



Wealth & Asset Management Industry

Diversity, Equity and Inclusion Outlook

August, 2021

It's Time to Embed DE&I into Business Practices

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An AchieveNEXT Briefing



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ABOUT ACHIEVENEXT

AchieveNEXT empowers individuals, teams, and enterprises to meet or exceed growth goals through the powerful combination of peer-to-peer learning and leading-edge human capital, and strategic business solutions.

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An AchieveNEXT survey of the wealth and asset management industry reveals a substantial gap between the level of DE&I performance in the industry and leaders' perceptions of their own enterprises' progress.

In the survey, conducted in late spring 2021, in conjunction with Kaplan and MMI, more than 60 executives and advisors in the wealth and asset management industry painted a generally favorable picture of their firms' DE&I efforts. For example, most do not believe that a lack of diversity is a barrier to creating a positive employee experience at their firms, and a large majority say that their firms consistently act to ensure that all employees feel included and supported.

This confidence is at odds with data on the industry's record for diversity, equity, and inclusion, which show that female and minority employees are significantly under-represented in the top ranks. According to a [November 2020 study by the Investment Company Institute and McLagan](#), women comprise 42% of the workforce of the asset management industry, but only 25% of senior leadership. Likewise, 31% of employees are minorities, while just 16% of leadership falls into a minority demographic. While the ICI study documents progress, as does a similar study of new appointments to directorships in the industry, it clearly indicates that asset management has a long way to go before it can be said to be diverse, equitable, and inclusive.

The AchieveNEXT study looked closely at what wealth and asset managers say they are doing to create a supportive, inclusive, and engaging workplace for diverse employees. A sizable majority say they have solid knowledge of how engaged their employees are. Almost four out of ten (39%) strongly believe they measure employee engagement accurately, while an additional 33% agree, but not as strongly. Just 10% have a low opinion of their engagement knowledge.

An even greater number — 89% — assert that their enterprise's current culture and operations create a positive employee experience. (Since that number is higher than the number who believe they have accurate data, one can infer that in some cases this assertion, while it may be true, is unsupported by documentation.)



89%

OF WEALTH MANAGEMENT LEADERS THINK THEIR FIRMS PROVIDE A POSITIVE, INCLUSIVE EMPLOYEE EXPERIENCE. **DO THESE VIEWS REFLECT REALITY?**

In these executives' eyes, issues involving DE&I (or the lack of it) do not appear to be a threat to this positive, engaged workforce. Twenty-three percent rank DE&I among the top barriers to creating a positive work experience; 36% say it is not a barrier; with the rest—more than four in ten — suggest it doesn't matter one way or the other. At the same time, companies in the industry believe that they are training employees effectively in “soft” skills like collaboration and leadership, and that they are taking action to ensure all employees feel a sense of belonging, inclusion, and support. Only 5% say their firms do not act consistently in this area. In the specific area of addressing difficult issues like racial injustice, wealth and asset management leaders also give themselves high marks: Fully 44% say their companies do an “outstanding” job addressing racial injustice issues, more than twice as many as the 18% who disagree.

40%

OF WEALTH MANAGEMENT EXECUTIVES SAY THAT DE&I WORK DOESN'T HAVE AN INFLUENCE ON MAINTAINING A POSITIVE WORK ENVIRONMENT. **ROSE-COLORED GLASSES?**

What explains the relative lack of concern? It may be a matter of managerial myopia. Many studies of corporate culture have shown a gap between leadership and the rank and file. Leaders as a rule have a more positive view of culture. Mistrust has an inverse relationship with hierarchical rank, and those who have successfully navigated their way to the top of an enterprise often discount the obstacles others encounter. In addition, previous studies of DE&I in investment management have shown that participants evaluate their own firm's performance higher than the industry as a whole.

Perhaps because leaders hear themselves speaking about DE&I, they believe that they are taking the right action to create measurable impact; but industry data clearly show that talking the talk in the wealth and asset management world does not necessarily equate to walking the walk.

It may also be that executives do not (yet) feel an immediate financial impact from the industry's generally mediocre DE&I performance. More than 80% say they believe their employees can align with and strengthen relationships with an increasingly diverse client base, while just 5% say otherwise—a 16-to-1 margin. Indeed, when asked what is most important about DE&I, executives are most likely to cite the connection between DE&I and company values (56%) rather than the benefit of access to diverse talent (23%), its importance to existing clients (16%), or its potential to open new markets (5%).



