WHEN THE 225-YEAR-OLD FINANCIAL GIANT TOOK A DEFIANT PUBLIC STANCE ON GENDER EQUITY IN CORPORATE BOARDROOMS, SOME CRITICS CALLED BULL. BUT STATE STREET KEEPS CHARGING AHEAD.

BY ANNALYN KURTZ

STATUE STANDOFF
Fearless Girl, paid for by State Street, stands opposite the Charging Bull near Wall Street. Some commentators faulted State Street for using the statue’s feminist imagery as a marketing tool.
The imagery was captivating: High woman’s world too.

Fearless Girl finance, permanent public work of art, and by had agreed to let her stay for a year. The end of March, the city of New York her to snap selfies, mimicking her Won-
tion. Queues of tourists crowded around Green plaza for only a week, but thou-
ads her. Here was a little girl, about four feet tall, staring down the massive Charging Bull, bronze charged symbol of Wall Street bravado. The statue quickly became a sensa-
tion. Queues of tourists crowded around her to snap selfies, mimicking her Won-
der Woman stance, hands on hips and chin held high. By one estimate, she drew more than 500,000 social me-
dia mentions in just one day. She was originally meant to stay at the Bowling Green plaza for only a week, but thou-
sands signed a petition to make her a permanent public work of art, and by the end of March, the city of New York had agreed to let her stay for a year.

But Fearless Girl had a commer-
cial side too. The statue was part of a marketing push by State Street Global Advisors, the $2.56 trillion asset-
management arm of financial giant State Street Corp. A plaque at her feet included a plug for SHE, a State Street exchange-traded fund that invests only in companies committed to gender di-
versity. Her arrival also coincided with State Street putting thousands of other companies on notice. The company announced that, as an institutional in-
vestor, it would vote against corporate boards that don’t make strides in adding women to their ranks.

The backlash came quickly. Bloggers and activists criticized State Street for using feminism as a marketing ploy. (The company removed the SHE plaque a few weeks later.) And others noted that State Street itself is hardly a beacon of gender diversity. Its 11-person board of directors includes only three women, and the rep-
resentation of women in its upper ranks is on par with its industry—which is to say, not great. Even Sallie Krawcheck, the former Citigroup and Bank of America Merrill Lynch executive who was one of the first women to break Wall Street’s glass ceiling, spoke skeptically of what she called a publicity stunt.

“The irony is that it appears that the company itself doesn’t qualify for the investment product that the girl statue is promoting,” Krawcheck wrote in a post on LinkedIn. “Maybe they’ll send themselves a strongly worded letter.”

At State Street, the criticism stung—not least because the debate mirrored its own soul-searching. Founded when George Washington was President, the company has been striving for the past eight years to bring more women into senior management. It has implemented a laundry list of policies endorsed by experts in the field, including everything from numeric diversity goals to unconscious-bias training for managers.

But is the company anywhere near gender parity? Not a chance: At the level of senior vice president and above, only 27% of its employees are women. At a time when big corporations, and financial firms in particular, need to show commitment to inclusiveness to attract top talent, State Street seems to be doing everything right—but isn’t moving the needle very far or fast.

Which explains how I came to be sitting in a conference room on the 35th floor of the company’s Boston headquar-
ters with eight top female executives on a cloudy spring Thursday. These employ-
ees, who call themselves State Street’s “Leading Women,” are committed to grooming more executives like them. Along with CEO Jay Hooley, they’ve opened up to Fortune to explain what’s working, and why it hasn’t worked better.

There’s a lot of firepower in the room, including Lynn Blake, who oversees $1.4 trillion in the firm’s asset-manage-
ment division; Jessica Donohue, a Ph.D. economist who heads up analytics for the company’s custodial-banking arm; and the heads of HR and marketing. The group has had a major impact at State Street, with mentorship efforts that have reached thousands of women.

Still, they feel stuck. They know more women need to join their ranks if the company is going to truly practice what it preaches. “Fearless Girl has raised expectations,” says Karen Keenan, the chief administrative officer. “I’m not quite sure 27% is going to cut it.”

THE FINANCIAL SERVICES industry has long faced a pipeline problem in recruiting and promoting women—and its cul-
ture is one of the biggest obstacles. In the 1980s and ’90s, as asset manage-
ment became a dominant branch of the economy, the sector earned a reputation as a particularly frat-house-like branch of the corporate boys’ club. The nadir, perhaps, was the “boom boom room” scandal at Smith Barney, where female employees were told by colleagues to re-
move their tops and “entertain” clients. (Many of those women fought back, and the firm eventually paid $150 million in
arbitration awards and settlements.) State Street wasn’t immune to such behavior. Since the early 1990s, 30 gender discrimination complaints have been filed against the firm at the Massachusetts Commission Against Discrimination. Most have been dismissed or settled, but a few have attracted embarrassing publicity. A complaint from 1992 claimed that a vice president programmed a trading floor computer to play Meg Ryan’s orgasmic moans from *When Harry Met Sally* any time a certain key was touched. Another, settled in 1998, alleged that men in the asset-management division mockingly awarded the “pink pump”—a woman’s high-heeled shoe—to colleagues who went home to a wife or girlfriend rather than out for beers with the guys.

