindset for individuals, teams or indeed business lines from an often secretive, proprietary and territorial approach to a transparent, consistent, firm-wide system. For example, where a team leader was reluctant to relinquish their succession planning spreadsheet, or an HR department that guarded what they saw as "their" data. Senior level buy-in was crucial to unlock resource and give permission to (and/or compel where necessary) data owners to collaborate.

The "owner" of the dashboard can make a big difference. In some firms HR or the D&I function have a seat and a voice at the top table, at others HR suffers from a lack of credibility among senior leaders, particularly when it comes to challenging them on data. So, while the work to build the dashboard may be led and co-ordinated by HR, it is often "owned" by the business or the C-suite.

Notably, we have seen several examples of firms recognising that their HR does not have the required skill set and instead they have leant on data crunching capacity from outside the HR silo. For example, the **Financial Conduct Authority** and the **Bank of England** have been able to draw on their pools of data specialists, and **Credit Suisse's** data project was initiated from its strategy team supported by data scientists.

This sharing of data expertise has the additional benefit of bringing different parts of the business into the diversity discussion, and is effectively a seal of approval on the quality of the data and its importance to the business agenda.

"At the moment it's me looking at an Excel spreadsheet, in the future it will be different!"

Anonymous

"We need to improve the structure from different systems – for example, recruitment processes, new joiner forms, core HR data, payroll, employee survey, insights data sets, to add in fields and make sure they talk to each other, so we have the architecture in place to capture all the data we need across the employee lifecycle. We will look at it at every exco meeting so it stays top of mind."

Legal & General

"We needed a big clean-up of HR analytics reporting. We brought in data specialists and data scientists to look at models to understand how we can look at this data differently. The new dashboard went live in June, looking at hiring, promotion and attrition in forensic detail to understand where we have a problem."

Anonymous

"The FCA is increasingly using data experts within our Strategy and Competition division, for example to support analysis of our pay gap data. We are working with them to look at bringing together data sets and behavioural science to help us pinpoint better interventions."

Financial Conduct Authority

GATHERING DATA – SELECTING DATA POINTS

The process of choosing the most important data points

Identifying which data points are going to be the most useful to capture and analyse is itself a valuable learning process. Some data points may already exist within current data dashboards, others may need to be introduced. The overriding principle is to select data points that are reliable and the most valid for drawing inferences to offer insight.

All the firms interviewed spent a significant amount of time on this phase of choosing key indicators for the data dashboard, then testing it to feel satisfied the data was consistent and robust and was providing the most useful information to show trends.

This stage also offered another opportunity for internal collaboration. Rather than HR or D&I teams creating and presenting a finished data product, some firms encouraged a spectrum of input right at the beginning of the project to bring in other parts of the business, boost the credibility of the data and encourage senior level sponsorship. This not only ensured that the data being captured had relevance to the business, it provided ready-made advocates for why it is important – it also helped leaders understand and practise how they communicated about diversity as a topic.

The common data points are a gender breakdown of headcount by division, function and seniority. The main trend we are seeing is a shift from static demographic data to mapping the lifecycle of employees, showing a breakdown by gender (and for the more advanced firms, ethnic minorities) of staff at key points as they move through the organisation – i.e. recruitment, promotion and attrition.

Performance ratings and pay are also key moments in an employee's lifecycle, however we found far fewer examples of companies focusing on these data points in a granular way.

“We began with an audit of existing data – we didn't want to collect new data unless we really needed to. We wanted to focus on data points that were the most reliable, the most valid for drawing inferences, and would map across to our Positive Action Framework. HR and corporate responsibility [the D&I function] worked together to build consensus with the executive diversity committee, and ultimately agreed a data dashboard.”

Financial Conduct Authority

“We are measuring recruitment, attrition, recruitment and performance rating distribution data at each level for gender and age across different regions. We are now updating our people systems to capture data on ethnicity, LGBT+ status, religion, ability/disability, full/part time and flexible working.”

Refinitiv

A starting point

Jayne-Anne Gadhia's 2016 [Empowering Productivity](#) review of senior women in financial services recommended that companies track the following data points:

1. An overall gender split for the whole firm
2. The gender split for the board
3. The gender split for the leadership of the firm
4. The gender split for each business unit in the UK
5. The gender split across the separate functions of the firm
6. The gender split by organisational level
7. The gender split of all newly hired employees over the last year
8. The gender split of all promoted employees over the last year
9. The percentage of the company working flexible working patterns
10. The gender split of those employees working flexibly
11. The percentage of maternity/paternity and shared parental leave employees returning to work
12. The gender split of those employees leaving the firm over the last year

“We are typically quite transparent about data and insight. The shift now is for the first time we are looking at this in one way right across the business. In a divisional structure like ours, you get an explosion of different dashboards and measuring in different ways – now there will be consistency in how it will be viewed.”

