

Fiducient Advisors, Nonprofit Investment Stewards Podcast Episode 55, December 21, 2022

A Leader's Guide to Organization-Wide Diversity, Equity, Inclusion and Belonging with Karen Paulson

[00:00:00] Welcome to Nonprofit Investment stewards with Bob DiMeo and Devon Francis from Fiducient Advisors. Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment, foundation or retirement plan investments, this podcast exists to help stewards improve performance, reduce costs, and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:26] Now onto the show. Hello, and welcome back to the Nonprofit Investment Stewards podcast. I'm Bob DiMeo, always good to be joined by cohost Devon Francis. I look forward to today's episode for a couple of reasons. First, we have a Fiducient colleague joining us who is not only wonderfully talented, she's a very kind and caring person that I think our listeners will enjoy getting to know.

[00:00:51] Also, she's one of the firm's true leaders in the topic of diversity, equity, and inclusion, and she's about to present thoughts on not only how firms can [00:01:00] view DEI, but also how investors might put DEI strategies into action. Devon, how are things and what do you think about today's episode? I'm great, Bob.

[00:01:10] Thanks, and I'm so excited. This is really such an important topic and I have known and loved Karen for more than 20 years, and she's a true expert and a leader at the firm on diversity, equity, inclusion, and belonging. So she's the perfect guest. I think it's gonna be a great conversation. So let me give a little background on Karen.

[00:01:30] Uh, she is a partner and senior consultant. She serves institutional clients, including 401(k) and tax-exempt retirement plans along with nonprofit endowments and foundations. As we mentioned, she's the chair of the firm's Diversity, Equity & Inclusion Steering Committee, and she's also a member of the Firm's Defined Contribution Strategic Oversight Committee, the Mission Aligned Investing Committee, and the Employee Engagement Team.

[00:01:55] So she wears many hats at Fiducient. She's very busy. Among her [00:02:00] many achievements, Karen was named to the inaugural list of the National Association of Pension Advisors (NAPA) Top Women Advisors. She earned her BSBA from the University of Hartford, Barney School of Business. And she obtained the title Certified Investment Management Analyst, CIMA®, from the Investments & Wealth Institute™ accreditation program at the Wharton School of Business.

[00:02:22] And she's a member of the Investments & Wealth Institute™. Karen not only serves nonprofit clients, she also volunteers as an investment committee member for the Girl Scouts of Connecticut. So, Karen, thank you so much for joining us and welcome to the show. Well, thank you for that warm welcome, Devon. Karen, we're absolutely thrilled to have you here.

[00:02:41] And maybe we can start out with a little bit of background. Perhaps you can share a bit about the clients you serve and the satisfaction that you derive from working with clients. Yeah, thanks, Bob. Uh, as Devon mentioned, I'm a bit of a generalist, so about half [00:03:00] my clients are in the not-for-profit space.

[00:03:04] I work with endowments and foundations of all types. and uh, 403(b) plans for not-for-profits as well. And then I also work with traditional retirement plans for corporations. But I particularly love working with my not-for-profit clients because it's very satisfying to know that the work that we do really helps support the array of missions that they serve.

[00:03:30] And when we talk about DEI and B, first, just so we're all on the same page, how do you define DEIB? Especially the B as there seems to be less familiarity there. Yeah. D E I B, as you noted, stands for diversity, equity, inclusion, and belonging. And I think of it as a methodology for companies who wanna prioritize building inclusive workplaces.

[00:03:57] And why is that? Because we know that diverse [00:04:00] teams produce better results. So, let's start with the basics. So, diversity, think of the company's diversity profile as the diversity data. It refers to how diverse, how diverse a company is in terms of things like race, gender, other what we call dimensions of diversity, like sexual orientation, age, national origin, and whatnot.

[00:04:27] But the reason we don't want to stop thinking about diversity at that most basic level is because simply working with a diverse company does not mean everyone feels welcome or valued. So that's where we move into these other descriptors, equity, inclusion, belonging. When you think of equity, think of, think of that as fairness and impartiality.

[00:04:51] So this translates into all employees at a firm having equal opportunities to grow and to thrive. [00:05:00] It also means creating room for underrepresented voices and tackling unconscious biases in the workplace. Inclusion goes on to take equity a step further. So beyond just ensuring people are treated fairly, inclusion focuses on creating a welcoming environment for everyone.

