

Addressing the Diversity Gap

Actionable recruiting techniques to increase
diversity within asset management

by Elizabeth Havens, Partner

David
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Partners

Addressing the Diversity Gap

Despite the ever-growing business case for diversity, the lack of any real evidence of success throughout the asset management industry remains persistent, as little progress seems to have been made over the last few years (perhaps even over the last decade).

According to a Segal Marco Advisors survey conducted this year, Black employees account for 6 percent of the asset management industry while 7 percent is Hispanic and 15 percent Asian [survey data was provided by 81 of the 100 largest asset managers]. Similar results were presented in a June 2019 study published by Los Angeles City Employees' Retirement System (LACERS) which evaluated data from 19 financial services firms with more than 750 employees between 2016 and 2019 and found that the average firm had a workforce that was 77.1 percent white, with some of the least diverse being more than 84 percent white.

The LACERS report also showed that women make up less than 33 percent of management roles at asset management firms, with some firms having a 100 percent male workforce. In a 2020 Morningstar report it was noted that only 14 percent of fund managers globally are women and even more staggering is that this percentage has not changed in 20 years – at the end of 2000, 14 percent of fund managers were women.

The Objective:

Although current asset management diversity statistics are underwhelming, there has been an energized desire from companies to implement best practices and address their lack of diversity at all levels. We at David Barrett Partners, a retained executive search firm exclusively focused on working with asset and wealth management firms, have the benefit of observing these best practices, in addition to working with companies to meet their diversity goals.

The intent of this report is not to try and solve every issue related to diversity in the asset management industry. It is to provide a road map with practical tips based on research and proven examples of success to help companies not only attract more diverse applicants, but to also increase the chances of diverse hires through specific interviewing techniques.

6.0%

of the asset management industry is Black

7.0%

of the asset management industry is Hispanic

23.6%

of the asset management industry is female

(From February 2020 Preqin Impact Report: Women In Alternative Assets)



The Road Map

Diversity requires choice and variety. This can only be achieved if the portrayal of the firm and the specific role are inclusive by nature and resonates with as broad an array of candidates as possible.



The Position Specification

Minding the Language

Avoid wording in job postings and descriptions that sound stereotypically masculine when the position has nothing to do with gender. As with other forms of unconscious bias, describing an ideal candidate as “competitive” and “driven,” for example, are proven to discourage some candidates from applying for the position.

“Must Have” Skills

Men will often apply for jobs when they feel they meet 60 percent of the hiring criteria, while women are reluctant to apply unless they feel they meet 100 percent of the requirements, according to the McKinsey Quarterly.

Job specifications should be direct and focused on the “must have” skills.



Accountability

Companies must establish clear interview guidelines and targets for both hiring managers and recruiters to follow, in order to increase the number of diverse candidate interviews and hires. David Barrett Partners has found that this strict accountability is an effective way to monitor the recruiter’s diversity efforts, as well as the unconscious biases that can exist amongst hiring managers.

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Set Diversity Targets

The 'NFL Rooney Rule,' named after Pittsburgh Steelers' owner Dan Rooney, requires teams to interview a certain number of minority candidates for coaching and management positions. Adopt your own version by requiring a minimum number of diverse candidates to be interviewed for every job opening. Not only should a set number be established for first round interviews, companies should also keep track of the number of diverse candidates in all phases of the interview process, including the initial screening pool, interviews and finalists to evaluate at what stage potential issues arise.

Keep Recruiters Focused

When working with an external (or internal) recruiter, stipulate that one out of every three searches needs to result in a diverse hire, for example.



Minimize Unconscious Biases During the Interview Process

Unconscious biases are human nature. It is normal to want to associate and be around people with whom we share characteristics and similarities (as defined as affinity bias). However, it is also one of the main reasons why the asset management industry is predominately made up of white men. Even if a company has developed otherwise well-structured efforts to hire more women and minorities, a hiring manager's unconscious biases may result in passing on an otherwise qualified diverse candidate.

It is virtually impossible to eliminate unconscious biases, however, there are regular trainings and techniques that firms can implement to help minimize the effects of these biases during the interview process.

Remove Names from Resumes

In a 2003 white paper from The National Bureau of Economic Research, authors Marianne Bertrand and Sendhil Mullainathan found that people with stereotypical "white" names received 50 percent more callbacks for interviews than those with ethnic names. Some firms also remove any indication of gender and age in a resume. As a result, a hiring manager's first impression of a candidate is based on qualifications.

Standardization

Casual interview formats open the door to selection bias, as interviewers are more likely to favor candidates who share similarities or common interests. A way to avoid this is to follow a preset format. Have all candidates respond to the same questions. As a result, all candidates will be evaluated by the same objective criteria and hiring managers will have to justify their hiring decisions if they decide to go with their "gut" instead of following the results of the process.

Ban the term "Culture Fit"

Evaluating a candidate based on being a cultural fit can perpetuate affinity biases of the interviewers. Instead of using "culture fit" as a candidate evaluation metric, standardize interview questions that express your company's core values. If the rationale still arises, probe further for specifics to determine if it is a product of unconscious bias or the conscious hesitancy of hiring someone who is different – both of which can be addressed.

