

# WHY DIVERSITY IS A CUSTOMER IMPERATIVE (AS WELL AS A CORPORATE ONE)



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- There is a clear business case for more women asset managers
- Research reports have shown mixed-gender teams perform best in the long run

Sadly the financial services industry on the whole performs poorly in terms of diversity, despite the fact it has been an issue on the radar for some time, certainly as far back as I can remember. Surely we are missing something?

Financial services firms typically approach diversity from a Human Resources perspective, in the worst case as a necessary evil to avoid litigation and at best as an employee engagement / CSR initiative. As a result, efforts are typically focused on recruitment practices, networking, shared interest groups, and general awareness-raising. All of these activities are important and effective, and they must continue. They don't, however, command the same attention and competitive drive to win that dominates more commercially focused pursuits. What if we were to consider diversity as a customer imperative rather than (or indeed as well as) a corporate one?

In thinking about this, there are two key questions to ask:

1. Does diversity provide any benefit to our customers, and is it a benefit they care about?
2. If so, can that contribute to improved business results?

Columbia Threadneedle is a pure asset management business. We provide actively managed investment funds and the primary outcome our customers value is fund performance after fees. We have therefore begun to consider whether diversity is relevant in terms of delivering long-term net outperformance – and have in fact found existing research from a number of sources to support the business case.

Firstly, we found that mixed-gender investment teams were the best long-run performers. In research measuring results from 12 months to 10 years, mixed-gender teams came out on top. We also found evidence that female asset managers produce more consistent and less volatile performance than their male counterparts. During the financial crisis, women comfortably outperformed men. This was attributed to women focusing more on downside protection than men, and sticking to their investment choices (most notably through market turbulence). This diversity of decision-making and approach adds to evidence that mixed-gender teams perform

best. Finally, we found research which suggested that while female managers are rarely among the top performers, they are less likely to be in the bottom performers. This is linked to them producing more reliable and less volatile results. These are all outcomes our customers value.

Looking at our industry, the representation of women in asset management is persistently – and alarmingly – low. The proportion of female asset managers contrasts markedly with the number of women entering other professions – in the UK women now represent 44% of accountants, 48% of GPs and 24% of solicitors at partner level. Just seven per cent of funds in the UK are managed or co-managed by women (this relative paucity of female managers appears to be a global phenomenon). At Columbia Threadneedle, 30% of our investment professionals in EMEA are women, including four out of 13 senior desk heads. We believe that diversity adds a valuable dimension to money management, and we have introduced initiatives to improve gender balance and diversity more broadly, focusing on culture and behaviours to ensure change is embedded.

I was delighted to attend the recent launch of HM Treasury's Women in Finance Charter at the Bank of England, and Columbia Threadneedle is proud to be the first asset manager to commit to this voluntary charter. Asset managers serve a diverse population. At a time when individual investors face increasing challenges, our industry needs a broad mix of experience, ideas and opinions to help us understand and deliver the financial outcomes our customers expect.

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