Legal & General

Bringing the data to life

Once the data is captured, the most innovation we see is in how it is being analysed and brought to life to drive change and measure impact. Data has to be dynamic and used intelligently to move it from an exercise in itself to one that drives sustainable change.

Presentation is another important consideration ([click here](#) to see a sample dashboard). The data needs to be detailed yet concise enough to be accessible for a variety of audiences, enable the user to identify trends, flag black holes and suggest fixes. Some firms have created methodologies for RAG (Red, Amber, Green) systems or indices to make it easier for progress to be measured and understood at a glance.

Analysing the data identifies trends and the impact of interventions. For example, **Lloyds Banking Group's** data showed that women who had been through its Sponsorship Leadership Programme were five times more likely to be promoted than women on average. This success led the bank to extend the programme to its middle management.

The analysis also informs what needs to be prioritised. This provides a powerful retort to those who want to see a push on their favoured diversity strand or proposed solution: "the data shows us that we need to focus on area x". One firm shared an example where the data showed an intervention wasn't working. To increase the proportion of diverse applicants for roles, it introduced blind CVs, but the data showed little change in hiring ratios. Instead, the data showed the drop off was happening at the interview stage, which led to a trial of diverse interview panels.

From lifecycle to real time

The more progressive firms are unpicking the top-level data showing where women sit across the organisation to better understand the criteria that lead to someone joining, being promoted or leaving, and gathering data on those underlying stages.

This is when the data gets really interesting. For example, for a new hire, tracking gender ratios of applications, longlists, shortlists, those reaching interview stage, those receiving job offers, and finally acceptances. Once someone is hired, firms track what might get those individuals promoted, for example gender ratios of mentors and mentees, sponsors and sponsees, performance ratings, sickness rates, succession plans, work allocation, and interim leadership opportunities.

The most advanced organisations (and there are very few) then drill down again to understand what factors lead to someone becoming a sponsee or getting onto a succession plan. Others are introducing systems that model the impact of decisions in real time, providing the nudge to encourage decision-makers to pause and review. This level of granularity and real-time approach is a whole new ball game.

"The dashboard is not intended to get people to chase numbers. It is designed to highlight where issues might be and where we should prioritise interventions."

Financial Conduct Authority

"We have a diversity dashboard for every global management committee member and the HR business partner for every team, showing high level and a bit of detail – overall headcount, gender ratio, senior manager split. That gets updated monthly."

Schroders

"We are now starting to do proper data analysis and reporting to give managers and leaders the information they need to make decisions, for example, showing performance rating trends during the approval process."

Refinitiv

"We recognised that performance ratings are very important as they dictate eligibility for promotion. We began to share full data sets at the draft rating stage with senior managers, in time for them to review the decisions that had been made and challenge decisions where appropriate."

Credit Suisse

SHARING THE DATA

A varied audience

The process of sharing the diversity dashboard depends on how an organisation is structured, its appetite for transparency, and (most importantly) how and where accountability sits.

Who gets to see it can be contentious, particularly for firms that are (rightly or wrongly) fearful of pushback and even potential lawsuits. For some, the data is shared with the board, exco and diversity council members only; others share with business and/or function heads and their HR business partners. More advanced firms are filtering versions further down through the chain of management to the hiring managers who can really effect change. Some firms shared at least parts of the dashboard with the relevant networks (or employee resource groups).

What gets shared also differs. The data disclosed needs to be detailed enough to illustrate differences between divisions, functions etc. but not so granular that individuals are identified. Some firms are fully transparent, others share different data points with different stakeholders, for example, divisional heads see their own data but would not have access to data from other divisions.

We came across examples of companies where all business unit leaders saw not only their own data, but how it compared to other units, which created competition and peer pressure between them to improve numbers as well as sharing of ideas around what was working. For example, at one firm, each leader saw their own data and all other business units' data was anonymised – shortly after the data was presented, the D&I lead got calls from team leaders wanting to know which units had the best data.

How the data is shared needs to promote understanding of what the data is showing, particularly for a non-specialist HR/D&I audience. For example, at **Credit Suisse**, the D&I and strategy teams have meetings with all 18 functions to discuss their progress on a quarterly basis. Such actions require resource and commitment to succeed.