The tide is rapidly shifting in asset management. The focus on ESG and specifically DE&I has pushed the industry to more actively address the expectations of investors and clients. Progress is being made, but as noted in the study, much more work lies ahead.

— Alan J. Kaplan,
Founder & CEO Kaplan Partners

Whatever the reason, there is a disconnect between what executives see and what industry data show. Given the intense numbers focus of wealth and asset management, it seems clear that bridging that disconnect begins with rigorous assessment. A comprehensive internal assessment of employees is essential to closing the gap between what enterprise leaders see (or don't see) as DE&I issues and what employees are actually experiencing. Once leaders recognize the opportunities to grow better, faster, stronger, higher-performing diverse teams, and consequently serve an increasingly diverse client base more effectively, they can begin to frame the kind of strategy and action that is needed to remain competitive.

Moving Forward:

Ultimately, most C-suite leaders from wealth and asset management firms agree that a core goal of their current DE&I initiatives is to insert their firm's disparate DE&I efforts into every aspect of the organization, and have these efforts be sustainable.

In addition, most would agree that hiring a Chief Diversity Officer alone isn't going to be enough, since meaningful change must come from dedicated leadership from people with P&L responsibility. If wealth and asset management firms do not have the right processes, people, and incentives, good intentions won't suffice.

Ultimately, if wealth and asset management firms want DE&I to be sustainable throughout the firm, it must be systemized and embedded into and throughout the entire organization — not an add-on, but part of how a firm does business. As one Chief Diversity Officer from an Asset Management firm recently offered, “My real goal is to work myself out of a job. If I do my job right, there eventually won't be a CDO.”

Management needs to put in place a DE&I strategy and a framework and infrastructure to operationalize it. Here is one approach to how they can accomplish this:

Assess, Analyze, and Adopt.



ASSESS

Assessment can take the form of an enterprise-wide survey of all employees, small focus groups, one-on-one interviews, or a combination of all three. Assessment provides the foundation for every successful DE&I initiative as it reveals the areas of strength and opportunity objectively, using data and metrics, and allows the employee voice to be heard. Only when leadership perception is validated by data — or more often challenged by it — can a true commitment to culture change take root. This information can also be used to determine how a company's DE&I demographics stack up against the industry and, equally important, against other industries competing for similar talent, such as analytics, technology, and consulting firms. An analysis of market trends and opportunities — both the talent market and the market for clients — should complement the assessments.

