



Diversity is the solution, not a problem to solve

The Diversity Project, June 2018



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Key benefits

Fostering inclusive and more diverse workplaces can play an important role in addressing some of the most important business issues, including creating better outcomes for customers; increasing innovation; helping to attract and retain talent; enhancing reputation and brand; and ultimately generating higher returns.

This paper summarises a number of findings from various pieces of research that go some way towards evidencing the benefits that diversity can provide. It should be noted that the research reviewed is not exhaustive and does not in itself “prove” the business benefits of a diverse organisation. That being said, it does provide strong indicators of the benefits to go alongside the undisputed moral and ethical arguments for ensuring equal opportunities for all employees (regardless of their gender, ethnicity, sexual orientation or background) and creating inclusive workplaces. The business benefits identified through the review of the research are set out below.

1. Diverse businesses create better outcomes for customers

With the future growth of financial services being predicated on firms successfully serving increasingly diverse markets and customers, analysis indicates that having a diverse workforce can enable organisations to better understand different segments of the population, anticipate their needs and deliver to them.

2. Diverse businesses create better business returns

There is various research and analysis that indicates that organisations with greater gender diversity in their leadership teams are more likely to be more profitable and generate greater shareholder returns. Similar analysis indicates greater returns for those organisations with greater ethnic diversity in their leadership teams.

3. Diverse teams are more innovative and create more value

Research shows that executives recognise that a diverse set of experiences, perspectives, and backgrounds are crucial to innovation and the development of new ideas.

Research indicates that diversity-leading organisations are rated by their leaders as more agile than their more homogenous counterparts, and more likely to experiment and embrace failure in pursuit of different and innovative approaches.

4. Diverse firms are more attractive to potential and existing employees

Having a diverse and inclusive workforce is crucial for companies that want to attract and retain talent. Research shows that a diverse and inclusive workplace is an important element of attracting and retaining talent, both male and female.

Research indicates that organisations who embrace technology, flexibility and new ways of working will find themselves not only more attractive to potential and existing employees, but can lead to an increase in productivity and morale.

5. Firms who have diversity and inclusion as a business priority improve their reputation and brand

A focus on diversity makes a positive impact on company image and reputation, resulting in increased attraction and retention of talent and improved stakeholder relationships.

Evidence shows that leaders believe that diverse teams enhance the promotion of the employer brand.

1. Diverse businesses create better outcomes for customers



- Without diverse leadership, a number of diverse groups including LGBT women are less likely than straight white men to win endorsement for their ideas. This has a negative impact on market opportunities, due to diverse contributors better understanding the needs in under-leveraged markets.¹
- A team with at least one member having common traits or sharing ethnicity with the end user, better understands that user than more homogeneous teams.¹
- A diverse workforce can enable organisations to better understand different segments of the population, anticipate their needs and deliver to them.²
- A diverse workforce improves a company's ability to engage a diverse client base and succeed in a wider number of markets.³
- Cross-cultural understanding, along with local market knowledge, lends itself to the production of more effective marketing strategies, including culturally sensitive translations of websites, brochures, and other assets.⁴
- With women, on average, being more responsible for household spending decisions, it could follow that an organisation with greater female leadership may enhance the understanding of customer preferences.⁵
- While not all women clients prefer a woman adviser, the scarcity of women advisers is a significant stumbling block to those women – and men – who do.⁶
- Numerous leaders from Government and the Financial Services sector have demonstrated their belief that gender diversity isn't just the right thing to do but that a balanced workforce is good for business, customers, profitability, workplace culture, and is attractive for investors. Additionally they believe that firms with a good gender balance in senior positions and across teams perform better, and attract the best talent.⁷

1 [HBR] <https://hbr.org/2013/12/how-diversity-can-drive-innovation>

2 [Mercer] <https://www.mercer.com/content/dam/mercer/attachments/private/gl-2016-when-women-thrive-financial-services-perspectives-Mercer.pdf>,

3 [Entrepreneur] <https://www.entrepreneur.com/article/252210>,

4 [Hult] <http://www.hult.edu/blog/benefits-challenges-cultural-diversity-workplace/>,

