# DRIVING CHANGE:
# DIVERSITY AND INCLUSION
# IN INVESTMENT MANAGEMENT

## THE CONVERSATIONS

The following comments were part of the workshop series, and although they do not represent consensus views or best practices necessarily, they provide additional context to help those in the investment management industry understand the types of conversations peers are having.

The following items were discussed in the workshops and include tactical suggestions not covered in the list of recommended actions, as well as overall context for those dealing with these topics in investment management.

## Uneven D&I Practices Across Companies

Many participants asked about how to evaluate their firm—from the corporate level or at the investment division level. We advised them to focus on the investment division whenever possible. Perhaps unsurprisingly, many companies struggle with getting messaging and resources to locations outside headquarters, including subsidiaries.

One firm commented that its research department was managed separately from the rest of the organization and that D&I efforts varied significantly across departments. The differing levels of diversity across the organization suggested an approach that was not cohesive. Another commented that the challenge is that investment firm staff are very busy, so D&I becomes a "nice thing to have" or a luxury good when a crisis isn't center stage.

This led to suggestions about making it an expectation for all business units to participate in D&I goals or to have business-unit-specific D&I goals and compare departments over time because success will look different for each department.

## Employee/Business Resource Groups

Many of the participating firms have already established groups, but it can take time for them to become effective. Some of the important tactics mentioned were to publish clear mission statements for these groups that are aligned to the firm's business objectives, and many mentioned the importance of senior leader ownership assigned to each group. Other suggestions were to manage the membership of the groups over time and to recognize the importance of allies. For example, aim to have men present and involved in gender initiatives and other supporters in different groups. Some also suggested the value of networking with ERGs and BRGs at other firms to share ideas and make connections.

These groups do need a clearly stated purpose. One participant said, "I've seen lots of fun stuff being on the diversity committee, but on the serious side, it's not there." It is worth noting, however, that building a sense of community can be an important early outcome of ERGs and BRGs.

## Words Matter

Because D&I is an ever-evolving landscape, it is important to acknowledge that people are at different points in the learning curve, and an inclusive culture will acknowledge that we don't always know the best terms to address D&I topics. For example, "Should I say 'black' or 'African American' in the United States? 'LGBT' or one of its many variants?" Fear of being politically incorrect can hinder learning, and one participant's advice to counter this concern was to "listen for the meaning of the words, not just the words."

## Creating Inclusive Meetings

*"There is a conscious effort upfront [on diversity], but this fades after staff are recruited. There needs to be more focus on inclusion, to match the focus on diversity in recruiting."*

Inclusive meeting practices were a topic of much discussion and can benefit everyone. In fact, participants at one firm told us that they now use the technique we employed in the workshops to brainstorm and draw out more introverted colleagues. We asked participants to write their ideas out, add to others' ideas in writing before beginning the conversation, and then share their favorite ideas—but only those of others. This meant that great ideas did not require one person to be both creative and persuasive, and it drew on more of the group's skills.

The following are some of the other suggestions for inclusive meeting practices:

- Rotate decision making ("it feels like it's the same 10 people around the table for every decision"). Include more voices in the decision making.
- "Step up, step back." Every person at a meeting must put forth one idea they second. This is a better approach than calling out or calling on the introverts.
- Rotate staff to different roles in meetings.
- Ask those on the phone, rather than those in the room, to contribute first.
- Use anonymous voting in committee meetings to encourage involvement and avoid bias.
- Ask as a practice, who are we forgetting?
- Hold more structured brainstorming sessions that allow safe space for debate by all employees at all levels.
- Enable broader participation in the discussion by making sure meeting agendas are set and communicated ahead of time; give people time to prepare.
- Use a round table for meetings as a signal of less hierarchy.

## Developing Talent

*"We have a 'similar to me' bias."*

Although recruitment and retention are emphasized in the GDIB, many noted that talent development is an important area that takes time and thus may not get as much attention. One participant noted that the reentry issue (i.e., helping people transition from a career break) "is really about talent management and doing career pathing, which is largely absent in the investment management industry."

Building networks within the organization gives people an opportunity to develop "T-shaped skills," meaning they can pair their extensive subject matter expertise with a broader perspective of cross-functional implications. Examples of this include the following:

- Develop a stretch assignment program that gives middle-level employees opportunities to develop and encourage diverse participation.
- Encourage collaboration across teams for different viewpoints. Firms could have a standard policy that every new employee spend two days per year with a different internal team to create new networks and reduce groupthink. Have senior executives spend time on different teams to recognize available talent.
- Create resources and support for connecting colleagues in different countries. For example, have a "visitor series" in which partners from various offices conduct roundtables in global offices to leverage their global travel; they can talk about firm culture.

One participant noted, "When we promote employees from historically underrepresented populations as 'co-leaders,' the message we are sending is that the firm is putting 'training wheels' around the risk."

## Communication Practices

*"Our employees have 1,300 unique narratives that, when woven together, result in an incredibly beautiful story."*

Internal communications should feature role models, to showcase talent and to share stories of non-traditional career paths.

Vehicles mentioned for communication were to post your D&I activities on your website and publish a "people report" on diversity of thought and people at firm. Asset owners can create an annual board report on diversity among staff and with their external managers. Internally, some might suggest having a D&I newsletter, though often such communications are consumed only by those who are already interested; therefore, the reach can be greater if messages about D&I activities and achievements are integrated into other organizational communications.