[00:05:19] It means placing intentional focus on making sure that everybody has an opportunity to share their views and their opinions, not just those that are comfortable in the spotlight. And then belonging, as you mentioned, Bob, is the newest addition to the D E I B values paradigm. So, a culture of belonging can only happen if you've done a good job with the D, the E, and the I.

[00:05:45] If employees feel a sense of belonging, it means that all employees from diverse backgrounds have genuinely positive relationships with each other, and this is what allows a workplace to truly flourish. [00:06:00] That's a, that's really helpful background, Karen. Uh, I'm gonna roll two questions into one. First of all, what has motivated you personally to become a leader at the firm in these types of issues?

[00:06:13] And then before we get to specifics, are there any macro trends or observations relating to DEIB that you'd like to share with the listeners? Sure Devon. Uh, great questions. So, in terms of what motivated me, that's actually pretty easy. When I think back to when I first started my career as an institutional consultant.

[00:06:36] Back in the mid-nineties, there were hardly any women at all in this business. I think back to my previous firm where I started my career, and we would go to national events couple times a year, and if there was a room with 85 or 90 institutional consultants in it, there was probably less than [00:07:00] a handful of women.

[00:07:01] I always found that to be unusual. I never quite understood why that was the case, but be that as it may, I think about how my success was really on the back of being fortunate enough to have colleagues around me, mostly men at the time, but nonetheless, colleagues around me who were very supportive of my career and really wanted me to succeed.

[00:07:31] And when I think back to my first career even prior to being an investment consultant, I had a female leader who served as my personal mentor and her wisdom and her coaching served me well throughout my entire career. And I still think about her to this day. And frankly, I wanted to pay forward what I was given in [00:08:00] terms of support and seeing how challenging it was to be from an underrepresented group, which of course in this business I was, and still am.

[00:08:11] Really the benefit of that mentorship. I've been very passionate about mentoring colleagues. I've mentored several colleagues over the last 15 years who have all gone on to become partners, including two very accomplished female partners at the firm. One of them being me. Exactly.

[00:08:36] And then your other question was trends and observations in general on DEIB. Is that correct, Devon? Yes, that's right. So, I think three of them would come to mind, one being that business leaders have come to understand that DEI must be moved out of HR departments to [00:09:00] become a whole firm endeavor.

[00:09:02] And I'll be speaking more about that in a bit in terms of how we strive to do that at Fiducient. The second trend I've seen is that leaders recognize that in order to advance DEIB goals, we have to hold ourselves accountable. And the way we do that is by tracking and reporting on our efforts and our metrics with the goal of demonstrating progress over time.

[00:09:29] And then finally, and this is a little bit more specific to the investment management industry, we've noticed that our clients, particularly in the not-for-profit space, are becoming more vocal about wanting to partner with advisors who prioritize DEI within their own workplaces and who can also influence the broader investment industry to be better.

[00:09:53] And on top of that, we're seeing more clients who wanna advance their own missions by incorporating diverse [00:10:00] investment firms into their portfolios and needing experts who can help on that front. So, I'm gonna mix things up a bit and Bob, I am going to put you in the hot seat instead of Karen for just a moment. Uh, so as CEO of Fiducient, why should high performing organizations put effort into their DEIB initiatives?

[00:10:22] Well, boy, it's a really good question and it's one that, uh, it, it matters a lot. So, I'm white and I'm male. I didn't choose that. I am what I am. And I'm CEO of a fairly large organization, and lots of organizations are led by white males. And if we as a group are not engaged, change on this front will be very slow to come.

[00:10:45] So I think that's what Karen was inferring. And uh, it has to be organization wide, not just in the HR department. And then that might lead to why should DEI efforts be important to [00:11:00] everyone? And I think there's really a twofold reason. First is, it is fair and it is appropriate in terms of an approach. That's just what it is.

[00:11:09] Things like awareness, efforting to combat our own bias, being intentional about inclusion. These are all just proper and compassionate ways to go about things. But just as important, diverse groups and opinions really lead to better outcomes. We firmly believe that, and there are countless examples, whether it's investment teams that have composition of various types of groups and backgrounds and such.

[00:11:38] And, and, and that leads to better outcomes and results. Or think of scientific breakthroughs. I was reading a little bit about Pfizer's development of their Covid 19 vaccine. They tapped all sorts of resources.

[00:11:52] And sort of the power couple that led those efforts for Pfizer was a Turkish German couple, and [00:12:00] I could just go on and on. Sports teams, a football team has a great defense and special teams, but a stale offense, they'll bring in an outsider with a different opinion. So, we do believe it's right and proper, but I also firmly believe that it produces better outcomes.