When and how often data is shared can make a difference. We saw a range of frequency, from monthly or quarterly to biannually. Sharing was often timed ahead of board or exco meetings, or key annual events such as promotion rounds, when performance reviews were taking place or during bonus season. This timing is very deliberate, to maximise the “nudge effect” to influence decision making by reminding managers of the potential outcomes of their choices before their decisions are finalised. Real time feedback encourages more time to be spent on the decision, with greater thought and consideration. It levels the playing field for different talent groups and reduces bias.

For example, one firm is using a tool that in real time shows the manager what a draft performance rating will do to the gender ratio of all the ratings awarded by that manager. Seeing the impact does not stop the manager from rating as they see fit, but it forces them to stop, think and justify their decision for the rating. We also saw examples of firms taking similar approaches to bonus awards and promotion eligibility.

“Every year the data circulation has widened. Initially, it only went to HR directors and up to the exco on a monthly basis. Now we have an infrastructure of people who are accountable for delivering against D&I targets across operations and business management roles, not just HR.”

Lloyds Banking Group

“Challenge will come from multiple places – exco members to each other, in parallel with diversity councils. The nature of challenge is much more specific as it is data-led.”

Legal & General

“It is important to increase transparency and for divisions to see their performance compared to others – this helps drive accountability. But we are very conscious of breaking the data down too much. We have to remember this is sensitive personal data. We want enough detail to inform and drive action, but not so much that it leads to analysis paralysis. We continue to discuss cutting the data at the right level and being transparent enough – it’s a finely balanced argument.”

Financial Conduct Authority

“When it comes to communications, we have so many audiences to consider and are still trying to tap into more. We are working out how to be more systematic on how we are communicating this and who to – just as we have been very systematic in what data we want to put together.”

Anonymous

THE IMPACT OF THE DATA

Examples of data driving change

So, does a more robust approach to diversity data make a real difference? We found strong evidence that it does – but only when the data is accompanied by insightful analysis, has senior buy-in, is clearly and closely aligned to strategy and accountability for the diversity agenda, and is used actively to challenge managers. Here are some examples:

Julia Hoggett, director of market oversight at the **Financial Conduct Authority**, said the act of measuring has already had a transformational impact: “Our data has given us specific potential interventions and specific areas of focus within certain populations. It has also held senior leadership to account for their actions and for their hiring decisions, which I am certain has had an impact.

“It has generated targeted interventions around specific hiring pathways – i.e. not just how we think about the gender or BAME (Black, Asian, minority ethnic) distribution of our senior leadership team, but how we are thinking about talent development throughout the organisation.

“It has led us, for example, to trial diverse interview panels – this was driven by our evidence that we were attracting a diverse pool of talent, but we had a drop off in that diversity from interview to offer.”

For **Schroders**, the biggest change brought about by improved data has been its ability to change managers’ behaviour: “We are using the data and process as prompts, raising awareness of bias. Decisions are more thoughtful and considered because everyone sees that data.”

Lloyds Banking Group tracked working patterns – part time, job sharing, working from home and compressed hours – by gender, and the performance ratings of those individuals. The data showed there was no detriment to ratings by gender, but working patterns did have an impact. The data equipped HR to challenge the business before decisions regarding performance ratings were finalised. A year later, the gap disappeared, and the performance management process had become fairer.

A couple of firms including **Lloyds Banking Group** have started looking at involuntary attrition by gender, encouraging far greater scrutiny and rigour before anyone is let go.

And at the **Bank of England**, involving data specialists in diversity led it to launch the first tripartite Gender Progression Conference in 2018 with the European Central Bank and the Federal Reserve Board, and the second conference was hosted by the ECB in October 2019.

The **Bank** is now making senior appointments in groups rather than individually (as advocated by Iris Bohnet in her book *What Works: Gender equality by design*): “This co-ordinated ‘pooled’ approach to recruitment for senior roles ensures the mix of skills and experience across proposed senior management appointments is properly considered before final decisions are made.”

We have seen an uplift from 28% to over 35% female representation in senior leadership. That would not have happened if we hadn't got business units to track and understand which programmes were working, and helped provide evidence to overcome pushback.”

Lloyds Banking Group

“What has been implemented locally [initially in the UK] is now influencing global processes. The data focuses people to pay attention. It is used at a time it can have most impact, that is, before the decision-making process concludes. We are starting to see improvements in our levels of female representation. By changing processes to mitigate bias, it becomes self-sustaining.”

Credit Suisse

When we launch the data initiative it will come from the exco. Each member will share their data and support action with top level sponsorship.”