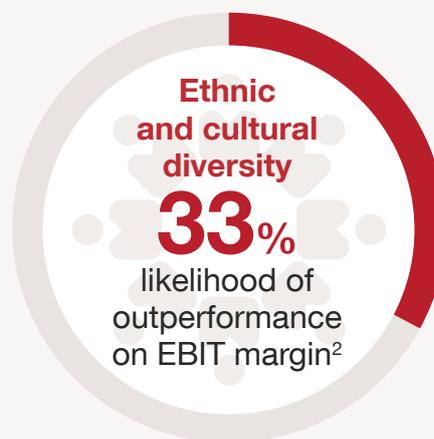
5 [Credit Suisse] <https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=88EC32A9-83E8-EB92-9D5A40FF69E66808>, Reference is not specific to fund management but in relation to the issue in general

6 [State Street] <https://us.spdrs.com/docs-advisor-education/practice-management/business-development/women-in-advice.pdf>

7 <https://www.plsa.co.uk/portals/0/Documents/0621-Breaking-the-mirror-image-harnessing-talent-through-diversity-for-better-pensions-v2.pdf>

2. Diverse businesses create better business returns

- Organisations with greater gender diversity are 1.4 times more likely to have sustained, profitable growth.¹
- Top-quartile companies with executive-level gender diversity had a 21 percent and 27 percent likelihood of outperforming their fourth-quartile peers on EBIT margins and long-term value creation (as measured by an economic-profit margin) respectively.²
- For ethnic and cultural diversity, the finding was a 33 percent likelihood of outperformance on EBIT margin.²
- Teams with an equal gender mix perform better than male-dominated teams in terms of sales and profits.³
- There is evidence suggesting that success is often equated with diversity characteristics, such as sex and race/ethnicity.⁴
- Fortune 500 companies with the highest representation of women board members attained significantly higher financial performance than those with the lowest representation, with notably stronger than average performance at companies with three or more women board directors.⁵
- Relative share price outperformance of companies with women on the board is not entirely consistent, but the evidence suggests that more balance on the board brings less volatility and more balance.⁶
- Some research supports the idea that there is no causation between greater gender diversity and improved profitability and stock price performance, rather the positive link may be as a result of the positive signal that is sent to the market by the appointment of more women.⁶
- There is strong consensus within academic research that more women on the board improves performance on corporate and social governance metrics.⁶
- Melissa Harper of Monsanto cited an inclusive culture as a leading catalyst of commercial success in the face of an increasingly complex and global customer base.⁷
- There has been a shift in investment management from individual portfolio managers to teams running funds and evidence suggests that teams do better than individuals on average with teams of three deliver the best results. Cognitive diversity is the key to solving problems as it provides more tools for solving problems. There is reason to believe there is a positive correlation between social category and cognitive diversity.⁸
- An analysis of over 1,700 companies across 8 countries by Boston Consulting Group found companies with diverse management teams had higher gross profit margins than less diverse companies.⁹
- Female fund managers produce more consistent and less volatile performance than their male counterparts.¹⁰
- Research by FTSE Russell suggests that diverse companies and diverse boards of directors perform better.¹¹



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2 [McKinsey] <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

3 [Harvard] <http://gap.hks.harvard.edu/impact-gender-diversity-performance-business-teams-evidence-field-experiment>

4 [Shore et al.] <https://pdfs.semanticscholar.org/0fbc/3af1b981429f54d811d50363a052b794f1d2.pdf>

5 [Catalyst] <http://www.catalyst.org/media/companies-more-women-board-directors-experience-higher-financial-performance-according-latest>

6 [Credit Suisse] <https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=88EC32A9-83E8-EB92-9D5A40FF69E66808> Reference is not specific to fund management but in relation to the issue in general

7 [Russell Reynolds] <http://www.russellreynolds.com/en/Insights/thought-leadership/Documents/Diversity%20and%20Inclusion%20GameChangers%20FINAL.PDF>

8 [Credit Suisse] https://research-doc.credit-suisse.com/docView?language=ENG&format=PDF&sourceid=csplusresearchcp&document_id=1074677761&serialid=4nVFwYrExy%2BI0irO84AqroGIVWY2NAeuglptVGTw2Fc%3D Reference is not specific to fund management but in relation to the issue in general

