LOOKING FOR THE BEST TALENT?
WIDEN THE NET

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In the many years I have been advising financial services clients on diversity it would appear that a sea change in attitudes has taken place. Driven by the requirements of a global economy and the search for growth beyond traditional regional borders, the benefits and bottom line impact of hiring a diverse team are well recognised by the senior leaders I talk to.

But, do they really do it?

Unfortunately, in many cases, the answer is no. Yes, in the BRIC economies it is acknowledged that it is essential to hire people on the ground. Yes, a cultural fit is an absolute requirement, for example, in many parts of the Middle East. Yes, it is helpful to employ individuals that already understand the drivers of a successful business relationship in Japan. Yes, we can all understand the economic benefits of hiring graduates straight from Tsinghua University, China or the University of Mumbai.

But why, when I visit clients in their own offices and on their own trading floors have the faces not changed. Or, correction, not changed much. Despite any number of diversity officers, diversity programmes and, in many cases, lengthy diversity reports.

This is, of course, probably the case for many businesses. The fact that there is only one black CEO of a FTSE 100 and the lack of women on UK Boards regularly makes the headlines seems to indicate a lack of progress in the UK at least. But, it is particularly true of financial services. If some of the institutions I advise were to look again at this issue, they would see the huge benefits to be reaped from widening the talent pool available to them.

Diversity should not be a specialist or controversial area. It is simply about finding and investing in new and better talent, opening more doors and, ultimately, doing better business.

Diversity and investing in emerging talent needs to be pushed up the agenda of global financial institutions. It is the 21st century and, unlike other global industries, many financial services businesses are still at the talking stage due to actual or perceived internal barriers to change and a lack of obvious diverse talent pools.

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The race and gender issue

Diversity is not just about race and gender. It is not purely about hiring more women or, for example, interviewing people from different cultural backgrounds. It is much more. Diversity is about hiring the best talent by looking outside of the traditional places for it. It goes across social and geographic barriers and encompasses everything from access programmes and mentoring schemes to hiring senior people from different industries.

"If we want to get away from the tick box culture of diversity we currently have, we have to get away from 'diversity reporting' that over-simplifies the concept. For the last 15 years diversity reporting has distracted many organisations away from actually doing something"

Unfortunately, despite years of declaring its importance, many global financial institutions continue to see diversity in very narrow terms. It is a regarded as a 'specialist' issue and, as such, is confined to the back rooms of HR to be looked at once a year. While the last 10–15 years has seen plenty of obvious activity – diversity officers, outreach programmes, diversity breakfasts and lunches - for many institutions these are tick box Corporate Social Responsibility activities that bear little relation to front line operations.

Investment vs cost

It is, of course, wrong to say that all institutions take this view. There is a spectrum. Some institutions are well advanced in their commitment to diversity; with programmes running for the best part of 20 years and clear evidence of change in their senior teams. For others, it is very much the beginning of the road.

Typically, for these institutions it is the 'specialist' tag that needs to be overcome. In my experience, those charged with diversity are doing a good job within the budget and parameters they have been set; but it is the parameters that are the problem. In the unusual case where the diversity officer / team reports into the Executive Committee, or has the ear of a senior individual, diversity activities are more likely to be properly integrated into the business and progress made. Some organisations may have appointed senior people to take diversity roles, but unless there is true recognition of the benefits and commitment right at the top, anything with diversity in the title tends to be seen as an operating cost, rather than an investment activity.

Historical norms

In all businesses people hire people like them. Sometimes we do it because it is the low risk option but, more often than not, we do it because that is the way it has always been. In financial services it is frequently easy to spot who sits where in an organisation: the private banker; the bond trader; the European hedge funder.

“A year or so ago I was invited by a client to do a presentation to graduate trainees – all from inner city areas. I was asked because there was no internal representative of a sufficiently high level at the institution to make the presentation”

London and most European financial centres are very much behind New York in this regard. US institutions have historically been more proactive in challenging norms and, of course, Scandinavian businesses have aggressively appointed women to senior positions for the last 20 years. In London, where deals are done and senior roles are often filled in the restaurants and clubs of Mayfair there has and continues to be fewer opportunities for ‘different’ candidates.

The transactional nature of executive search

Historical norms are perpetuated by the transactional nature of the executive search process. Few leaders actively wish to take a risk on a senior hire; for most the priority is to protect the P&L – and that dictates a low risk option. Someone who can make an instant impact and who requires little time and support. For this reason, when a search comes to me or to any other executive search partner, the criteria are frequently narrow. I am usually asked for someone who is either doing the role already or who is ready to move from their current (similar) organisation and take a step up.

