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EMBRACING THE POWER OF DIVERSITY, EQUITY AND INCLUSION

A DISCUSSION WITH MARISA HALL, CO-HEAD OF THE THINKING
AHEAD INSTITUTE, ON PRACTICAL TOOLS TO HELP BUILD A
CULTURE FOR DIVERSITY, EQUITY AND INCLUSION

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MARISA HALL



Marisa is co-head of the Thinking Ahead Institute, a global not-for-profit investment research network focused on mobilising capital for a sustainable future. The Institute's membership includes more than 55 of the world's largest asset owners and asset managers with combined responsibility for over US\$16 trillion. Prior to joining the Institute, Marisa was a Senior Investment Consultant in Willis Towers Watson's advisory business.

She is on the standing committee of Investment 20/20, which focuses on attracting diverse talent into the industry and is also on the steering committee of #talkaboutblack, a powerful movement that aims to improve the conversation on ethnic diversity. This falls under the UK-wide industry initiative, The Diversity Project.

Marisa is a Fellow of the Institute and Faculty of Actuaries (FIA) and holds the Investment Management Certificate (IMC). She has a MSc (Distinction) from CASS Business School, London and a first-class honours degree in Mathematics from the University of the West Indies. She was named on the 2020 list of Financial News' Rising Stars of Asset Management in Europe, was winner of 'Woman of the Year' in the 2020 Women in Finance Summit & Awards Series and is on the 2021 Institute and Faculty of Actuaries (IFoA) roll call of thought leaders in the category of 'actuaries changing mindsets'.

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WE ASKED MARISA HALL, CO-HEAD OF THE THINKING AHEAD INSTITUTE, TO SHARE HER PERSPECTIVES ON THE POWER OF CULTURE AND DIVERSITY, EQUITY AND INCLUSION IN DRIVING COMPETITIVE DIFFERENTIATION AND THE PRACTICAL TOOLS TO HELP INSTITUTIONAL INVESTORS MAKE PROGRESS.

BUILDING A CULTURE FOR DIVERSITY, EQUITY AND INCLUSION

THE CASE FOR DIVERSITY, EQUITY AND INCLUSION (DEI)

Diversity, equity and inclusion is moving up the agenda in the UK, not least among regulators. Last month, the FCA issued a policy statement to listed companies setting specific gender and ethnicity targets for company boards¹. The Pensions Regulator has also said it would use its influence to increase diversity in the composition of governing bodies within its regulated community².

Given such announcements, we may imagine that regulatory or reputational risk would be the main driver for boards to address diversity, but these are not the main factors motivating organisations. A survey carried out by The Thinking Ahead Institute last year found that 92% of board directors agreed that listening to diverse perspectives helped solve problems more efficiently and led to smarter insights³.

The CFA Institute also looked at this question and found that among investment industry organisations, the main motivators for acting on DEI were to improve business outcomes, to access a wider pool of talent and, increasingly, to reinforce the values and ethics of their organisation. The least important motivation was compliance⁴.

Diversity policies can have many goals, but they all tend to encompass three core objectives:

1. **Diversity:** Developing a diverse array of people in an organisation, which requires a careful understanding of what diversity means in all its aspects.
2. **Equity and inclusion:** Treating people fairly and with decency and respect, which is an issue of culture.
3. **Collective intelligence:** Leveraging diversity for business success, based on building up the collective intelligence of teams.

Achieving these goals leads to a stronger value proposition for shareholders, employees, clients and wider society.

¹ FCA finalises proposals to boost disclosure of diversity on listed company boards and executive committees, 20 April 2022, FCA.

² TPR sets bold new ambitions for equality, diversity and inclusion, 24 June 2021, The Pensions Regulator.

³ Source: The Power of Teams, 2020, Thinking Ahead Institute, WTW.

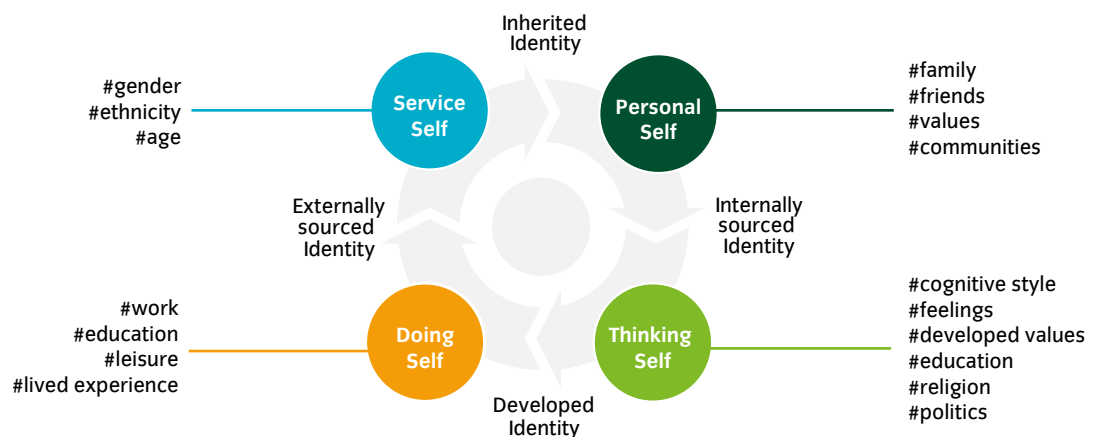
⁴ Source: Accelerating change: diversity, equity and inclusion in investment management, 2021, CFA Institute.