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10 http://www.columbiathreadneedle.com/media/10869726/en_outnumbered_female_fund_managers.pdf

11 <https://www.savvyinvestor.net/sites/default/files/node/paper/file/Incorporating%20diversity%20into%20passive%20investments.pdf>

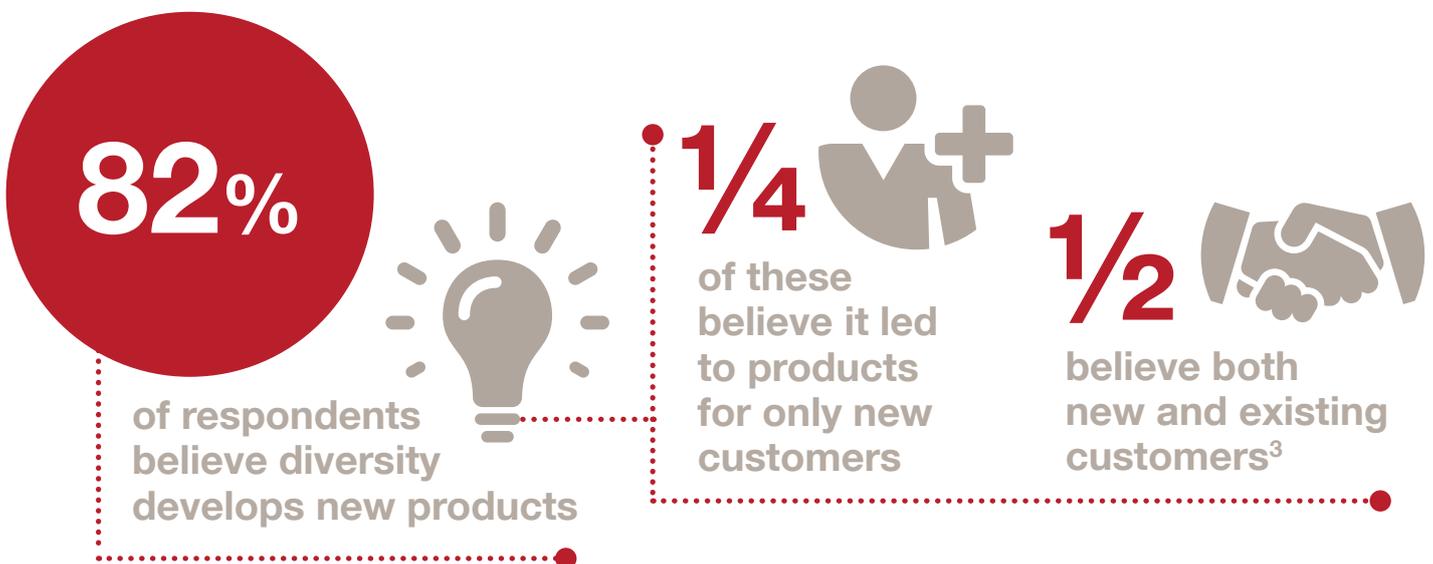


3. Diverse teams are more innovative and create more value

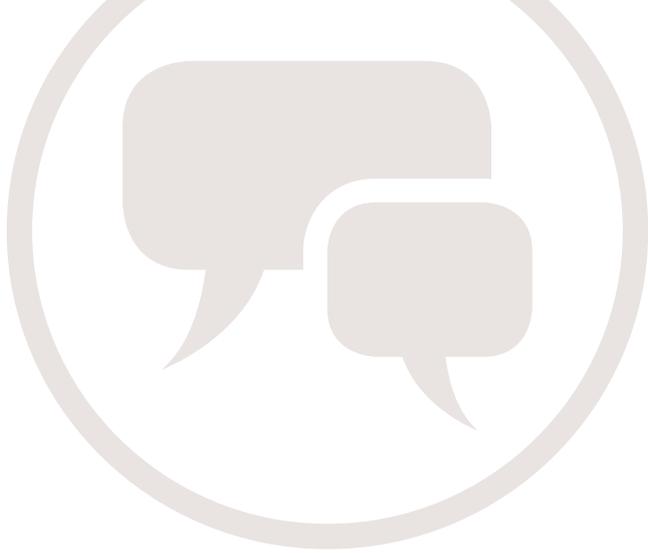
- Leaders from more gender diverse companies were twice as likely as their low-diversity counterparts to report that their leaders work together to create new solutions and opportunities. They were also 1.5 times more likely to work across organisational boundaries and create synergies in their efforts.¹
- Diversity leading organisations were rated by their leaders as more agile than their more homogenous counterparts, and more likely to experiment and embrace failure in pursuit of different and innovative approaches.¹
- Senior executives recognise that a diverse set of experiences, perspectives, and backgrounds is crucial to innovation and the development of new ideas. A majority of respondents agreed that diversity is crucial to encouraging different perspectives and ideas that foster innovation.²
- 82 percent of respondents believe that diversity led to the development of new products. One-quarter of these believe that diversity led to products for only new customers, and half for both new and existing customers.³
- More than 92 percent respondents believe that diversity led to innovation in human resource management and staff recruitment and development practices.³
- A greater proportion of women was associated with higher collective intelligence – the general ability of a group to perform a wide variety of tasks.⁴
- Gender-balanced teams were the most likely to experiment, be creative, share knowledge, and fulfil tasks.⁴
- Researchers studied people working in teams of 2 to 5 found that teams' collective intelligence rose with the number of women in the group, possibly because of the women's higher performance on tasks requiring social sensitivity.⁵
- Research offers support for the argument that variations in group demography can have both direct and indirect effects on how teams work together and perform. Under ideal conditions increased diversity can have positive benefits to decision making.⁶
- Employees who feel included in an organisation are more likely to feel comfortable to make positive contributions.⁷
- Evidence suggests that greater team diversity can lead to better performance. It is not necessarily the performance of the minority individuals but the fact that the majority group improves its own performance in response to minority involvement.⁸



- On average, most individuals in a working group will have something to offer and provided each member of the group is given a chance to share their knowledge, the outcome for the team is likely to be greater than the sum of the parts.⁸
