

Diversity in Investment Management

Why It Matters &
What You Can Do
About It



BERKELEYCROFT

Diversity has long been an issue in finance.

In recent years, all areas of the industry – including investment management – have had some really positive conversations around the subject. We've seen some big changes happen already. But no one is under the illusion that it's no longer a concern; there's definitely still a long way to go.

Reputation is a big part of the problem. Analysts at PwC found that external stakeholders – from talent and customers to shareholders and the general public – have a far more negative view of the investment management industry's diversity & inclusion maturity than people who actually work in it. In fact, when it comes to external perceptions of diversity, investment management fared worse than all but one of the six industries reviewed by PwC:

- 1. Consumer & Industrial Products**
- 2. Technology**
- 3. Healthcare**
- 4. Banking**
- 5. Insurance**
- 6. Asset Management**

Investment management firms were found to rate particularly poorly in the following areas:

1

Disclosing or promoting their approach to diversity;

2

Agreeing a formal strategy and policy toward diversity, and assigning a senior executive to be accountable for delivering on it;

3

Positioning initiatives within an overall long-term goal of creating an inclusive environment for all employees.

Is all this criticism completely fair? Perhaps not; we've certainly made progress around diversity and inclusion, and in our experience, it's now an issue that the vast majority of investment management firms are taking extremely seriously.

But that's not really the issue. It's a fact that perceptions of the industry are actively preventing you from tapping into more diverse candidate pools, which is a barrier to accessing the best talent.

Two-thirds of the UK's population wouldn't consider a role in financial services, largely because of the industry's reputation to “outsiders” and a general lack of social mobility.

And that's hardly surprising when 41% of people who work in finance had parents in the same sector (compared to an average of just 12% for all industries).

Of course, there's a moral obligation to improve diversity. But it goes beyond that. It's in our interests to build a more diverse investment management industry, because the **business case is overwhelming**:

Companies that rank in the top quartile for gender diversity on their executive teams are 25% more likely to have above-average profitability than companies in the fourth quartile.

Companies with more than 30% women executives are more likely to outperform companies where this percentage ranges from 10-30% (or lower).

Companies in the top-quartile for ethnic diversity outperform those in the fourth quartile by 36% in profitability.

At Berkeley Croft, we're committed to helping our clients build more diverse teams, because we know that diverse businesses perform better. Here's how that looks in action:

Case Study 1

Our client, a global asset manager investing across equity & fixed income, were recently hiring for a European Equity Analyst.

They advertised the role on eFinancialCareers, LinkedIn and their own website, and received more than 200 applications. But of those, only 2% were deemed to be of sufficiently high calibre on paper – and all were male. They desperately wanted a more diverse shortlist, so they came to us.

We were asked to source high-calibre female analysts with relevant sector coverage and five to ten years' experience on the buy-side. Time was tight – we only had a few days to turn this around – and given the high barriers to entry to work at such a prestigious firm, it was a real challenge to fulfil their criteria.

However, we were able to leverage our extensive network to provide this client with three exceptional candidates, one of whom was successfully hired.

This client trusts us to source diverse candidates because of our track record. When we first started working with them, we were asked to demonstrate our capabilities by finding a female candidate for a long-standing search they had running.

It was a tough brief. The candidate had to speak Spanish or Portuguese, as they would be joining as an Equity Research Analyst covering the Latin America region from London, and needed to have around five years' experience in equity research. They had to fit the firm's cultural match profile – confident but humble; super smart; collaborative. What's more, the client wasn't in a position to offer visa sponsorship, so an EU passport was essential.

Again, thanks to the strength of our network, we were able to deliver. We identified a female candidate who had grown up in Argentina but had a European passport and was working at a top-tier bank as an Equity Analyst.

Case Study 2

Now, let's take a look at some of the work we've done for another client, a highly regarded global asset manager investing in equities & fixed income. We have a long history of working with this firm, having placed more than ten Equity Research Analysts with them in recent years.

For their most recent search, our client asked us to source candidates who were women and/or from BAME backgrounds – demographics that are highly underrepresented in asset management investment groups.

We compiled a shortlist of female-only candidates for one role, and one that included strong BAME representation for the other. Ultimately, the client was so impressed that they hired one female candidate and two candidates from the BAME shortlist.

On another occasion, the same client was looking to hire a female Investment Risk Manager. We produced a full market map of all female candidates

within the buy-side investment risk space, as well as mapping the entire London market for Investment Risk Managers, identifying 68 potential target candidates who matched the diversity requirement.

After approaching all relevant candidates, we created a shortlist of those who met the job requirements and fit in with the client's culture, also completing a full market map to support our work.

Clearly, this client recognises the importance and value of diversity. They have a long-standing objective to increase the proportion of women in leadership positions.

As part of this strategy, they instructed us to identify a new European Head of RFP and requested an all-female shortlist. We mapped the market to provide a complete overview of who their competitors had in similar positions, and what the potential candidate pool looked like.

**We're committed to helping
investment management firms
attract exceptional talent and
build more diverse teams.**

**To find out more about what we do, get
in touch with us – we're always happy to
talk!**

Get in touch