[00:12:17] Frankly with that, it's probably a, uh, good segue to put Karen back on the hot seat. And Karen, you chair the firm's DEI Steering Committee. Can you share the purpose of that committee and perhaps touch on the employee engagement team as well? Sure, Bob. So that committee is a 10-member group of fairly senior level men and women from diverse backgrounds all over the firm.

[00:12:42] And our purpose is to be a think tank of sorts and to work with executive leadership, HR leadership, our business councils, and other influential committees around the firm. [00:13:00] And what we do is we create and we help drive initiatives that support what we call our three pillars of DEIB. And Bob mentioned the, you, you mentioned the engagement team.

[00:13:14] Our employee engagement team grew out of an idea that came from our steering committee's efforts. So that team is a rather large team. It actually consists of 24 members, truly inclusive. And what do I mean by that? We've got managing partners, partners, principals, associates from every job family and geography throughout the firm.

[00:13:40] And it came together organically. And that's important because engagement really means feeling like you have a purpose. And at Fiducient, we want to make sure everybody feels like their voices and their opinions are heard. And so, this [00:14:00] group is really responsible for three things around the E, excuse me, the I and the B at Fiducient.

[00:14:09] One being our community service efforts. So, we have a subgroup that's our community service committee, so all the fundraisers and community service and volunteer events that we do. And we do a lot of them. We wanna seek to align all of those efforts with our DEI values whenever we can. So, we make sure we're doing that by being very involved at the steering committee level in this community service committee segment of the group.

[00:14:35] Second is what we call our Colleague Connections committee. So, think the things we do to get together and have some fun and get to know each other better. So, the happy hours, the social gatherings, the lunches, the team building events. And here we're seeking out partnering with diverse owned businesses for these events whenever we [00:15:00] can.

[00:15:00] So I think about, for example, a couple of months ago we did a yoga event at the firm where we brought in a diverse owned, uh, owner of a yoga studio. We had coffee and ice cream gatherings. Again, diverse owned businesses that we brought into the firm to host those events for us. And those were all ideas that came from this engagement team, knowing some of these local businesses and searching them out.

[00:15:37] And then the third segment of that group is the Employee Recognition Committee. And we seek to recognize our colleagues around the firm who've gone above and beyond in their jobs. And so, this is just a way to bring people together throughout various levels, from various backgrounds in the organization.

[00:15:57] And really think about ways to make [00:16:00] Fiducient feel more inclusive, and that everybody belongs. And I've been a part of the Community Service Committee and now the Colleague Connections Committee. And it's just such a valuable endeavor and, you know, personally it's so refreshing to sometimes take a step back from the investments and then focus on the culture of the firm.

[00:16:23] And I really do think that those underlying committees make such a difference. So, Karen, you mentioned very quickly that the firm has three DEI pillars. Can you go into a little more detail about those pillars? Yeah, absolutely. So, we attempt to weave what we refer to as the three pillars of DEIB into the fabric of our firm.

[00:16:46] And in doing that, we say the key to our success is understanding where we are, getting better, and holding ourselves accountable. And those three pillars are [00:17:00] one, culture and colleagues. Two, investments and influence. And then the third pillar is efforts and outreach. So first let me talk about culture and colleagues a little bit.

[00:17:12] This is how we create a diverse culture and nurture that diverse culture and support the growth of all of our colleagues so that everyone feels equally valued here. So, when I think about creating the diverse culture, we're talking about recruitment efforts, having policies in place to ensure that all of our hiring includes a diverse slate of candidates, a diverse slate of interviewers, whenever that's possible.

[00:17:46] Making sure that we have policies on mentoring and promotions to make sure that all of our colleagues are getting equal consideration for opportunities throughout the firm. That [00:18:00] also includes some of the internal trainings that we do to make sure that we are continuing to focus on that

diverse culture and making sure everyone is well informed and educated, and some examples of what we've done in the last couple of years on that front would be, We had a five part lead, like an ally series, where we brought in a DEI consultant who was a specialist in this area to teach all of our colleagues about what it means to be an ally.

[00:18:41] And just really the language of diversity, equity, and inclusion. And from there, we went on to do a workshop this year called Facilitating Inclusive Meetings. Bob and Devon, I'm sure you can agree that if there's one thing we do a lot of at Fiducient, it's meetings. And [00:19:00] uh, for all of us to be able to be better about how we conduct ourselves.