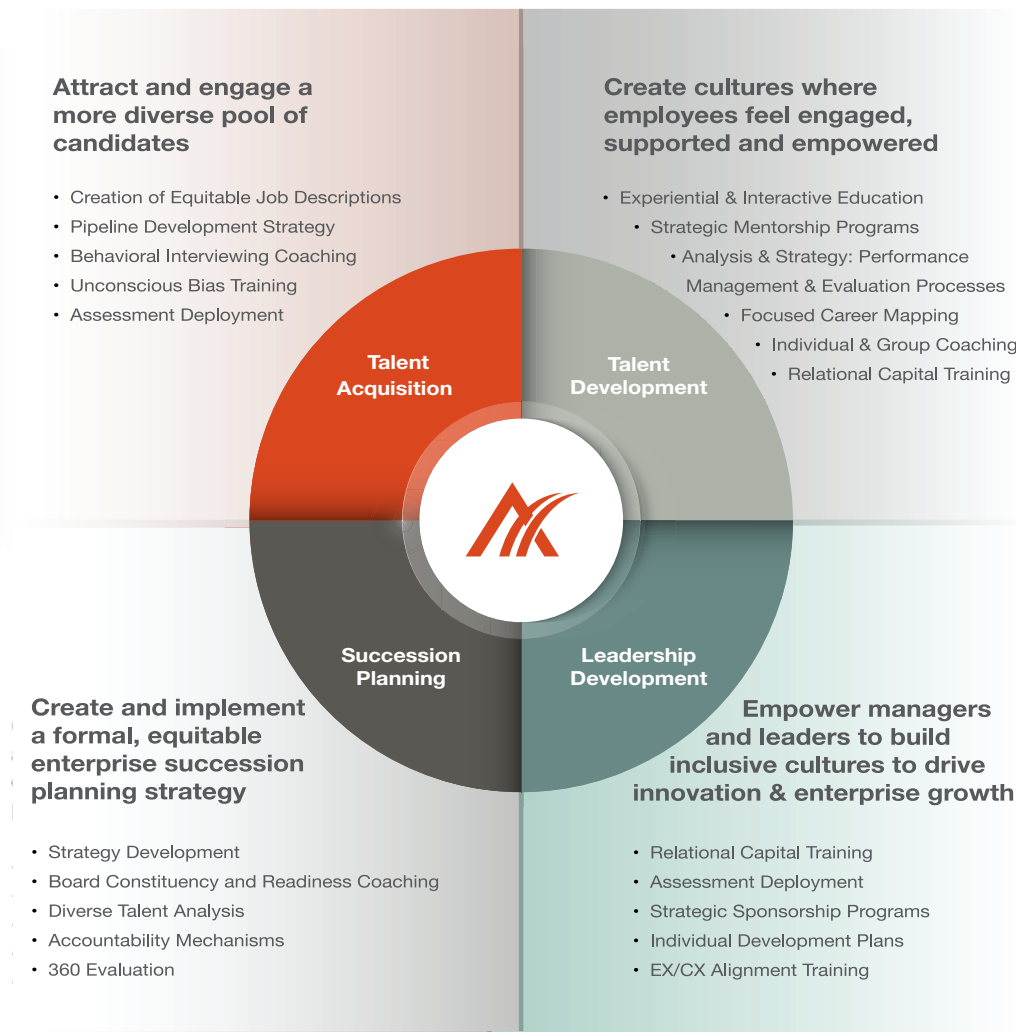
ANALYZE

Just like a business plan for growth, rolling out a new marketing strategy, or starting a technology initiative, having a focused, intentional DE&I strategic plan is critical to integration into the enterprise. The roadmap must be built on data and specific, measurable goals, actions, and KPIs so success can be charted and benchmarked along the way. Because enterprises are at different stages of the journey and have different resources, so it is essential to be realistic about what can be done and when, but it is equally important to be ambitious. Regardless, what is undertaken has to be something that creates real change. The way to achieve that is through process and prioritization. Enterprises must ask themselves, where along the employee life cycle continuum is the most significant DE&I pain? Where can impact be created quickly? What needs to be done now, and what can be done later? What's real change — and what's window dressing?

ADOPT

Adopting prioritized, actionable, short- and long-term solutions is where enterprises begin to see the most significant impact on the employee experience. Many enterprises look solely to education and training as the panacea for all DE&I challenges, but that is just one tool to address issues comprehensively. For example, solutions to attract a more diverse pool of candidates as part of the talent acquisition process start with equitable job descriptions, move to a recruiting and pipeline development strategy, and include behavioral interview coaching.

AchieveNEXT's Data-Driven DE&I Approach



Many in the wealth space are part of college programs that focus on getting more women and diverse students interested in the industry, but diverse talent will not be found only by fishing in the same, familiar talent pools. Creating a culture where employees feel engaged and empowered — and are successful — requires an investment in their development through mentoring, teaching people how to network, build relationships effectively, and develop executive presence.

And of course, the sustainability and competitive advantage of any wealth or asset management practice is the ability to build strong relationships between the investment managers and clients of this generation and the next. DE&I is an investment in building confidence and competence in employees so they can provide services to a rapidly growing generation of clients who are more diverse — and expect more diversity from the women and men who manage their wealth. In an industry where money is a motivator, tying part of leaders' and managers' compensation to taking these kinds of actions and reaching set goals is one way to get results.



CONCLUSION

Talk is cheap, but inaction is expensive. A convergence of internal and external factors point to the conclusion that DE&I is a critical business issue for wealth and asset management firms, rather than a problem for human resources departments alone to survive. As Lindsay Hudson, head of inclusion and diversity at Aegon Asset Management in London, recently offered, “The world is waking up to the fact that ‘I’ and ‘D’ can’t just be a side-desk topic anymore for the dedicated few across the firm, but it needs to have a dedicated role to look at all aspects of diversity if we (are) going to see a shift in the numbers.”

Learn more about AchieveNEXT’s DE&I solutions at www.achievenext.com/DEI.

