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CFA Institute Magazine 19 June 2018

Will the #MeToo Movement Lead to Changes for Women in Investment Management?

Lori Pizzani

With greater attention and awareness, asset managers are expected to begin addressing "hidden issues" for women in the industry.

Key Points

- The problem of sexual harassment and misbehavior arguably affects every industry and workplace, and the asset management industry is no exception.

- The #MeToo movement, which began in 2006 but took the news media, the entertainment industry, and government sectors by storm in 2017, has intensified employer scrutiny.
- Will this increased awareness have implications for investment management? Experts consulted for this article believe the big question is how extensive the changes will be and how long the process will take.

Understanding the Impact

The full scope of allegations and proven cases of sexual misconduct in the asset management profession remains unknown, although there have been noteworthy individual cases and examples. Executives at a few large financial institutions and some well-respected investment banks have resigned or were compelled to do so. A large Boston-based asset management company ousted executives, and a notable lawsuit alleging sexual harassment and unlawful dismissal was filed this past January against executives at a major US-headquartered asset management firm and against the firm itself.

Studies indicate that the problem is pervasive and persistent in the US. According to a June 2016 report from the Select Task Force on the Study of Harassment in the Workplace at the US Equal Employment Opportunity Commission, 28,000 of the 90,000 charges of discrimination levied by employees in fiscal year 2015 (the most recent data available) allege some form of harassment. Of these harassment cases, roughly 45% allege harassment based on sex (including gender identity, pregnancy, and sexual orientation). The report indicates that cases of sex-related harassment are greatly underreported because of concerns about disbelief, inaction on their claims, and social or professional retaliation. “We present this report with a firm, and confirmed, belief that too many people in too many workplaces find themselves in unacceptably harassing situations when they are simply trying to do their jobs,” the study concludes, noting that “harassment in the workplace will not stop on its own.”

Although statistics can estimate the problem’s general prevalence, they cannot show the severity of the effects at the individual level. Consider the experience of one CFA charterholder.

"Anna” (not her real name) graduated from a well-known Midwestern college, attended two prestigious business schools before receiving her MBA, and then earned her CFA charter in 1990. With an academic background in economics, finance, and accounting, she built her career as vice president at three financial institutions. But when the third firm relocated her position outside of the country, she left to pursue an endowment investment manager position with a nationally ranked services organization. That’s when the abuse began.

Her direct supervisor, also a CFA charterholder, was a bully. He told his small staff of female employees not to associate with other people at the firm, spontaneously quizzed Anna on questions with obvious answers in a game of psychological warfare, and arranged meetings at night with no notice, during which he sat adjacent to her and criticized her relentlessly. She tried to cope by dismissing his multiple inappropriate comments and sexual innuendos. On one occasion, he told her that a former employee at a previous firm had filed a sexual harassment complaint against him. Anna considered filing a complaint with the human resources (HR) department at her firm using the notes she began to keep of each incident, but she was afraid that if she spoke out, she’d be labeled a troublemaker, affecting her ability to land another position in the industry. “So I quit after one year without another job,” she told *CFA Institute Magazine*.

Then things got uglier. Once she gave notice to her boss, the daily conversations took on sexual overtones. “After I said I was leaving, he wanted to have titillating conversations that turned to sexual discussions,” recalls Anna, who told him he was being inappropriate. “It was an abusive situation where he had the power and I didn’t.”

After leaving, and in discussing her situation with others, she found out that her former supervisor had been similarly inappropriate with at least two other women whose careers had consequently been derailed. She believes he was a serial bully whose actions decidedly affected her emotionally and hurt her career trajectory.

"Hidden Issues"

Anna’s experience is part of a larger problem. A 2017 survey by the Workplace Bullying Institute (WBI) found that in the US, 19% of adults have experienced abuse at work, with 70% of perpetrators being men and 60% of targets being women. In addition, 61% of bullies are bosses.

WBI defines bullying not as mere incivility or rudeness but rather as “repeated mistreatment [or] abusive misconduct that is threatening, humiliating, [or] intimidating,” according to Caterina Bulgarella, adjunct professor of industrial/organizational psychology at New York University. “These behaviors are not separate from sexual harassment but often work in tandem,” she says. “Sometimes bullying escalates into a variety of situations, including sexual harassment and abuse.”