[00:19:08] As either meeting facilitators or meeting participants, making sure that we're using inclusive language, that we're acting as an ally, that we are making sure that we're engaging everyone around the table and actively and intentionally soliciting their opinions and ideas, are the kinds of aspects that we're trying to bring into the culture of the firm when we have these trainings.

[00:19:36] So we want them to be actionable, helpful, and applicable to our work. The second pillar I mentioned was investments and influence. So that is how we use our clout with our partners and in the investment management industry to advocate for more diversity in the industry as a whole. I'll be getting into that more in a bit, [00:20:00] but for now I'll just mention.

[00:20:02] One thing that we have been doing for the last three years or so is reaching out through our manager research team to about 250 or so of our most frequently used investment managers to ask them to report their diversity statistics to us. So, we're building that database. We're able to then go back to our clients and report to our clients what their investment managers' diversity statistics look like, and that will certainly help us over time.

[00:20:41] Understand what the investment management industry is looking like, and hopefully over time help to influence the importance of DEI at those firms. And then over time, leaning more into the firms who are focused on their own DEI [00:21:00] efforts. And then finally, efforts and outreach is our last pillar. And this is how we give back and support our local communities in a way that aligns with our DEI values.

[00:21:14] One example I'll mention here is our unique internship program. It's spelt a little bit differently. I N T U R N S H I P program. Uh, this was something that we created back in 2020. So we've done it for three years now, and it is our way of introducing college students from underrepresented groups to our industry, helping them learn more about it.

[00:21:49] And helping them find stepping stones to get into the industry and perhaps even a future career at Fiducient. [00:22:00] Because the one thing that we have found in the investment management industry is it is notoriously one that college students from diverse backgrounds we have noticed don't have any familiarity with.

[00:22:16] So we looked at this as an avenue to start to build that pipeline of college students getting right into that industry. And I would say in the last three years, about 75% of the students who participated were from diverse backgrounds. That's great, Karen. And we know the numbers. Uh, we started in June of 2020 and that was a time, a dark time as folks can recall, and it was a great time to begin that program.

[00:22:48] And now I think we've had over 150, uh, college students, many of them rising seniors, participate. So that's been wonderful. Let me ask. What can [00:23:00] leaders do to develop diverse talent and to develop an inclusive culture? Any examples or stories that you can share on that front? Uh, sure. So, when it comes to sourcing talent, I think creativity is the name of the game.

[00:23:15] So what we've noticed is that you definitely have to look beyond the traditional ways to source talent. And what do I mean by that? Well, what we've done is we've partnered with companies who focus on helping place underrepresented groups into career opportunities, organizations like Year Up, National

Black MBA Association, National Black Accountants Association, Women's Association of Venture and Equity, Women Investment Professionals, Chicago Financial Women, just to name a few.

[00:23:57] We also strive to ensure our [00:24:00] hiring managers are presented with a diverse candidate slate throughout the interview process and prior to making a hiring decision. So, I think that's very important for leaders to focus on that intentionality whenever it makes sense. Uh, I guess I would say another, uh, another aspect that leaders can be focusing on is making sure that their leadership and their hiring managers are also well educated on, uh, diversity.

[00:24:41] Through, for example, what we've done is we hosted a workshop just for our leaders called Thoughtfully Inclusive hiring best practices and international diversity recruiting, and then, finally, another example of what we've [00:25:00] done is we added earlier this year a talent acquisition specialist to our team who is a woman of color, and she is focusing more on these different avenues for talent acquisition.

[00:25:17] That's great. So it's clear that we have to be very intentional, um, and that's something that we're doing and, and also something that we encourage other firms to do as well. Absolutely. So, let's shift a little bit and talk about portfolio implications and how investors might think about using their portfolios to advance DEIB.

[00:25:37] So we mentioned earlier that Fiducient is one of the pioneering members of IIDC. What is that and why do you think it matters? Yeah. The IIDC is a collection of some of the largest and most prominent institutional investment consultants in the industry, and the members of that group are [00:26:00] responsible for the stewardship of about 50 trillion in assets held at institutions for retirement plans endowments, foundations, operating funds and whatnot.

[00:26:13] And clearly there is a lot of clout among this organization represented by some of the largest investment consulting firms in the country. And the goal here is to promote greater diversity in the institutional investment management industry by advocating for access to data that would capture these multiple dimensions of diversity.