- There are nine key criteria that, on average, define any good leader. Interestingly, women apply five of these nine leadership behaviours more frequently than men. Women were found to be particular good at defining responsibilities clearly as well as being strong on mentoring and coaching employees. Men were much better at taking individual decisions and then corrective action should things go awry. Hence, the idea that a degree of gender diversity at the board level would foster a better balance in leadership skills within the company may hold merit.⁹
- Steve White of Comcast shared that, in addition to supporting the company's more obvious goal of creating an inclusive culture through employee engagement, the company's ERGs help drive new business ideas and inform market strategies.⁹
- An analysis of over 1,700 companies across 8 countries by Boston Consulting Group suggests companies with diverse teams were more innovative, earning almost half their revenue from new product launches and services, 20 per cent more than companies that were less diverse.¹⁰
- Research titled 'Unleashing the Power of Diversity' found that People in inclusive workplaces perform to higher levels in their work. They are more productive and effective and more likely to attract new business.¹¹
- The CFA Institute found evidence suggesting strong business- and values-driven support for greater diversity, in which gender diversity is simply one particularly significant case of diversity. Whilst the research acknowledged that more attention and research are needed to explore how diversity can contribute positively to certain types of investment decisions they think the theory is that diversity matters because diverse groups of people bring different perspectives to problems and, thus, better ways of solving them. With the complex problems faced in investment situations, groups can get stuck if they have limited diversity where everyone thinks in the same way. Such difficulties are far less likely if the diversity is deep and derived from wider sources of knowledge, perspectives, experience, values, and ways of thinking.¹²



1 [DDI]<https://www.ddiworld.com/glf2018/diversity-leaders>
 2 [Forbes]https://images.forbes.com/forbesinsights/StudyPDFs/Innovation_Through_Diversity.pdf
 3 [IEGD]<http://www.iegd.org/pdf/Task%203%20-%20Innovation.pdf>
 4 [NCWIT]https://www.ncwit.org/sites/default/files/resources/impactgenderdiversitytechbusinessperformance_print.pdf
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 9 [Russell Reynolds]<http://www.russellreynolds.com/en/Insights/thought-leadership/Documents/Diversity%20and%20Inclusion%20GameChangers%20FINAL.PDF>
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 11 <https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/research-2017/Unleashing-the-Power-of-Diversity-v2.pdf>
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4. Diverse firms are more attractive to potential and existing employees

