



Building a Diverse Workforce in the Investment Business

Best Practices

Diversity in organizations is emerging from the realm of “nice to have” initiatives based on an organization’s ethical sense of duty to assist less privileged cohorts to becoming a business imperative. The research literature is now clear: Diverse organizations are more successful and make more money.^{1,2,3,4,5} As a result, most “C” suite executives are beginning to pay serious attention to this widely recognized deficiency. So why are the results still so tepid, and what can be done to accelerate change?

- **Recruiting** – Firms and individuals default to the path of least resistance, seeking professionals whose backgrounds match those of successful professionals already in the firm. This problem is exacerbated by the tight schedules of the player/coach management model typical in professional services firms.⁶ Managers must reach out of their comfort zone to interview and assess professionals who are not just like themselves. This includes extra time and expense in the search process, delegation of time and resources to support networks (HR, recruiters, ERG sources), and an open mind to investing more (time and money) to create a truly diverse pool of candidates on every hiring initiative.
- **Assessment** – Women and men (in particular among diverse cohorts) manifest and broadcast success in organizations in very different ways. Firms must have diverse representatives as key members of the process (“in the room”) where all hiring, promotion, and compensation decisions are made.⁷ This investment of time and resources can appear cumbersome in the early phases of the process, but the measurable results are significant.
- **Unconscious Bias Training** – Conscious bias in high value added professional service businesses is increasingly rare, but unconscious bias can dominate a corporate culture.⁸ Introduce training across the entire organization to uncover and correct unconscious biases. Examples include blinding resumes for initial review, auditing job descriptions for word choice, review of social/networking programs, and careful determination and monitoring of hiring, promotion, and pay committees. Good examples of initiatives include moving networking events from evening environments focused on eating and drinking to mid-day yoga exercise, or from sports venues such as golf to more urban focused initiatives such as bike/walkathons that can be family friendly.



- Employee Resource Groups – Employee networks are often viewed with some skepticism; however, properly supported and resourced by senior management, they can make a material difference to corporate culture and performance beyond the simple message of inclusivity.⁹ These programs need to be quite broad (inclusive of gender, race, disability, military veterans, LGBT, family care, among others). They should focus not just on peer support but also be a focal point for networking, recruiting, social interactions outside of work, and performance recognition and promotions. Applying corporate planning processes to the work of ERGs is gaining traction. Provide ERGs with budgets, but require solid business planning metrics with quarterly measurement check points, goals, and standards for growing participation rates, scoring initiatives internally and externally and increasing participation and impact in the organization and in the business community.
- Measurement – Managers will do what you measure them on and pay them to do. Set diversity targets and recognize/reward managers who succeed.¹⁰ This must be a carefully managed and negotiated process in order to avoid creating further unintended conflicts. “Even seasoned federal judges do not agree about how to lawfully achieve these goals consistent with the anti-discrimination prohibitions under Title VII and similar laws.”¹¹ Keeping in mind that first and foremost the goal is creating an environment of equal opportunity should normally allow common sense to prevail.



Notes

1. Sallie Krawcheck & Joe Keefe, "Why Gender Diversity Should Matter to Investors," *Financial Planning*, June 10, 2014, accessed June 16, 2016, <http://www.financial-planning.com/opinion/why-gender-diversity-should-matter-to-investors>.

2. Sandra Lester, "Diversity & Profitability – Making the Connections," The Conference Board, January 2006.

3. Vivian Hunt, Dennis Layton, and Sara Prince, "Why Diversity Matters," McKinsey & Company, January 2015, accessed June 16, 2016, <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>.

4. David A. Thomas & Robin J. Ely, "Making Differences Matter: A New Paradigm for Managing Diversity," *Harvard Business Review*, September-October 1996, accessed June 16, 2016, <https://hbr.org/1996/09/making-differences-matter-a-new-paradigm-for-managing-diversity>.

5. Boris Groysberg & Katherine Connolly, "Great Leaders Who Make the Mix Work," *Harvard Business Review*, September 2013, accessed June 16, 2016, <https://hbr.org/2013/09/great-leaders-who-make-the-mix-work>.

6. Conversations with Olive Darragh, Founder & CEO of Zolio, former Partner & COO, Tudor Investments, and former Partner – Asset & Wealth Management Practice, McKinsey & Co.

7. Conversations with Ron O'Hanley, CEO, State Street Global Advisors, and former Partner, McKinsey & Company.

8. Conversations with Judy Rice, former CEO, Prudential Investments, and Kristi Mitchem, CEO, Wells Fargo Investments.

9. Francesca Gino, "How to Make Employees Feel Like They Own Their Work," *Harvard Business Review*, December 7, 2015, accessed June 16, 2016, <https://hbr.org/2015/12/how-to-make-employees-feel-like-they-own-their-work>.

10. Comments and conclusions from Wilbanks Partners Investment Management Women's Leadership Forum, NYC private event, October 2015.

11. New York City Bar, Committee on Labor & Employment Law, "Employer Diversity Initiatives: Legal Considerations for Employers and Policymakers," by Katharine H. Parker, Chair; Martin W. Aron, Jyotin Hamid, Matthew W. Lampe, Amy F. Melican, Bertrand B. Pogrebin, Victoria Richter, and Margaret L. Watson, April 2012, accessed July 5, 2017, <http://www2.nycbar.org/pdf/report/uploads/20072272-EmploymentDiversityInitiatives.pdf>.