Legal & General

“For internal processes, we have introduced a proportionality approach for gender. This means that for processes such as performance ratings distribution or promotions, we assess the proportionality of the decisions that we make, and we build this assessment into the process to enable us to challenge decisions in the moment rather than wait until the end of the process when we are not able to review and challenge decisions.”

Refinitiv

NEXT STEPS

Stepping diversity data up a notch

The most advanced organisations are continuing to innovate with new datapoints, such as monitoring threat-to-leave, and developing methodologies to underpin datapoints, such as work allocation – for example monitoring who gets to take on stretch assignments, the most lucrative client accounts, high profile presentation opportunities, all of which need to be clearly defined before the data can be monitored.

Some are trialling predictive analytics – for example, modelling what female representation will look like across a business in five years' time if no changes are made, and then modelling different scenarios illustrating the impact of various changes that could be made. Others are digging further into historical data to paint a detailed picture of the past five or even 10 years and show how the organisation got where it is today. Time series data are particularly useful for small numbers – due to small organisations, small teams or an examination of intersectionality (those individuals to whom multiple diversity strands apply, such as a black gay woman).

A couple of firms we spoke to are trying to overlay their diversity data with behavioural insights to better understand how they can use data to nudge change.

We came across examples of firms using the data for hypothesis testing in order to actively debunk myths and misconceptions about diversity, such as “white men are no longer getting promoted”. One head of D&I is using data to shift the default thinking on diversity from managers demanding the D&I function prove that diversity is important, to the D&I function demanding that managers prove to them it isn't.

Another area data teams are exploring is market analysis, to map diversity across a business line not just internally but across a peer group. This work helps to build a fuller picture to set realistic expectations on the one hand, and to challenge lazy thinking on the other. And there are international firms that are rolling out diversity data projects more widely, inspired by success in one region or business area.

“We want to keep improving our diversity data analytics capacity. We are looking at how we can use data in a predictive way, and potentially combining data analytics with behavioural analysis more.”

Financial Conduct Authority

“Our behavioural science team is looking at industry best practice and academic research to assess what is working and what we should be doing – for example, standard rules we can apply such as promotion rates should be proportionate from the level below.”

Anonymous

Hypothesis testing

“We linked multiple sources of data (e.g. gender, joiners, leavers, promotions, compensation, absences, performance ratings, working day patterns, line manager) to build a data model covering the last five years. We then defined a number of hypotheses to test across the key phases of the employer life cycle – for example, do we hire more men than women, do we promote more men than women, do we have more ‘regrettable’ female leavers compared to men. The hypotheses provided evidence and impetus for projects to reduce bias by re-engineering specific HR processes and set targets.”

Anonymous

“Our data dispelled the myth that managing directors worked their way up from graduate level – in fact 50% were external hires. Another example was the markets team said there wasn't adequate female talent, so the data team conducted an external market analysis with a headhunter and found that was not true – combined with internal data that showed of 50 appointments only one was a woman.”

Anonymous

“Our management has a strong bias towards Oxford and Cambridge graduates, so we tracked our graduate intake by which university they went to. The data showed that after 12 months, Oxbridge grads received high performance ratings but flatlined quickly, at 18 months others also took off and over time they outperformed Oxbridge counterparts.”

Anonymous

NEXT STEPS (continued)

Compelling rigour

We came across interesting examples of companies introducing “comply or explain” mechanisms into process to compel managers to hit targets or justify why they haven't.

“Data is the basis of our interrogation, based on a principle of comply or explain in attraction, selection, retention and development of staff. If a manager says their decisions are objective or based on merit, but the data does not support that, they need to make the case as to why.”

Refinitiv

“We set a goal of gender proportionality [gender ratios at each level should reflect the level below], so we started to capture candidate long lists for promotion, allowing managers to view it in time to influence their promotion decisions to reinforce gender proportionality. An important aspect is asking ‘Why not?’ for anyone eligible, but not on the list. We introduced a system where a manager has to select one of six reason codes, which we designed internally, to force a review of all eligible staff and ensure reasons are documented correctly. This creates rigour and challenges subjective reasons like ‘fit.’”

Anonymous

Methodology

New Financial conducted structured interviews with financial services firms that we had previously identified (via desk research and word of mouth) as making changes to their approach to diversity data. We are very grateful to all the interviewees who contributed their time, energy and enthusiasm to this research, including: Bank of England, Barclays, CQS, Credit Suisse, Financial Conduct Authority, Legal & General, Lloyds Banking Group, Morgan Stanley, Refinitiv, Schrodgers and others who asked to remain anonymous.

