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CORNER OFFICE

Here's How Your Consultant Does on Diversity

Eleven major investment consultants reveal their own diversity metrics and manager selection policies in a new survey by the Diverse Asset Managers Initiative.

December 20, 2016

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Many of the largest investment consulting firms pay lip-service to the importance of diversity in asset management – but how much are they really doing to bridge the gaps?

A new survey by the Diverse Asset Managers Initiative attempts to find out. DAMI – a group dedicated to increasing the assets under management by women- and minority-owned firms – questioned eleven major consulting firms about the degree of diversity within their own ranks and the measures they take to help asset owners hire a diverse slate of asset managers.

Aon, Callan, Colonial Consulting, Commonfund, Marquette Associates, Meketa Investment Group, NEPC, Pension Consulting Alliance, RVK, Verna Advisory, and Wilshire Associates agreed to publicly share their diversity metrics and policies for manager selection for the report. Nine other firms contacted by DAMI for the survey declined to participate: Cambridge Associates, CAPTRUST Financial Advisors, Hamilton Lane, Mercer, Morgan Stanley's Graystone Consulting unit, Rocaton Investment Advisors, Segal Group, and Willis Towers Watson.

Nine of the eleven participating firms – PCA, Callan, Meketa, Commonfund, Colonial, Marquette, Wilshire, RVK, and NEPC – said they regularly recommended diverse managers to clients, even when they did not have a specific mandate to do so. Just three — Commonfund, Colonial, and Wilshire — said they followed the "Rooney Rule," a policy first implemented by the National Football League which requires firms to always interview women or minority candidates for vacancies.

"Ultimately the goal is to increase allocations to women and people of color," said DAMI director Robert Raben. "We determined a couple of years ago that if we could move the consulting industry to working with more women and people of color, the field would move faster. This survey is a tactic to drive that conversation."

Raben, who is also president of public policy firm the Raben Group, emphasized that promoting diversity in asset management was not a "social justice issue," but a matter of ensuring asset owners achieve the best possible results.

"You're missing out on performance," he said. "If you're not curating the full suite of talent out there, you're missing out on returns."

How Diverse Are Consultants' Own Firms?

Here's the breakdown based on gender.

Men 17 more

Source: Diverse Asset Managers Initiative

According to Raben, DAMI chose to focus on consulting firms' own diversity metrics in addition to their manager selection policies because it was indicative of those firms' commitment to diversity.

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"White men are perfectly capable of promoting women and people of color to their clients," Raben said. "That said, we felt that if you don't have women and people of color in your own leadership, it's a strong sign you don't think about it that much."

[If Deep Dive: Wilshire Consulting Bets on Diversity]

Overall, women represented 37 percent of staff across participating consulting firms, while minorities made up 36 percent of employees. Among consulting staff, just over a quarter of employees were female, while 22 percent were non-white.

Women made up roughly 37 percent of senior management and 25 percent of ownership at the 11 consulting firms, while people of color constituted about 31 percent of senior management and 19 percent of ownership.

Eight firms – PCA, Meketa, Commonfund, Colonial, Marquette, Aon, RVK, and NEPC – said they had a policy to interview a racially or ethnically diverse group of candidates when hiring employees. Only PCA, Commonfund, and Colonial had a policy to interview one or more women candidates for every available position.

How Racially Diverse Are Consultants' Own Firms?

Less than a quarter of consulting staffs are non-white.

Men 17 more

Source: Diverse Asset Management Initiative

"There's an interest in saying you have policies in place to improve diversity, but the numbers don't show that we're doing very well," Raben said. "The next level of work is to figure out the gap between rhetoric and performance."

Among the firms in the study, PCA had the highest representation of women, with an equal split between men and women in senior management and ownership positions. The total firm was 46.4 percent women, while its consulting staff was 40 percent female. However, PCA trailed peers when it came to racial and ethnic diversity: Only 19.4 percent of employees firm-wide were minorities, and still fewer held senior management or ownership positions.

Colonial was the most racially and ethnically diverse firm in the study. The majority of its total staff identified as black, Asian, Latino, or "other," and exactly half of senior managers were non-white.

Filed Under: Corner Office