

DIVERSITY MATTERS

For 2017/18, Northern Trust Asset Management is partnering with the Pensions and Lifetime Savings Association (PLSA) to put diversity at the top of the priority list for pension funds.

Wayne Bowers, CIO and CEO of Northern Trust Asset Management in Europe, the Middle East, Africa and Asia-Pacific takes a look at:

- Why diversity and inclusion (D&I) is important to him
- The value of D&I in a business
- The ways in which the industry might implement efforts to foster D&I.

FIRSTLY, FROM A COMMERCIAL PERSPECTIVE, WHY IS DIVERSITY AND INCLUSION IMPORTANT?

Regardless of industry or organization size, I think it has become impossible to hide from the benefits of a diverse workforce. For starters, the statistics are incredibly compelling:

- Research by McKinsey shows that gender-diverse companies are 15% more likely to outperform their peers and ethnically diverse companies are 35% more likely to do the same.¹
- Research by Catalyst, a non-profit organization focused on workplace inclusion, has shown that companies with more women board members statistically outperform their peers over a long period of time. On average, companies with the highest percentages of women board directors delivered ROE at least 53% higher than those with few women.²

¹ (Vivian Hunt, 2015)

² (Nancy M. Carter, 2011)

Who is Wayne Bowers?



Wayne Bowers is Northern Trust Asset Management's CIO and CEO in Europe, the Middle East, Africa and Asia-Pacific, as well as chair of the regional Northern Trust Asset Management Diversity & Inclusion Council.

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- Deloitte Australia found that when employees think their organization is committed to diversity, they report higher ability to innovate, (83% uplift) responsiveness to changing customer needs (31% uplift) and team collaboration (42% uplift).³

It is hard to argue with statistics like these. Ask a group of business leaders if they would like to double their ROE and raise innovation by 80%, and I can pretty much guarantee they will all say yes.

FOR YOU PERSONALLY, WHY DOES DIVERSITY MAKE SO MUCH SENSE?

As a leader of an asset management organization, I see my team in a similar way to an investment portfolio. Do I want to put 100% of my money in a portfolio of a single type of security, or do I want a diverse portfolio made up of a variety of securities that all react differently to different environments? The latter, of course. The same goes for my team. From a pure investment perspective, one thing Northern Trust has always encouraged is a difference in opinion. You want the ability to discuss different viewpoints in order to bring out risk cases, rather than having everyone around the table say “yes, that’s a great idea.” It’s a good quality, not just for asset managers, but any good company: to allow people to discuss differences openly.

It is also important to reflect your clients. I manage a team of 160 people globally who have high client interaction. It is critical, therefore, that they have a high level of cultural awareness with the global clients with whom we work.

CAN HAVING MANY DIFFERENT VOICES AT THE TABLE PRESENT CHALLENGES FOR FIRMS INTERNALLY?

Clearly, bringing differing opinions together can create natural challenges, but an organization can mitigate these by encouraging individuals to embrace differences. The easiest way to do this is to include a diverse array of talent around the table. Employees should not all be trained from the same school, have the same qualifications, or have work experiences that are too similar. You must look for a diverse set of individuals that make up your talent pool. Combined with a culture of openness and respect, this should be the recipe for a positive, innovative group.

³ (Deloitte Australia, 2013)

Integrity

in·teg·ri·ty

[in'tegredē] noun

the quality of being honest and fair

As one of Northern Trust's core principles, integrity drives our approach our employees and our customers. This commitment to hiring the best talent and ensuring our working practices enable all to perform made the partnership with the PLSA a natural fit.

WHEN YOU LOOK AT DEMOGRAPHICS ACROSS THE FINANCIAL SERVICES SECTOR, ARE THERE PARTICULAR THINGS YOU FEEL MUST BE FIXED OR PAID ATTENTION TO?

I believe we need to encourage a better gender balance in the industry across all levels. But there's a challenge: the financial services industry is not the only one wanting to attract female talent. We need to work hard if we want to bring more women into the industry.

In some instances, women are proactively taking ownership of their careers and reaching out to organizations directly, bypassing recruiters. While this tends to be at more senior levels of management, it is indicative of a change in the process.