DEVELOPING DIVERSITY

The Thinking Ahead Institute has looked at diversity in detail. We created a framework to describe the multiple aspects that make up an individual person and grouped them into four cells (see Figure 1):

- **Surface self** – the features that we can obviously see. These are the characteristics we commonly talk about when discussing diversity: gender, ethnicity and age.
- **Personal self** – the deeper aspects to diversity which encompasses relationships with families, friends and communities.
- **Doing self** – the lived experience that encompasses work, leisure pursuits and qualifications.
- **Thinking self** – this includes education, religion, politics and personal values as well as ways of thinking. This should not be underestimated, as cognitive diversity is critical for any organisation.

Figure 1: The Thinking Ahead Institute diversity map⁵



This framing helps bring out the different aspects of diversity, going beyond the simple comparison of a black female versus a white male. Recognising the multi-faceted nature of diversity does not mean that organisations should not implement gender or ethnicity initiatives, but it illustrates how leaders need to see these initiatives as a small part of a much wider picture.

The Thinking Ahead Institute has applied this approach by collecting information on these attributes from members of investment committees. From this, we produced a data dashboard examining the diversity of committees across a wide range of characteristics. It includes the make-up of the committees by gender and ethnicity, but also by levels of experience, academic background and personal traits; for example, whether they are analytical, introverted, a driver of action, or an innovator.

This provides investment committees with a picture of their diversity that takes into consideration the whole self. Over time, this can also provide an assessment of progress towards greater diversity, while also helping draw up a roadmap of actions for the future, both in terms of the membership of the committee and in its processes.

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A CULTURE OF FAIRNESS AND DECENCY

While it is important to include diverse voices on boards and throughout an organisation, it is vital for people to feel they are being treated with respect. The key to this is organisational culture.

Culture is the truly distinctive competitive edge that an organisation can have. Business and investment strategies can be mimicked, but culture is unique. Culture is the collective influence of shared values and beliefs that shapes the way an organisation collectively thinks and behaves.

An excellent organisational culture can take many forms. To simplify analysis, The Thinking Ahead Institute has developed a framework that defines 10 attributes of culture (see Figure 2), of which five are core attributes such as client focus and high performance. The other five are attributes that can provide cultural edges, such as innovation, transparency and, of course, diversity and inclusion.

Figure 2: The Thinking Ahead Institute culture model⁶



The Thinking Ahead Institute surveyed 550 professionals across 50 organisations around the world. Naturally, many respondents stated their organisation had a fantastic client focus and staff spent a lot of time thinking about high performance. But the research also found that this focus came at the expense of teamwork, inclusion, and leadership and transparency goals. Inclusion was an area that particularly needed work.

Just under two thirds (63%) stated their organisation respects and recognises behaviours that align with inclusive values – a number that should be much higher. Just 22% said their organisation uses diversity to produce better decisions on critical issues. Finally, only 33% said that information and knowledge was freely shared across their organisation.



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PRACTICAL IMPLEMENTATION OF DIVERSITY, EQUITY AND INCLUSION

LEVERAGING DIVERSITY TO BUILD INTELLIGENT TEAMS

Over the last few years, there has been a shift in power from the individual to collective teams. We have moved away from relying on star fund managers and traders to harnessing the power of teams, recognising that the whole is greater than the sum of its parts.

But not all teams are the same. Some teams – which the Thinking Ahead Institute has termed **Superteams** – combine diverse and talented individuals with a strong culture and good governance. By doing so, they produce exceptional results for their organisation and an exceptionally rewarding experience for their members.

So, how can organisations build Superteams? Firstly, by starting with talent and focusing on the important dynamics of teamwork such as cognitive diversity, the different perspectives people bring and the different ways they process information.

Secondly, you must focus on culture and its various aspects, including inclusion and trust. Trust needs to work both ways – it must be given, and it must be earned – and this happens most effectively in a psychologically safe space.

Finally, you need to look at governance. Two aspects of governance are particularly important: providing a framework for thinking based on explicit beliefs and principles; and requiring rigor in judgement, accurate decision-making and accountability. Superteams leadership is not about giving orders; it is about building a mindset of collective leadership and purpose while leveraging the diversity of the group.

Building an inclusive culture involves leveraging diversity. A team may be diverse, but if some people are not being heard and are not able to contribute, the team is not inclusive. A Superteam is both diverse and inclusive.

TECHNIQUES FOR INCLUSIVITY

There are several straightforward techniques to help build inclusivity, for example:

Turn-taking is simple and intuitive; in a team meeting, make sure that everybody is explicitly invited to contribute. Crucially, the more junior individuals in the room should be given the first chance to contribute, otherwise they may be swayed by an overpowering chair or team leader.

