



How to keep up with the fast evolving investment landscape

To be where the industry comes to skill, upskill, and reskill: the mission of the CFA Institute sounds clear-cut. The challenges our industry faces are anything but. So how should we deal with AI, workforce retention, diversity, inclusion, ESG, and the learning needs of the industry's professionals? We asked CFA Institute's President and CEO, Margaret Franklin.

By Jolanda de Groot

You recently participated in a C-suite roundtable on Diversity, Equity, and Inclusion (DEI) in the Netherlands, organized by CFA Society Netherlands. What were your key findings regarding the status and discussions in the Netherlands, in particular compared to your experiences in other parts of the world?

'The roundtable discussions revealed a high level of consensus about the importance of

improving diversity, equity, and inclusion in the investment industry, for all its benefits in attracting and maintaining talent, for better investment outcomes, and to better serve our diverse society. There is a clear understanding that the workforce should be a representation of the end investor, and we aren't there yet. Our main collective challenge isn't only to build our diverse workforce, but to retain talent. Too many talented people join and then leave the industry because the industry is too inflexible, or because they don't find community, or because they don't see the opportunities for how they can progress. By my observation, cultures and countries differ in how they interpret DEI, but there is one similarity: gender. While it's a starting point, for underrepresented groups, focusing on gender diversity alone isn't going to be enough to affect progress.'

Where do you see DEI heading in the (Dutch) investment industry and how can we support the progress to genuine inclusion?

'I see a lot of momentum from industry leaders to make concrete progress on DEI. The ambition is to strive for and integrate principles of equity throughout the business, in behavior, policy and operations. Our own research¹ informs us that successful diversity, equity, and inclusion strategies require distinct components: a leadership that is committed, trained, accountable and with aligned governance structures in place; frequent, informative two-way employee communication; and a DEI action plan that is embedded in the overall business strategy.'

A European working group is collaborating to adapt our Diversity, Equity, and Inclusion Code² for this region, with the Dutch industry well represented. Our DEI Code aims to bring a workable framework that can support and drive DEI work in practice, with the accountability aspect of the DEI Code a critical differentiator to achieve progress.'

Your vision for CFA Institute is to be where the industry comes to skill, upskill, and reskill. How is the organization responding to the changing learning needs of the industry?

'Our Future of Work research³ has found that career paths are becoming more varied and characterized by more career breaks and greater flexibility. The primary influences on career paths are from the technology sector (via fintech) and entrepreneurs (particularly private equity boutiques).

Technical skills are most important at career entry, with soft skills, leadership skills, and T-shaped skills (a combination of deep knowledge in a single domain and wider knowledge in other fields and the ability to connect them) growing in importance over time.

Investment professionals are interested in new skills but are time constrained. We are expanding our suite of professional learning⁴ offerings to enable CFA charterholders, those aspiring to work in the industry, and indeed anyone with an interest, to get up to speed in the fundamentals of the emerging areas and to have those competencies validated. More than 33,000 individuals worldwide have registered for the Certificate in ESG Investing, including individuals in the Netherlands and charterholders who recognize the need to be proficient in newly important knowledge.

For the CFA Program⁵, we've announced six key changes that address how today's candidates learn and which further set candidates up for success in their own roles. For example, candidates now have practical skills modules to teach on the job practical applications of what they will learn in the CFA Program. The race to acquire hands-on practical skills as early as possible has accelerated and this change embraces that.

Also new, CFA Program Level III candidates will be able to select from three specialized pathways: private wealth management, private markets, and the traditional portfolio management path. This enhancement recognizes the increasing breadth of job aspirations for charterholders. All three paths will be in pursuit of one credential: the CFA charter.

Our Investment Foundations Certificate⁶ is for everyone outside of the investment function who wants a better understanding of how the investment industry works. It just relaunched with an entirely refreshed learning experience, with industry firms backing it for their own staff, right out of the gate.⁷

How do you prepare for the continuing impact of AI on the investment industry?

'We believe that artificial intelligence and human intelligence working together will be the best model for financial institutions in the future, and the industry is going to need more people who can operate at the

intersection between investing and technology. However, there's a big skills gap. Only one in four industry professionals with an interest in acquiring AI skills is actively doing so. This needs to move at pace to keep up with the fast evolving investment landscape. In April, we'll be launching a Certificate in Data Science to help investment professionals understand the fundamentals of machine learning techniques and how they are used in the investment process.

Our paper Ethics and Artificial Intelligence in Investment Management: A Framework for Professionals⁷ recognizes that AI in investment management comes with big ethical considerations and these include the integrity of data, the accuracy and validity of models, transparency and interpretability of algorithms, and accountability structures. The paper offers a decision framework to guide the development of responsible AI applications in investment management.⁷

How can we, as an industry, address the complexities of ESG and investing for sustainability?

'It is deeply complex, and we're acutely focused on identifying the obstacles and systemic factors in our industry that run counter to our collective ability to achieve Net Zero goals. That research is underway and will further inform our policies and educational offerings. What we do know is that the proper allocation of capital will be critical. Strong ESG data and disclosures help investors with sustainability mandates to augment flows in the right direction. ESG disclosures, therefore, are key.

When we set out to develop our Global ESG Disclosure Standards for Investment Products, we found overwhelming agreement that confusion exists in the market as it relates to the quality and comparability of information around ESG products. Our ESG Standards ensure transparency and safeguard trust, two values that are integral to our mission. As these disclosures become more widespread, investors will begin making their investment choices based on better, clearer, more comparable information.' ■

1 <https://www.cfainstitute.org/research/industry-research/accelerating-change>

2 <https://www.cfainstitute.org/en/ethics-standards/codes/diversity-equity-inclusion>

3 <https://www.cfainstitute.org/en/research/future-finance/future-of-work>

4 <https://www.cfainstitute.org/en/events/professional-learning>

5 <https://evolve.cfainstitute.org/>

6 <https://investmentfoundations.cfainstitute.org/>

7 https://www.cfainstitute.org/-/media/documents/article/industry-research/Ethics-and-Artificial-Intelligence-in-Investment-Management_online.pdf



Margaret Franklin, CFA

President and CEO,
CFA Institute

SUMMARY

The industry's main DEI challenge, besides building a diverse workforce, is to retain talent.

Successful DEI strategies require proper leadership, two-way communication, and a DEI action plan as part of business strategy.

Primary influences on career paths are from the technology sector and entrepreneurs.

Technical skills are most important at career entry. Over time soft skills, leadership skills, and T-shaped skills become important.

Not enough industry professionals are acquiring AI skills, even though they are much needed.