Abusive behavior is much more common than official complaints. Like Anna, “few have pulled the trigger and filed a lawsuit for fear of ‘never working in this town again,’” says one industry attorney who wishes to remain anonymous. The attorney further points out that abuse allegations, whether proven true or determined to be false, not only affect overall employee morale at the accused firm but also cause clients to suffer, because they may question what other information or settlement payments the firm has failed to disclose.

“I do think there will be some cultural and social changes on Wall Street. This movement has raised issues and awareness that women have gone through these experiences and haven’t been heard,” says Laura Liswood, a former investment industry adviser and co-founder of the Council of Women World Leaders as well as a diversity advocate based in Washington, DC. She finds it interesting that, according to her, not a lot has been heard from victims about sexual harassment within the investment industry. “The question is, why?” says Liswood, who is also the author of *The Loudest Duck: Moving Beyond Diversity While Embracing Differences to Achieve Success at Work* (the “loudest duck” refers to the unfortunate duck that quacks, revealing its location and being shot by duck hunters). “What are the accretive levels of hidden issues that the industry has been hiding and has been slow to address?” she asks.

“I believe that, yes, there’s a monumental change taking place, a cascading effect, and a lot more awareness. The #MeToo movement is making everyone talk about it,” says Aradhana Gupta Kejriwal, CFA, managing partner with Practical Investment Consulting in Atlanta. “The momentum now is so strong. I am seeing a genuine push for a change.” She believes the road ahead is long, however. Kejriwal acknowledges that platitudes, such as corporations stating that they have a zero tolerance for harassment, will no longer suffice. Companies will be repeatedly questioned about their abuse and harassment policies and what steps they are taking to put men and women on an equal level and increase diversity and transparency. “There will likely be more investor backlash regarding (lack of) diversity among managers and even on boards,” says Kejriwal.

But she stresses that the need for change is not a battle of the sexes. “It’s not about men being better than women or vice versa,” she says, adding that “Diversity of people in meetings makes for better collective business decisions,” an allusion to findings of recent studies. In Kejriwal’s opinion, women should become accountable and not just see themselves as victims, and she’d like to see more women step up to the challenge and choose to work within the financial services industry.

“Bad behavior will continue to happen, and companies will always deny first because there is too much riding on accepting responsibility,” says Roy Cohen, a New York–based career counselor and executive coach who wrote the book *The Wall Street Professional’s Survival Guide*. He believes companies will likely fight, deny, or pay out if harassment claims emerge so as to prevent important clients, who are prudent and sensitive to these issues, from bailing out.

Cohen believes the questions are not only for men. “If you hold men accountable, you need to also hold women accountable,” he says. Both men and women can “misunderstand the cues,” according to Cohen, and there can be confusion about behavior that appears flirtatious or too aggressive when it’s really only an attempt to be assertive.

“I think we’re seeing an excellent change. I don’t see any way the asset management industry could go back,” says Kathryn Morrison, a former director of public information at the Investment Company Institute (the trade group for mutual fund and exchange-traded fund providers), a former broadcast media producer, and now president and CEO of SunStar Strategic, a public relations firm based in Alexandria, Virginia.

Achieving significant change in the area of sexual misconduct will require engaged leadership. “There may be mischief makers at the bottom of an organization, but if the person at the top doesn’t tolerate it, it won’t happen,” says Morrison.

Changing Attitudes and Policies

Many companies are taking action, according to Holly H. Weiss, employment and employee benefits partner at the law firm Schulte Roth & Zabel. “Employers are reminding employees about their types of corporate policies, what prohibited infractions are, and how to report these complaints,” says Weiss, who also founded and leads Stand Up! Girls, a nonprofit organization that teaches “girls from underserved communities” to perform stand-up comedy, helping them develop “communication skills necessary to succeed in and lead male-dominated workplaces.”

“Employers already have anti-discrimination and anti-harassment policies, but they now want to be sure their policies are state of the art,” says Weiss, who notes that updating policies can be particularly important when a company has grown rapidly since instituting its original policies. She says corporate employment and separation policies are also being retooled regarding the definitions of and arrangements for executives who are fired for cause. Companies are detailing what benefits top or senior executives will receive if they are terminated without cause and what benefits will be forfeited if fired for cause.