Company veterans say such incidents were overblown in the press and involved just a few bad apples. Still, such history may be reflected in the fact that there are few women among State Street’s top leaders, most of whom began their careers at least 20 years ago. At the time, “the image of the industry was so tarnished,” notes Evelyn Murphy, former lieutenant governor of Massachusetts and founder of the WAGE Project, a campaign to end the gender pay gap. “For women who were graduating from business schools and colleges, [finance] was not an inviting place to go work.”

Today the industry faces a different problem: The financial crisis left many professionals viewing the sector as aggressive and self-serving. “We need to better articulate that this is a noble profession,” says State Street’s Blake. “What we’re doing in helping people save for their retirement, save for a house—those are noble activities.”

Despite the reputational troubles, financial services companies have largely caught up with corporate America when it comes to women in management (see graphic, page 63). The problem is that women stall at the vice presidential rank. Imagine State Street’s 35,000 employees as a pyramid. At the bottom, there are roughly 17,000 associates and fund accountants, of whom 53% are women. A couple of levels up are assistant vice presidents—middle managers, essentially—and again, there’s a relatively high share of women, at 42%. But the numbers keep declining as you climb. At the top of the pyramid—senior vice presidents and above—only 27% of the positions are filled by women.

That pattern holds across Wall Street. A 2016 study by LeanIn.org and consulting giant McKinsey found that women outnumber men at lower levels in banking and financial services, but are sparse among senior managers. The study identifies causes that advocates for diversity in any industry would find familiar. In corporate America as a whole, only 40% of firms hold senior managers...
accountable to meeting diversity goals. Flex time, when available, isn’t encouraged by top managers. Women seeking to advance their careers are viewed by coworkers as “too aggressive” or “bossy.”

Jay Hooley has seen those issues firsthand over three decades. He’s worked at State Street and its affiliates since 1986, taking the helm as CEO in 2010. Parity has a personal dimension for Hooley: He’s the father of three daughters. But it’s a business issue first and foremost, and a crucial weapon in the talent wars.

While its ETF business has been growing, State Street earns most of its revenue as a custodian bank, safeguarding the assets of other large institutions. That’s hardly the most exciting business in finance, and you won’t see the firm on lists of the top 10 places MBAs want to work—it lacks the clout or prestige of the Goldman Sachses of the world. “We’re only going to be attractive if people look at us and we represent diversity of who they are—whether it’s people of color or women,” Hooley says. “If we can be a leader in gender diversity, it’s a win. It’s that simple.”

As a soon-to-graduate MBA myself, and a mother of twins, I ask Hooley to sell me on State Street. Why should someone like me apply to work there, rather than, say, at an idealistic startup? “I’d think you’d be convinced that this”—the company’s diversity commitment—“isn’t just a fad,” he says.

CEO Jay Hooley (left) changed State Street’s promotion process after seeing a slate of candidates that was “90:10, men to women.” ETF executive Jill Mavro says it’s now easier to talk about gender bias at work: “My male peers don’t get threatened.”

BY THE TIME Hooley became CEO, the company had already implemented policies to nurture an inclusive culture, including paid maternity leave and flextime options. But it was up to individual employees to navigate and climb the corporate hierarchy. Hooley shifted that responsibility, putting the onus on managers to increase diversity. That meant instituting numeric targets for women in leadership, as well as for people of color, and tying executive compensation partly to meeting those metrics.

In 2012 the company announced its first explicit gender-parity goals. Aiming for fifty-fifty at the top right away seemed entirely unrealistic. Instead, State Street aimed for 27% women in senior management roles within three years, up from 24% at the time. They raised the target to 28% in 2015; they’re due to raise it again this year. The percentage of women at the SVP level and higher has steadily risen, and there are now three women on the firm’s 15-person management committee, up from just one in 2010. But State Street has never caught up to its targets—leaving Hooley and the Leading Women, the company’s gender vanguard, to figure out what makes the growth so lethargic.

The most obvious factor has to do with gender roles in parenting. Women are still more likely than men to take
a break from work to raise kids; often, their careers stall, and many don’t return to their companies at all. On this score, State Street is atypical, says Kathy Horgan, the head of HR and another Leading Woman: It boasts higher retention rates of women than men at all levels of seniority. But to expand that advantage, it’s making its family policies more generous. As of this year, mothers receive 14 to 16 weeks of parental leave following the birth of a child—bringing State Street in line with the national average. And the leave is fully paid, a benefit that only 6% of firms offer.

State Street has also long offered flextime arrangements including compressed workweeks, job shares, and telecommuting to help staff juggle obligations. Since 2012 the company has told managers to proactively offer such arrangements to women and men alike. What this has meant for women, in particular, is that leaving earlier, or wanting to work from home, is no longer stigmatized as a “women’s issue.” And those who use flextime are far more likely to stay.