Taking the data beyond gender

Gender and age are the most commonly (and robustly) collected datapoints. All other diversity dimensions require staff to disclose personal information. Getting to a credible level of self-reporting is vital, but it is a big task in itself and it can take years.

There are no short cuts to convincing the workforce that their data will be anonymised, secure, and used to improve their working lives in order to build trust in the process and increase disclosure rates over time. Adding questions into staff engagement surveys, especially in those firms that feel the survey is already too long or who are concerned about survey fatigue, is another challenge.

Most of the firms we interviewed had a good level of data on ethnicity in addition to gender and age. Once a culture of self-reporting has been created, it is an easier step for firms to widen data capture to other areas such as cultural background, cognitive and technical differences among employees – for example, educational background, tenure, personality type (introvert/extrovert). Other data points included marital status, religion, caring responsibilities, sexual orientation and social mobility.

Some organisations are beginning to combine data points to provide information on intersectionality (the overlap of various social identities) – for example, to understand if black women face different progression barriers to their white counterparts. This discussion is sensitive because often the numbers involved are very small, but this can be mitigated by looking at time-series data.

More advanced organisations are capturing qualitative data via employee engagement surveys, internal networking events and feedback sessions and then cross-referencing this more qualitative data against the quantitative for a multi-layered picture. A series of coding questions may be added to the survey, which enable firms to cut the data by different strands. This provides a powerful tool to measure how included different groups feel and provides a signpost to what areas require further analysis. For example, the **Financial Conduct Authority's** social mobility survey aims to capture the “lived experienced” of colleagues from low socio-economic backgrounds.

POINTS FOR DISCUSSION

"I don't believe that you can have an effective D&I strategy without a data strategy."

Julia Hoggett,
Director of Market Oversight,
Financial Conduct Authority

"Data gives a richness – some of these issues are so long term, we have to join up the dots. The data allows us to see trends and themes. It signals the intention that we are trying to do the right thing and trying to make sure diverse voices are heard."

Schroders

"Unlocking the power of data analysis is critical to driving harder and really turn the dial on diversity. Thank you to all of the contributors to this paper as it is important that we share best practices."

Tara Kengla,
Board Chair,
London Women's Forum

10 suggestions for debate

We believe that a data-led approach is fundamental to improving workforce diversity across financial services. Our research found a shift among organisations, particularly among the most progressive, to rethink, revamp and in some cases completely overhaul their approach to how and what diversity data they collect, how it is being analysed, who gets to see it and how it is then being used to hold managers to account. Here are 10 discussion points raised by our findings:

- 1. Laying the groundwork:** A common misconception is that diversity work is about the latest cutting edge initiative that will finally move the dial. But it's not. It's about a constant chipping away – and in this case a ruthless focus on data. It may not sound new and exciting, but it is vital.
- 2. Diversity in business terms:** A focus on data can help align diversity with any other business imperative in the eyes of management, enabling targets to be set as well as links to performance and pay.
- 3. CEO mandate:** As with any serious change agenda, the clear mandate and authority of the chief executive is key to galvanising all the moving parts. But the advantage of a data initiative is that it can be presented in the language of numbers that the C-suite understands.
- 4. Internal collaboration:** Improving diversity is a collaborative endeavour, and any potential data project needs to be carried out in a similar vein, to bring in the necessary analytical skills and generate senior level buy-in.
- 5. Built to last:** While a sizable data project may be treated as a one-off piece of work, for the benefits to be sustainable it requires a consistent ongoing commitment and ideally integration into everyday business as usual.
- 6. Tell the story:** Data is not an end in itself, nor is it neutral. It tells a story that requires interpretation, narration and amplification. The numbers (no matter how bad) need to be placed in context of what is being undertaken to improve them – the policies, programmes and initiatives – and what has changed over time.
- 7. Nudging rigour:** The act of data capture can be used to inject rigour, thought and time into people decision-making processes that are often assumed to be fair and merit-based, but are in fact highly subjective.
- 8. Driving accountability:** Responsibility for improving diversity has long sat with HR or D&I functions, although ultimately they do not make people decisions. Data can drive accountability and ownership of the D&I agenda into the right areas of the business to those who can actually effect change.
- 9. More than a number:** Always remember that these datapoints are actually real people. While individuals should not be treated mindlessly as "data", making decisions based on data may be far more justifiable than the current gut feeling of an individual manager.
- 10. Just do it:** Every firm has to start somewhere. There is no such thing as the perfect set of indicators, so don't let the pursuit of the perfect be at the cost of the perfectly adequate. Organisations have to begin using the data to drive an appetite for more and better data.