Weiss predicts that in the US, there will be far fewer monetary settlements for sexual harassment/abuse claims and nondisclosure agreements in such matters will disappear. But this change will be driven more by a bottom-line business decision than by a corporate change of heart. That's because tax reform signed into law in December 2017 denies corporate deductions for employee payouts related to sexual harassment and sexual abuse if such settlements are subject to nondisclosure agreements. Moreover, tax deductions are now also denied for attorney's fees related to such settlement payments. Weiss also points to potential regulations that would outright ban nondisclosure agreements and prohibit mandatory arbitration for sexual harassment complaints. "Employers are worried about a nightmare scenario or public scandal with negative results," she adds.

In addition, so-called "bad actors" who are caught will undoubtedly suffer. "Employees with bad reputations will have a more difficult time obtaining employment," Weiss predicts. And new applicants will increasingly assess a company's harassment reputation before agreeing to work with that company.

In the view of Cohen, monitoring and messaging must come from each firm's top executives, and a zero-tolerance policy for any type of sexual harassment must be instituted. Moreover, firms must clearly articulate their policies and include a concise definition of what constitutes sexual harassment. He also believes that employers must take immediate action in response to an accusation and must also assure the accused that he or she will be treated fairly during investigation of substantive claims. Finally, Cohen firmly believes that accusers must face consequences for making false claims. "If someone points a finger out of anger or spite, such as after a bad dating situation or a breakup, what will happen?" he asks.

Questions remain as to what companies will do and how both men and women will respond. "Women just want the boorish behavior to stop, but they don't necessarily want the offender fired," says Brande Stellings, JD, senior vice president for advisory services at Catalyst, a global nonprofit group headquartered in New York City that works to advance women in the workplace. One company she knows is concerned that an unintended consequence of the heightened attention may be fewer women coming forward. In her view, the existence of gray areas in companies' corporate culture should provide the opportunity for men and women to discuss these issues in small group meetings with managers. "This has to be seen as a corporate culture and business issue, not a women's issue," Stellings adds.

"Those companies [that] fail to take this seriously and [to] proactively respond will suffer the consequences," says Keith Darcy, president of Darcy Partners in Pound Ridge, New York, a governance and compliance adviser to global corporations and governments worldwide. "This issue will not go away anytime soon."

He suspects that some firms may initially try to deny allegations and do whatever it takes to protect the organization. "But the next generation will simply not tolerate this," says Darcy, who is also a former financial services industry executive and has served in top ethics, compliance, and fiduciary roles.

He advises firms to provide empathy training alongside leadership training. "Even great companies need to continue to accentuate the positive," says Darcy. "It starts at the top and echoes from the bottom." Companies should be proactive in assessing their culture and even bring in experts as needed to conduct a baseline assessment. They can then develop initiatives to bring about change and be open to making alterations in suboptimal areas. Darcy also recommends that companies retest their implemented processes two years later and assess the culture and measure the progress made.

"We need to become dialogical again, where we exchange words that matter and everyone listens—really listens," adds Darcy.

Personal responsibility also will be important, according to Bulgarella. "In some cases, we may not be fully aware of the subtle ways in which our own behavior contributes to how we are seen and treated," says Bulgarella. "Power is an enticing currency to all which we may view in terms of entitlement but not as a responsibility; it's deeply ingrained in our culture."

Bulgarella suggests that people take four steps in assessing their own situation:

- *Catch yourself* when you experience tolerance and admiration for the dark qualities of power. Slow down and adopt an inquisitive attitude. Don't just make excuses for or condone the inappropriate behavior of others in power. Don't assume you cannot do anything to curb their unethical conduct.
- *Ask questions* and support those who speak up. Seek knowledge as to how to report issues and foster an open and humble dialogue about harassment, discrimination, unfairness, and respect. Seek out ways to collaborate to initiate real change.
- *Monitor your personal conduct* and ask for help if you feel inebriated by your own status or find yourself engaging in inappropriate behavior. Keep your privilege in check by seeking genuine and undiluted feedback and by reforming internal mechanisms.
- *Inspire corporate executives* to educate managers and install checks and balances for senior leaders, HR, and legal personnel. Provide disparate opportunities for employees to give anonymous and confidential feedback. Help create a culture that emphasizes the responsibilities of power rather than its entitlements.