Executive search firms themselves must not be let off the hook – established teams can be part of the problem. With long term relationships in place, mandates regularly end up on the desks of individuals that fit the spec themselves. Some may have even moved into the industry from the very institutions they are now recruiting for. They are from the same world and have the same contacts.

Lack of ‘diversity’ candidates

A valid argument if the search profile is narrow. If the criteria for a position are as described above, it is very likely that there will be a lack of candidates to choose from. If a client is bold enough to change the criteria and look outside the usual pool – he or she will find a wide range of suitable individuals.

So what is the solution. If financial institutions are serious about the benefits of diversity and are prepared to find and invest in new and better talent, how should they proceed. How can they break down the barriers that have put the brakes on progress to date?

The first step is to acknowledge that this is a holistic process and is something that will take time. It is a long term trade that cannot be cashed out in a year. Institutions can break the cycle through a set of actions that may not seem much individually but, taken together form a sustainable programme that not only delivers change but that minimises risk. A certain level of risk must be accepted in the early stages but, over time, a tipping point will come at which proactive intervention is no longer required.

In simple terms, my advice to clients is to think about where you are on the spectrum of progress and take a long hard look at the importance you place on this issue internally and how it is integrated into your business. Make some simple changes to the way you recruit for both junior and senior roles and relook at the support that you have in place for candidates when they join your teams.

Senior team buy in is essential

A commitment to diversity is a cultural change that will only take place if senior management buy into it. Institutions must look at their HR and diversity capabilities, where they sit within the organisation and how much influence they have. As noted, it is not the individuals working in the space but the level of commitment and the budget available that will empower them and make a real difference. Senior management must be able to convincingly and continuously articulate their own, and thus the firm’s, commitment.

Start small

There will be no buy in if you try to change everything overnight. Start with small projects where change can be measured and risk managed. Some organisations might want to start by looking at the profile of their own HR teams.

Widen the net and the search terms for some roles

This is not about quotas – it is about hiring good people, on merit. Enlarging the talent pool to include people of different backgrounds and experience means institutions must step outside of their comfort zones. They must widen the net – perhaps by looking in different places – or by accepting that candidates might not tick all of their historic boxes. Different industries are a good place to start – firms such as Google, Microsoft and other large but relatively young businesses are unencumbered with historic norms and typically hire creative, dynamic individuals who can bring immediate benefits.

"It is perverse to actively seek out, for example, black friends because you ought to have them but, from a business perspective, it is not perverse at all to leverage your professional network of qualified black professionals"

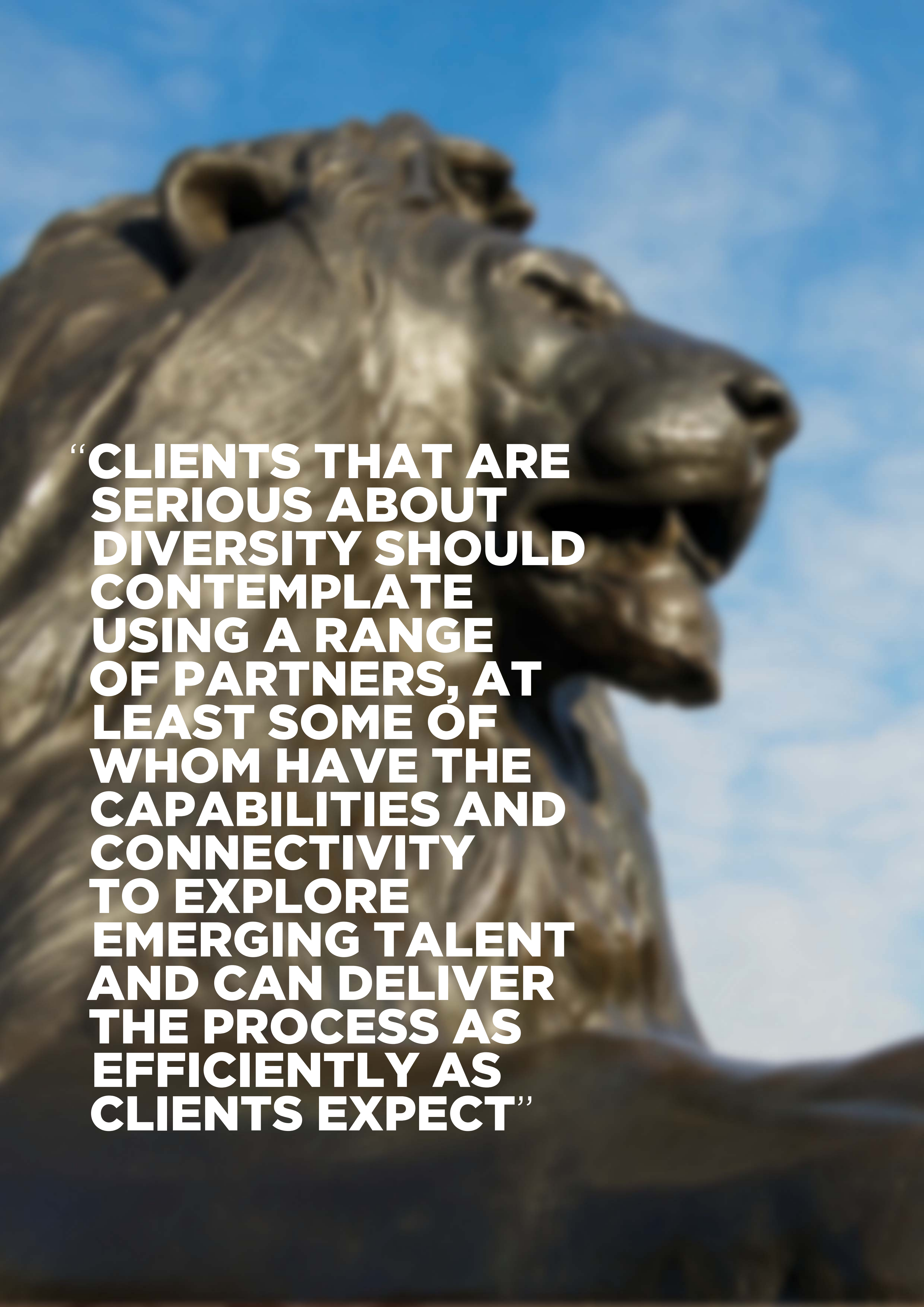
To minimise risk, I advocate that clients begin this process with strategic rather than revenue generating roles.