- A diverse and inclusive workforce is crucial for companies that want to attract and retain talent.¹
- A diverse and inclusive workplace is an important part of attracting and retaining the best talent, both male and female.²
- A company's employer brand needs to distinguish the company as a desirable place to work, and diversity is a key. According to a 2014 survey by Glassdoor, 67 percent of job seekers say a diverse workforce is an important factor when evaluating companies and job offers. Employers agree, with 82 percent of respondents in the EIU survey saying a strategic approach to managing diversity can provide an organization with an enriched talent pool.³
- Employers can use diversity as a selling point to attract more diverse candidates. EIU reported that 80 percent of respondents say diversity management can yield a competitive advantage in labour markets.³
- Diversity and inclusion can help bridge skills gaps by broadening the talent pool and making an organisation more attractive – 87% of CEOs promote diversity and inclusion within their organisations. This was highlighted in a survey of more than 10,000 millennials carried out in 2015 – over 80% of participants said that an employer's policy on diversity, equality and workforce inclusion is an important factor when deciding whether or not to work for them.⁴
- Candidates want an honest picture of the employment experience and culture before making a decision on where to work. More than 60% of female participants in a survey looked at the diversity of the leadership team when deciding to accept a position with their most recent employer.⁴
- A study of 272 projects at four companies found that gender diversity in teams was associated with superior adherence to project schedules, lower project costs, higher employee performance ratings, and higher employee pay bonuses.⁵
- Without correcting gender imbalance, the industry is denied access to the full pool of available talent.⁶
- Organisations who embrace, technology, flexible and new ways of working will find themselves not only more attractive to potential and existing employees but can find an increase in productivity and morale.⁷

1 [Forbes]https://images.forbes.com/forbesinsights/StudyPDFs/Innovation_Through_Diversity.pdf

2 [Mercer]<https://www.mercer.com/content/dam/mercer/attachments/private/gl-2016-when-women-thrive-financial-services-perspectives-Mercer.pdf>

3 [Entrepreneur]<https://www.entrepreneur.com/article/252210>

4 [PwC]<https://www.pwc.co.uk/human-resource-services/assets/documents/diversity-and-inclusion-reputation-2017.pdf>

5 [NCWIT]https://www.ncwit.org/sites/default/files/resources/impactgenderdiversitytechbusinessperformance_print.pdf

6 [State Street] <https://us.spdrs.com/docs-advisor-education/practice-management/business-development/women-in-advice.pdf>

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5. Firms who have diversity and inclusion as a business priority improve their reputation and brand

- The Gender Forward Pioneer Index shows that those companies with a Fortune “Most Admired” status have twice as many women in senior management as those with lesser regarded reputations.¹
- As reported by EIU, 79 percent of respondents believe the synergy of contrasting approaches within diverse teams produces better, more creative ideas and employers need to take advantage of diverse teams to help come up with unique strategies to promote employer brand.²
- In the 2008 EBTP survey, diversity was felt to make the most significant impact upon company image and reputation, through the attraction of higher quality employees, and improved stakeholder relationships.³
- Cross-cultural understanding, along with local market knowledge, lend itself to the production of more effective marketing strategy and materials (including high quality and culturally sensitive translations of websites, brochures, and other assets).⁴
- Market-specific knowledge and insight is invaluable when it comes to for imagery and design.⁴
- PwC research showed that compared to research in other financial services industries (and in particular banking), the investment management industry still has work to do to improve its reputation in diversity and inclusion.⁵

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Contacts

Helena Morrissey

Diversity Project Chair

helena.morrissey@lgim.com

Jon Terry

PwC, Partner

jon.p.terry@pwc.com

Katy Bennett

PwC, Director

katy.e.bennett@pwc.com

Lucinda Miller

PwC, Senior Manager

lucinda.miller@pwc.com

Liz McCloskey

PwC, FS Marketing Senior Manager

liz.mccloskey@pwc.com

www.pwc.co.uk



www.diversityproject.com

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