"Firms won't stop hiring women," a longtime industry executive predicts. "But the question remains as to whether [female] whistleblowers will be punished and how."

Some whistleblowers, as well as other women who voluntarily or involuntarily leave their employers, may very well decide to start their own firms and work for themselves, leaving the offenders behind. But no one envisions an overwhelming number of women-owned investment management firms entering the competitive landscape anytime soon.

"Hiring women in key roles will continue," says Renee Neri, partner in the New York City office of executive search firm Heidrick & Struggles, who heads the asset management sector for the Americas, a division of the company's investment management business. Her firm is seeing ongoing engagements from its clients and continued interest in hiring women for top roles. Neri says that the industry still has many women serving in human resources jobs, as well as sales and distribution roles, but that trending greater emphasis on environmental, social, and governance (ESG) and sustainability investing has attracted more women to investment roles. "We need to encourage women in this industry to have an opinion and stand behind it," she adds. "We hear women saying, 'It's time for me—for us—to use our voices.'"

Questions about Pay

Gender-based pay disparity has also become a hot topic. Some firms have begun closely evaluating pay differences between male and female employees who are at the same corporate level and have the same job title and responsibilities.

According to the Women's Bureau in the US Department of Labor, full-time, year-round female workers across all industries earned, on average, 79.6% of what men with the same jobs and responsibilities earned as recently as 2015 (the latest data available). But the ratio has improved from 60.2% in 1980. The bureau found that progress toward closing the earnings disparity was greatest during the 1980s and has slowed since. Moreover, the data show that the gender disparity is narrowest for young workers (age 25–34) and widest for older workers (age 55–64). Differences also exist among racial groups, with white, non-Hispanic, and Asian women earning more than African-American and Hispanic women. But the bureau also concluded that educational differences, as well as women stepping out of the workforce to have and raise children more often than their male counterparts, also affected pay equity.

Some of the bureau's findings are of particular significance to the financial services industry. The list of the 10 occupations with the greatest gender earnings disparity includes personal financial advisers (38.7%); securities, commodities, and financial services sales agents (34.9%); and financial managers (32.6%).

At the rate of change in gender pay disparity seen between 1960 and 2016, according to a 2016 report by the American Association of University Women (a nonprofit women's advocacy group based in Washington, DC), "women are expected to reach pay equity with men in 2059. If change continues at the slower rate seen since 2001, women will not reach pay equity with men until 2119."

Pressure on compensation practices can also come from outside the industry. As of April 2018, larger employers in the UK (defined as those with 250 or more employees) are required to calculate, report, and publish pay gaps between men and women, including regular pay and bonuses, using specified metrics. The overarching goal is to bridge the gap between gender pay differences.

Some companies have come forward and disclosed large chasms. The British Broadcasting Corporation (BBC) serves as a useful illustration from a different industry. In 2017, the BBC discovered "anomalies" in how pay was historically structured, although it insists gender discrimination within the organization is non-existent. In response, it is imposing a new pay framework, and pay levels are being adjusted. Among the 230 uneven male/female pay cases identified for on-air and off-the-air employees, the BBC has substantially cut the pay of some men and has increased pay for some other men and women. A BBC spokesman contacted for this article pointed out that the male employee salary cuts "covered correspondents, presenters, and on-air editors in news and news-related areas" but not top male executives at the company.

Although the US has had gender and minority discrimination laws in place for decades, change in this arena has been slow. But the employment market may be entering an exploratory phase. In the US, regulation recently issued by the SEC requires public companies to show the median pay across all employees and contrast that median with earnings of top executives. As a result of such regulatory changes, the increasing amount of available data also offers investors a new role to play. Firms may face reputational risks among customers, clients, and investors, particularly those investors with ESG mandates (e.g., large pension funds).

"I believe that the analysis of risks around sexual harassment and gender-based issues will become the standard and will exist at the nexus of governance and social issues [in the ESG framework]," says Erika Karp, founder and CEO of Cornerstone Capital Group, an impact and sustainable investment adviser in New York City that uses multiple screens for human capital and gender-lens issues, among other factors.