Consider rewarding those that take risks

An Executive Committee should consider how it usually effects change in the organisation. If a commitment to diversity is deemed to be a business objective – should it sit alongside other objectives with metrics against it? This might not be appropriate for all areas of the business, but for teams with a high turnover, including diversity metrics in the rewards mix can only help to underline what the business is trying to achieve.

Look for search partners who can deliver change

Executive search is about putting the right people in front of clients. Good teams can always find someone that meets the brief but not all are prepared to question it. Clients that are serious about diversity should contemplate using a range of partners, at least some of whom have the capabilities and connectivity to explore emerging talent and can deliver the process as efficiently as clients expect.



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Invest in support and retention

When institutions are investing a lot of money in attraction they should also be concerned with retention. New hires cannot be made into a vacuum. If you are planning to recruit a senior team member from a different background or industry, in the early stages, they will need a supportive team around them to make it work. This is equally true for more junior roles. For individuals who have joined, for example, through the graduate training route or on international placement, career paths need to be set out and backed up by support structures such as mentoring programmes.

Put in place long term activities to deliver new candidates

Changing the way you recruit at the bottom of the ladder is an inexpensive way of widening the net. If institutions are growing their own talent, at some point there will no longer be a need to do any of the above.

Several of the institutions I work with have long term programmes that go into schools and engage kids early. These schemes create interest in financial services as a career and go on to support those with potential through university and internships until they are ready to progress on to a job. It is an obvious point, but it is very clear that the schemes that have been the most successful are those that are properly integrated with the businesses they are designed to feed. Those that are designed to look good in the Annual Report tend to have rather less impact.

Michael Barrington-Hibbert

Michael Barrington-Hibbert is the Managing Partner of BHA and oversees the firm's Financial Services practice. He founded the firm in 2010 having previously worked for Odgers Berndtson the UK's pre-eminent executive search firm. Michael has an extensive global track record in primary and secondary banking and markets appointments, both on the sell and buy side. Client activity spans the developed markets of EMEA, North America Asia and the Middle East.

Michael is responsible for key client relationships for BHA, operating at Board and Global Management Committee level. Clients include Global Investment Banks, Insurance Companies, Asset Managers, Hedge Funds, Family Offices & Private Equity Firms.

Michael graduated from the University of New York with a dual degree in Business and Strategic Leadership before joining Morgan Stanley in New York. Five years later, in 2005, he moved to London where he began his headhunting career.

A proud REACH National Role Model, Michael represents the Government-backed REACH programme; an initiative to raise the aspirations and achievements of young black men. His hard work and deserved success was recognised in the PowerList 2010, sponsored by JP Morgan and Thomson Reuters, a comprehensive compendium of the most influential black people in Britain today.

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