Executive communication teams should also be aware of reputational risks of participating in non-diverse events, even as conference organizers are under pressure to avoid "manels"—that is, male-only panels.

## D&I Training Suggestions

"People want diversity without disruption. The mindset is 'this is how we do things,' and there is a fear of changing and adapting."

Participants discussed ways to make training about D&I topics resonate. While unconscious bias training has been widely adopted and is a good method (and was specifically mentioned for those tasked with hiring), the following list shows other specific suggestions for equipping people to contribute to an inclusive culture and better leverage differences.

- The overall theme was that the training needed to be characterized by active engagement. Participants said that web-based training was too passive. Instead, create hypothetical situations for people to participate in and discuss observations afterward, or use oculus goggles for virtual reality diversity training. One way to help hiring managers understand different perspectives would be for them to attend a function where they are the minority in the room.
- To understand the cognitive diversity of teams, personality assessments can help make people aware of the value of different ways of thinking.
- Engaging employees as the trainers themselves was also an idea that was raised. For example, a "cultural day" could be an opportunity for employees to be educated on different cultures represented at the firm.
- Finally, it was noted that D&I training is often considered differently from other training, and policies imply that it is not highly valued. One suggestion was to make it easier to attend conferences where the title includes "women" (or another diversity segment) without having to make a special business case that requires manager approval.
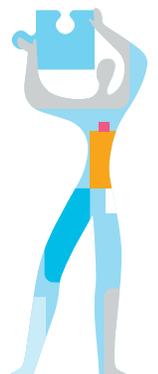
## Flexibility

"Firms need to make it clear that they recognize people have families, child care issues, and responsibilities. I've seen how important it is as a leader to do things like hand out a sheet of nearby child care providers to new employees (of all genders and parental status of course) to set the tone."

One barrier to attracting more diverse candidates is the perception that there is no flexibility; this is an important criterion for many when choosing a career. Leaders can also do small things in the workplace, as in the quote above, to indicate they respect the need for flexibility. As one leader said, "Leadership is about a thousand little decisions, not one grand statement."

Flexibility is still possible in an outcome-focused industry, and one suggestion was that a flexible schedule starts with "trust is a given" and then becomes "outcomes focused" to be able to continue it.

Flexible arrangements can be formal or informal, and firms should communicate that flexibility is not just for senior leaders. Sharing examples can help—for example, one person leaves early one day a week because she sits on a non-profit board.

One suggestion was that a neutral third-party coach can help facilitate more open conversations about flexible work needs. The example was that when a woman returned to work after maternity leave, a coach could ask such questions as "Do you need access to a lactation room?" and "Do you need a flexible schedule?" and then relay the information to the firm. On a related note, an attendee noted that their firm no longer calls it "maternity and paternity leave" but instead uses "primary and non-primary caregiver," given that there are more same-sex couples in the workplace.

## Building the Pipeline

"By increasing the size of the talent pool, you won't get a worse outcome."

The summary ideas generally focused on actions firms can take to address D&I and firm culture in the short to medium term. Many conversations, however, were more expansive around how the industry can work to build the pipeline of diverse candidates over the long term. CFA Institute is working on some programs, and the following are some additional ideas that were raised for firm participation:

- Sponsor scholarships and internships for high-potential middle and high school students in low-income communities, to start building talent young.
- Create partnerships with diverse schools to get school credit for spending a day at an investment firm.
- Sponsor high school STEM (science, technology, engineering, and mathematics) clubs.
- Teach at a college or university with populations that are historically underrepresented.
- Increase engagement with civic organizations to increase awareness of industry as a profession (workshops, job fairs, and so on).

## Assessment, Measurement, and Research

"The data localize the problem, and it's much easier to solve something specific versus a generalization."

The most common challenge we heard was about a lack of D&I data or knowledge of what to measure. The following suggestions may prove helpful:

- Take inventory of D&I by business group and compare it with the firm level.
- Engage more client feedback from diverse groups to strategize on product development.
- Measure the diversity of exiting employees.
- Quantify/track the diversity metrics not seen (for example, diversity of education).
- Share data practices among firms in the industry.

In addition, there was an observation on performance expectations: If you give an employee who is in the majority a risk assignment—for example, open a new office or launch X—and it fails, people recognize it was a major request and it doesn't necessarily derail his or her career. When you give that same responsibility to someone who is not in the majority, anything less than perfect leads to a departure.

We should also be careful about how we frame metrics. For example, one participant suggested we should switch our thinking from "these are women who opted out" to "these are women we failed to retain." This can be applied more generally to retention challenges among diverse employees, in which a series of individual circumstances may serve to mask more systemic challenges.

## Industry-Wide Efforts

One of our brainstorming items asked for bold ideas that could make the industry more inclusive. Several of these ideas are addressed in this guide and were addressed in the process of compiling it. The first step in industry collaboration is sharing this list of ideas for cross-company learning, and over time, they may become more established as best practices. These ideas also give firms some action items, and such tools as the GDIB allow firms to assess their progress over time. Our initial data from the 78 participating firms give us an indication of the industry's current D&I practices, and this could be repeated with longitudinal data in the future. Some have suggested that a large number of firms should publicly commit to disclose diversity numbers, but this may be prompted by policymakers or large asset owners.