What gets measured, gets changed

Investment analysis can be very effective at spotting anomalies and gaps. Any basic analysis of the stated Diversity, Equity and Inclusion (DEI) goals for the financial services sector would identify a wide gap between aspiration and the industry's demographic data.

Promoting diversity – whether gender, ethnic, sexual orientation or other – is important, but in the future there needs to be an equal focus on the 'E' and 'I' pillars. Inclusion is needed to ensure that all employees can contribute and be recognized as equal individuals. With regards to equity, before everyone can contribute equally in the workplace, systemic societal disadvantages – whether as a result of socio-economic circumstances, disability or otherwise – need to be addressed.

This does not mean employers have to resolve wider societal problems, but they do need to take an intentional approach to levelling up, so all employees are ready to perform to the best of their abilities.

There have been admirable efforts to improve DEI for certain groups. For example, many firms have now implemented minimum targets for appointing women to boards. Piecemeal efforts can only go so far. However, it is time now for the whole industry to pull together to address the DEI gap.

DEI data collection will be essential for change

Collecting accurate and comprehensive data is the essential first step in improving DEI. Simply starting the onerous task of collecting the data will help initiate the cultural shift towards integrating better DEI practices.

Chief Executive Officers and other leaders are in the best position to make meaningful change quickly and effectively, from implementing the necessary policies to holding the organisation accountable, and embedding DEI goals into wider business plans. Leadership teams can make new DEI programmes more visible and successful by being responsible for internal training and employee diversity, and by championing better data collection and reporting.

New Diversity, Equity and Inclusion Code

To help provide investment organisations with the tools they need to improve their DEI credentials, CFA Institute recently announced the launch of a new Diversity, Equity and Inclusion Code, formulated by investment leaders and advised by DEI experts.

CFA Institute's recommendations encourage companies to record good-quality data, share practices and broaden the financial industry's understanding of equity. It is imperative to embed DEI in macro business strategy, although the actions occur at a micro level. Our guidance is intended to bridge the gap between macro and micro for business leaders at all levels.

Better DEI practices will improve innovation and culture of organisations

When we think about how reporting builds accountability, a financial analyst's mindset can be helpful because it requires an understanding of many intersectional details and the way in which they create an overall picture.

Some companies are already pledging commitment to change across all three pillars of DEI, but more needs to be done to standardise these efforts across the industry, focusing on detailed data collection and reporting. An industry-wide push to narrow the DEI gap through progress tracking, disclosure and transparency will lead to better business outcomes and workplaces, and ultimately a better-served, diverse and equitable society. ■

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