Does a meeting need only one chair? There could be a technical chair who drives through the content and agenda, but there could also be a social chair whose role is to ensure the discussion is inclusive.

Pre-mortems can also be invaluable. A pre-mortem involves thinking ahead and imagining the project in hand has failed and asking the question, ‘what would be the most likely cause of that failure?’.



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Figure 3: Tools for more effective collective decision-making⁷

Category	Tool
To improve the quality of inputs to decision-making	Pre-mortem: look at a decision from the perspective of an imagined future Bring an outsider's perspective Use narrative; avoid data-dump Improve the level of cognitive diversity in the team
To improve the processing of inputs	Use checklists Share information before the discussion Agile meetings – small autonomous, cross-functional teams Parking lot: ideas outside scope are siphoned into new channel/time
To improve group dynamics for decision-making meetings	Co-chairing: separate social leader from content leader role Do something different (e.g. standing) to energise the meeting Equal turn-taking Encourage/train people to understand better others' mental/emotional states Make it psychologically safe for group members to express themselves
To make the collective decisions	Two rounds of confidential voting, before and after discussion Quantify confidence level with numeric probabilities

Decision making can also be made more inclusive through techniques such as the Delphi method. Here, the meeting participants vote anonymously at the start and the results are revealed. Then, the discussion takes place and another anonymous vote is held at the end.

It is important to recognise that agreement is not the same as conviction. The majority may support a decision, but is everyone equally convinced? Would further discussion flush out new thoughts and prompt some to reappraise their views? Further discussion may lead to important doubts being aired or, alternatively, add to each person's conviction, creating a more genuinely shared decision and fostering a culture of teamwork.

These are just a few examples of the many tools that can be used to improve the inclusiveness of an organisation and build collective intelligence at every level.

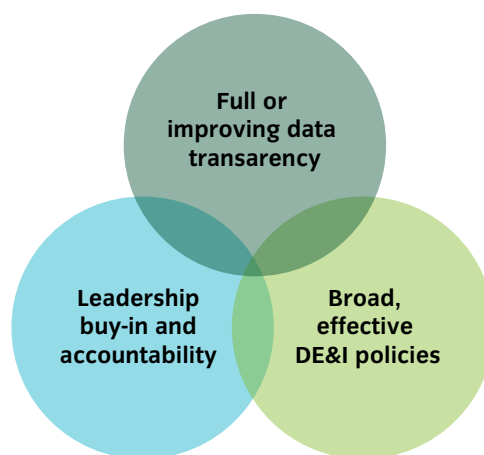
HIRING FOR DIVERSITY

DEI in recruitment is only achieved when managers demonstrate that they are really thinking about these issues and integrating them into their practices. There are three areas to consider:

- 1. Data transparency.** This is not just about the data that you already have, but also your plans to improve your measurement of diversity. You need to identify the hurdles you need to overcome, the gaps in your teams, and set timeframes for plugging these gaps. These are the sorts of questions, for example, that pension fund trustees should be asking their asset managers.
- 2. DEI policies you have in place, or might wish to put in place.** An important question to consider is what diversity means in your organisation. No single organisation can address all aspects of diversity; why is your organisation focused on certain aspects and why are they important?
Key policy questions include:
 - Do you have inclusive working arrangements?
 - Do your recruitment policies encourage diversity at all levels?
 - Do you have regular training on diversity and inclusion topics?
 - Which coalitions and bodies are you part of?
- 3. Leadership buy-in and accountability.** You should determine whether the leadership team has sufficient key performance indicators related to diversity and inclusion, and whether it should have a published policy. Policies could include identifying managers that are laggards for focused engagement and creating an action plan of how you would work with those managers to improve.

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Figure 4: What does good look like? Engaging with managers is critical⁸



WISDOM: WHAT SHOULD I DO ON MONDAY?

DEI issues are often complex and can appear intractable. So, where do you start? There are four straightforward steps that organisations can immediately take to start the process of making DEI part of its culture. Here they are applied to a pension scheme:

1. **Review the trustee board.** Carrying out a governance and diversity assessment should identify those parts of the scheme membership that are underrepresented and help define what diversity means for the organisation.
2. **Challenge groupthink.** Create psychological safe zones, environments where everyone can be heard and can contribute. Turn-taking in meetings, anonymous voting, and encouraging people to play devil's advocate enable people to bring their opinions to the table, challenge advisors and encourage active discussions.
3. **Review asset managers.** Carry out diversity assessments, investigate and understand their policies on DEI, and engage on how leadership teams are held accountable.
4. **Plan for the future.** What does the board think will happen across the organisation, from the very senior level to the most junior? Think about succession planning – working out which qualities are missing from the board will help guide decisions about who to hire next.

While there are immediate steps organisations can take to start addressing DEI, there should not be a rush to 'get it done'. It is important to recognise you cannot, and should not, try to transform teams overnight.

Real sustainable change on DEI can be a slow process. Organisations do not need a quick fix, they need plans for how they will address issues over the long term.



There are four straightforward steps that organisations can immediately take to start the process of making DEI part of its culture.

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