Still, the bigger problem isn’t that women are leaving, but rather that they stop moving up.

**Jill Mavro**, head of strategic relationships for the ETF business, has been with State Street for 22 years, mentoring junior executives for much of that span. She’s seen the same pattern countless times when she discusses potential promotions, she says: “Women will sit there and say, ‘Oh, my God, can I do that job?’ Men will be, ‘Absolutely, I can do that—when can I start?’”

Ask the Leading Women about that phenomenon, and you’ll get nods and mm-hmms. They see it as a manifestation of a larger issue: a confidence gap between women and men. So the team has made it a priority to draw talented but reticent women into the light. At any given time, each of its members formally mentors two women the next rung down—who are then required to sponsor more junior employees. The pay-it-forward effect cascades through the firm; it currently reaches an estimated 2,500 women.

Kim Newell was one who needed the push. By 2016 she was already relatively senior: Based in London, she headed operations for European, Middle Eastern, and African markets. But she believed she was years away from being eligible to be an executive vice president. It took a nudge from the Leading Women to increase her visibility among the C-suite types in Boston. The team encouraged her to deliver a panel discussion at the executives’ annual off-site meeting, and even coached her through her talking points. The presentation helped put her on a fast track, and four months later she got a promotion. “I like to think that I was ready for it,” Newell says, but without the prompting, “I don’t know if I would have had that visibility.”

Which brings up a hypothesis that Hooley has been pondering: the idea that qualified women are, in a sense, invisible to men who could advance their careers. In his first years as CEO, Hooley noticed that in the annual promotion process, his top deputies—mostly white men—were putting forth a slate of candidates also dominated by white men.

In 2013 he sent them back to the drawing board. The list of candidates was “something like 90:10, men to women,” Hooley recalls. “I say, ‘Come back with a list that’s 50:50, or 60:40.’” The managers did so, and the new slate went through the company’s standardized scoring process. “Of the females that didn’t make the first list, guess where they were in the final stack ranking?” Hooley says. “All in the top third.

“That,” he adds, “was a classic, teachable moment around unconscious bias.”

Unconscious bias is a hot topic in diversity conversations. Broadly speaking, it describes the way unconscious generalizations about people (“men are better leaders”) lead people to ignore objective reality (“these women are outscoring most of the men on the leadership test”). And Hooley’s aha moment has coincided with changes in the way State Street trains its decision-makers. All managers involved in executive promotions now undergo unconscious-bias training. It’s not exactly exhaustive: It can be done as a 90-minute, self-paced online course. (Some top managers do half-day seminars.) But it pushes participants to identify stereotypes that they may be unknowingly attributing to colleagues. For example, a woman may be seen as too aggressive when she advocates strongly for herself in negotiations. But if a man displayed the same behavior, the training asks, would it be seen as a flaw?

Jill Mavro says the training has changed the tone of management discussions, empowering her to confront peers about assumptions that work to a woman’s disadvantage. In one situation, Mavro recalls, a manager thought she was being helpful by sparing a pregnant
employee from taking on a big project—one that could have accelerated her career. In another, a male colleague made a remark about a woman’s successful, breadwinning husband when considering the size of her raise. “I’ve had to pull my colleagues aside and say, ‘You can’t block her out.’” Mavro said. The good news, Mavro says: Thanks to company-wide training, “my male peers don’t get threatened … they’re much more willing now to engage in those conversations.”

EARLIER THIS YEAR, State Street promoted six people to the executive vice president ranks, of whom three were women—the first time in company history that women accounted for 50% of executive-level promotions. The milestone brought Hooley satisfaction. “It’s been eight frustrating years, but I think we’re finally starting to make some traction,” he says.

That traction needs to continue, because State Street needs a strong talent pipeline to meet its growing list of challenges. The company is in the midst of a massive digitization effort, which means absorbing talent from another less-than-woman-friendly culture—technology—into the company’s ecosystem. (That initiative is being directed by Liz Roaldsen, another Leading Woman.) Its main lines of business face continual pressure to cut costs. In the very hot ETF sector, State Street is in constant competition for investor dollars with giants like BlackRock, Vanguard, and Fidelity.

In the latter battle, the SHE ETF remains a bit player: A little more than a year after its debut, it has only about $300 million in assets under management. But the goals that it represents still influence the diversity debate. State Street Global Advisors has said it will vote against the chairs of companies’ nominating or governance committees if they fail to increase the number of women on their boards. The firm is focusing first on the almost quarter of Russell 3000 companies that do not have even one woman director. Even while criticizing Fearless Girl, Sallie Krawcheck paid a compliment to State Street’s campaign: “A publicity stunt is good,” she wrote. “Having it ignite a conversation about women and money and having us continue it is even better.”

On State Street’s 35th floor, the Leading Women are confident the company can go further—even if the progress is more incremental than they’d hoped. The company has gone 225 years without a female CEO. Do the Leading Women think they’ll ever see one? They answer without hesitation.

“Yes.”

“Totally.”

“Take your pick.”