Investors now have more of this information to consider. Data science can help find patterns that reveal behavioral and cultural problems at public companies. "Companies need to be more attuned and recognize the extent of a systemic problem—not just the management but boards of directors," says Karp. Moreover, she says, "CFA charterholders should be asking tough questions and demanding transparency and accountability."

What Works and What Doesn't

Given all the issues and concerns related to gender, how should the financial services industry begin addressing sexual misconduct and abuses? Some experts say lessons have already been learned about effective and ineffective approaches to dealing with matters related to diversity more generally. Not only are corporate cultures complex, but many well-intended approaches appear to be counterproductive.

"The risk of unintended consequences is always present, especially where seismic shifts are occurring," says Stellings.

"One counterproductive way corporations have gone is in their usage of the mandatory arbitration system to prevent employees from using the legal system and bringing lawsuits, which usually include individual confidentiality and nondisclosure agreements," says Frank Dobbin, professor of sociology and chair of the organizational behavior program at Harvard University. "But the arbitration process prevents people from getting together—banding together—and solving the issue."

Another counterproductive approach arises when companies provide what is commonly called "sexual harassment training," says Art Markman, professor of psychology and founding director of the Human Dimensions of Organizations program at the University of Texas at Austin. "Most people are aware of behaviors considered inappropriate," he says, "but some people don't believe that anyone really cares about their behavior."

"In addition," Markman continues, "few people are told what will happen if they come forward to report a case of inappropriate behavior. Third, few people believe that reports will be taken seriously—that is, they don't believe that a person who has harassed others will be punished, and they believe that they will suffer negative consequences as a whistleblower."

Markman believes that organizations must provide more detailed information about what actually happens when someone reports sexual misconduct and make clear that if harassment is reported, it "will be taken seriously and not blow back on the person filing the report," he adds.

One approach that seems to have merit is the practice of having an organizational ombudsman (or ombuds) office or an independent investigatory team. These options offer companies a good way to mediate situations and identify areas of risk.

“Every large organization would benefit from a systems approach that includes confidential resources, such as organizational ombudsmen who adhere to the International Ombudsman Association Standards of Practice and Code of Ethics,” says Mary Rowe, adjunct professor of negotiation and conflict management at the Institute for Work and Employment Research at the MIT Sloan School of Management in Cambridge, Massachusetts. She explains that ombuds “deal with all workplace issues including harassment, insider threats, embezzlement, and catching major errors.”

Ombuds are senior professionals whose role is supporting an organization’s conflict management system and its many stakeholders. They are intended to be confidential, informal, independent, and neutral conflict managers and help to identify, analyze, refer, resolve, and prevent serious workplace challenges and illegal behaviors. Ombuds do not do formal investigations, keep case records for the employer, make management decisions, or adjudicate. They typically have regular contact across departments and work with individuals and groups at all levels within a company. Ombuds work informally to develop options for managers and employees who contact the office, to build trust, to foster a fair and ethical environment, and to resolve conflicts. They also provide identity-free information to help employers understand issues that are new to the organization and patterns of concern.

“One reason why ombuds are needed is to provide a confidential safe space to help complainants, respondents, supervisors, and bystanders deal with serious issues,” says Rowe. “This is especially true for cases where people may feel intimidated, like with harassment and bullying.”

“The ombudsman system, which can be a bit different from company to company, can be a good choice and more effective than required arbitration or intervention by HR personnel whose duty is to protect the company,” says Dobbin. “Ombuds serve the role of mediators and generally try to resolve issues to the satisfaction of the complainant, while they could very well say you have no case here.” He adds that another approach for sexual misconduct claims is to deploy an independent investigatory team that can develop a fuller picture. Small companies that lack the resources for a dedicated unit may need to take alternative approaches that will enable them to deal with complaints in a credible way.

“Every employer needs to have something in place,” says Dobbins. “There are multiple avenues for handling complaints, including harassment, which is in every industry but may not be visible.”

“If an employer thinks there’s no sexual harassment,” Dobbins warns, “they’re wrong.”

About the Author

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