Diverse Interviewers

Another way to combat unconscious bias is to mandate diverse interviewer slates. Diverse perspectives often result in a more comprehensive and fair evaluation of candidates. Equally as important, candidates will realize the firm's diversity (or focus on it) which tends to lead to positive receptivity.

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“Smart teams will do amazing things, but truly diverse teams will do impossible things.”

- Claudia Brind-Woody, VP & Managing Director, IBM

Interview Training

Not everyone is good at interviewing, nor does everyone devote the same time and attention to this fundamentally critical process. Some firms have had success through selecting and establishing a core interview panel (by team, department or division) who undergo rigorous interview training to ensure the most positive outcomes are achieved – including better diversity results – as well as a consistent approach. Due to the often time-consuming nature of this responsibility, it helps if this element of their job is accounted for during end-of-year reviews and associated compensation discussions.

Embrace Differences

Hiring people who are different is not easy. Although not all “different” is good and will work with a company or a team, hiring “the same” may have similar repercussions and halt a firm’s growth. Differences should be assessed in detail and value should be put on the uniqueness that the candidate can bring to the company and the workforce.

Realize Potential

Hiring managers should be open to hiring diverse candidates based on potential when it does not sacrifice the “must have” skills. There is significant evidence that shows that diverse candidates are less likely to be promoted or given additional responsibilities than their white male counterparts. Therefore, their chances for advancement are repeatedly constricted. A 2011 McKinsey study noted that men are much more likely to be evaluated and hired on potential, while women are evaluated and hired based on performance and previous track record.

Assess the Finalist Pool

Having one diverse finalist at the end of an interview process may seem like progress and even success; however, according to the *Harvard Business Review* when the final candidate pool has only one diverse candidate, he or she has a very slim chance of being hired. More specifically, when there are at least two female candidates in the final candidate pool, the odds of hiring a female candidate are 79 times greater and if there are at least two minority candidates in the final candidate pool, the odds of hiring a minority candidate are 194 times greater.

Build a Bench and Be Opportunistic

Recruiting qualified talent for a specific position can be incredibly time consuming in itself – it becomes more challenging when a diversity filter is added. If the position is time sensitive, more often than not, it will result in a non-diverse hire. We recommend that companies take the time to meet with diverse candidates even if they do not have an immediate or obvious role for the person. In doing this, companies can build a bench of diverse talent for the future.

We at David Barrett Partners have had success opportunistically introducing diverse talent to some of our clients. Instead of waiting until there is an acute hiring need which can lead to forced decisions, we have introduced select diverse candidates based on understanding a firm’s business, their areas of growth, divisions which lack diversity and potential future needs. Planning ahead enables hiring managers to think more creatively and consider training requirements which, in turn, allow for a more diverse slate of potential candidates.

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Putting the Road Map Into Action

Achieving the goal of a more diverse workforce must be a collective issue that we all take responsibility for. It needs to go beyond metrics and targets, accepting that they undoubtedly help us all focus and promote accountability. At the same time, the development and enhancement of an accepting and inclusive environment is central to the probability that diverse hires will stay, succeed and add to the fabric of that organization. All of this is an iterative process that requires ongoing and open communication between hiring managers, human resources, recruiters and candidates. We are all responsible for ensuring that not only do diversity statistics improve, but also that working environments foster this change.

For more information on assistance with addressing your firm's diversity recruitment needs, contact us at diversity@davidbarrettpartners.com.



About the Author

Elizabeth joined David Barrett Partners from a boutique search firm where she co-led the firm's investment and private wealth management practice. She has recruited senior investment talent across asset classes for endowments, foundations, family offices, as well as traditional and alternative asset management firms. Previously, she spent over ten years within investment management, most recently as a founding member and Vice President of Busara Advisors, an investment firm which advised and invested in emerging manager hedge funds.

Prior to Busara, Elizabeth worked as an Advisor in Morgan Stanley's Private Wealth Division in San Francisco. She began her career at Goldman Sachs in New York in the Portfolio Advisory Division and spent time in Investment Research, Real Estate Principal Investing and Private Wealth Divisions.

Elizabeth holds an MBA from the Wharton School of Business and a BA in Political Economics (magna cum laude) from Barnard College/Columbia University. She is a recipient of both the Goldman Sachs Scholarship for Excellence Award and Morgan Stanley's MBA Fellowship.

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David Barrett Partners is an international boutique retained executive search firm specializing exclusively in investment and wealth management recruiting.

Founded in 2005, the firm is comprised of eleven consultants in New York London and Boston, who have over 150 years of combined global buy-side recruiting. We partner closely with clients in recruiting exceptional senior leadership talent across all functional disciplines in the investment and wealth management marketplace.

Our recruiting experience spans institutional, mutual fund and high net worth organizations; hedge funds and funds of funds; endowments, foundations, and plan sponsors; family offices; and sovereign wealth funds. Our assignments include searches for chief executive, chief operating and chief investment officers; senior professionals in investments, marketing, sales and client service; and senior functional business leaders.

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