WHAT PARTICULAR STEPS HAVE YOU TAKEN TO BRING WOMEN INTO THE BUSINESS – AND TO KEEP AND PROGRESS THE WOMEN YOU HAVE?

When hiring talent, it is part of our process to consider diversity with the hire. If we notice an existing bias in certain parts of the business, we work closely with internal and external recruiters about who we want to see. Furthermore, we are taking innovative steps to ensure roles appeal to a wider demographic:

- Since 2012, we have offered employees the flexibility to “Worksmart.” This means that individuals whose roles do not require them to be office-based can work from home up to four days a week. Because this substantially reduces commute times, we have found this to be highly appealing to people with young families or other caring responsibilities.
- We have been working with our Recruitment and HR partners in order to start programmes to bring women back to the workforce after an extended time off with children.
- We have signed the Women in Finance Charter, setting a target to increase the number of women in Northern Trust senior management roles in the UK to 35% by December 2020.

We have a series of employee-led councils to drive diversity efforts and support our employees, including Women in Leadership, Asian Leadership, Black Business, Advancing Professionals, Working Families, LGBT, Disability and Experienced Professionals.

BEYOND GENDER, WHICH OTHER GROUPS OR ISSUES STAND OUT AS BEING A CHALLENGE CURRENTLY?

Interestingly, a prevalent challenge that is one of my own unconscious biases is that of education and degree choice. While there are times when we do absolutely need someone with the skill set that accompanies a quant degree – such as if they are a quant analyst and constantly sifting through data. In that situation, fine art just isn't relevant, just as you couldn't hire a geographer as a doctor. But there are many roles in the industry where we could consider candidates from non-traditional routes. The challenge is not only finding them, but also getting past our biases and bringing them to the interview stage. There is risk involved, but where employers can do this, the results can be exciting. For instance, one of our country risk analysts used to be a teacher. He spent years in South America and had fantastic political assessment ability. He didn't come in through a traditional sovereign analyst route, but was one of our best sovereign analysts in terms of being able to interpret local political issues. Northern Trust is open to a variety of forms of work and life experience, including independent steps individuals may have taken to further their own growth and personal development.

THE PLSA BREAKING THE MIRROR IMAGE PROGRAMME IS DESIGNED TO SUPPORT, LEAD AND ENCOURAGE A MORE DIVERSE WORKPLACE PENSIONS SECTOR – DO YOU THINK YOUR EXPERIENCE OF THE IMPORTANCE OF DIVERSITY TRANSLATES TO PENSION FUND TRUSTEE BOARDS?

It is absolutely relevant. Any organization with a diverse group of contributors is better positioned for success. In this particular instance, the board of trustees is designed to speak on behalf of the pension fund's members. How can it do this effectively if the board looks completely different than the pension fund members?

Let's take gender diversity as an example. Women and men think differently about investments. Women tend to have a longer-term view, to trade less and be more risk-averse, whereas men are typically more confident and adventurous in their investment styles. Clearly, having a mix of these approaches on the board will contribute to better results for plan participants.

**Northern Trust People –
A Diversified Portfolio**

Fostering and supporting a globally diverse and inclusive workforce is a fundamental strength of Northern Trust that helps us succeed as a business enterprise and community advocate.

The quality of all Northern Trust partners, performing as individuals and working together as teams, clearly distinguishes us from our competition. A diversified workforce is one of our strongest assets to best serve our clients, investors, public and company. [Find out more.](#)

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As a leading global asset management firm, our investment expertise, strength and innovation have earned the trust and confidence of the world's most sophisticated institutional and individual investors.

With \$1 trillion in total assets under management,* and a long-standing history of solving complex investment challenges, we believe our strength and stability drive opportunities for our clients. Our comprehensive asset class offering includes passive, factor-based, fundamental active and multi-asset class solutions that are available in a variety of investment vehicles.

Learn more at northerntrust.com/strength.

*Represents total assets managed by the subsidiaries of the Northern Trust Corporation as of [30 June 2017)

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