[00:26:40] So we really wanna use our influence for good, as we believe that having more underrepresented minorities in ownership and leadership and portfolio management roles improves the conversation, opens opportunities for everyone, and results in greater [00:27:00] benefits. But believe it or not, the data is very difficult to capture.

[00:27:06] And the IIDC is doing some very good work, but we still have a ways to go before we can capture the kind of data that we want in the most robust fashion that we can. So it is, it is a work in progress, but we are very encouraged by how far that organization has come. Karen, we've mentioned a couple of times, we've heard about awareness and folks creating and having awareness.

[00:27:35] Do you have any thoughts on best practices to create awareness and to align boards and committees on this front? Yeah. When I think about how we do that, I think about the, the fact that DEIB from a client perspective is almost a subset of the work that we do in the mission [00:28:00] aligned investing committee.

[00:28:02] And when I think about our approach to, uh, engaging our clients at the outset, when they come to us and ask how we can help here, the best approach that we have been able to incorporate into this practice is having meaningful conversations with the clients. And we do that by, uh, having them fill out questionnaires. And we have them do that individually.

[00:28:39] And we have them each explain why DEIB is important to the organization and how seriously they wanna express that in the portfolio and what they envision for, uh, their approach to doing that. So, [00:29:00] we can assist them in framing their specific objectives and be thoughtful at the same time in how we develop their approach and their manager rosters to meaningfully integrate the DEIB, the DEIB lens into their investment practices.

[00:29:19] So then we go on to have a conversation with them as a group. And like we always say, if you tell us the why, we will help you with the how. Thanks. That's really helpful. So yeah, that's really helpful perspective. Thank you, Karen. So, we've covered a lot in this conversation today, and obviously as we talked about at the beginning, it's a really important topic.

[00:29:43] Is there anything else that you'd like to add or underscore before we wrap it up? Yeah, Devon, there is something I would like to underscore and add. I'd underscore that over the last few years, as I mentioned earlier, we have [00:30:00] elevated our intentionality around this work and while we've significantly advanced our efforts and feel like we have great momentum, we recognize that we have more to do.

[00:30:10] So, we fully recognize that this industry has been traditionally more male and white, and we're committed to doing our part to look more like clients and communities we serve over time. What I wanted to add is that you heard me say early on in the conversation when I talked about the importance of adding DEIB into the fabric of the firm.

[00:30:39] One initiative that we have for 2023 is to literally engage every colleague in the firm in DEIB in some way. So, we talk about our firm's citizenship objective for every colleague at the firm. [00:31:00] How we're always thinking collectively about making the firm a better place to be. And so, one thing that we're going to do is we're going to add as the firm citizenship objective, an annual performance objective.

[00:31:17] Around how do you contribute to our DEIB work? And that's a very, very broad and deep list on how we think that those efforts can be achieved. Everything from participating on one of our DEIB focused committees, whether it's through manager research or the overarching committees that I described previously.

[00:31:43] Sharing resources, collaborating on ideas with clients and service to DEI, participating in volunteer days and giving opportunities, writing articles, attending DEI-focused conferences, [00:32:00] events, you name it, or create your own performance objective that resonates with you. So, there's a whole host of ways.

[00:32:09] That we think our colleagues can get really excited and engaged in making sure that our organization is a wonderful place to work. So, I've shared a lot about what we're doing at Fiducient and I hope that there might be a few nuggets of inspiration in here that your listeners can take away for their own organizations.

[00:32:31] Absolutely. Thank you so much. So, one quick personal question before we wrap it up. We know when you're away from the office and you're not volunteering, you have some free time. You do enjoy diving into a good book, woman after my own heart. You know I'm an avid reader. Uh, so do you have any great recommendations for our listeners?

[00:32:51] Yeah. Thanks, Devon. Well, my reading interests do run the gamut, but most of what I tend to gravitate towards is nonfiction. Unlike you, I know you love your novels. [00:33:00] I do. And I especially love the true stories that you can't make up if you tried. And to this day, one of the most fascinating books I've ever read is called Struck by Genius, how a brain injury made me a mathematical marvel. And it's, uh, autobiography by a gentleman.

[00:33:16] Jason Padgett, who was basically an ordinary guy who would describe himself as a college dropout, who really never cared much about math or art or anything, but partying for that matter, and, uh, described himself as well below average in terms of his, uh, intellectual prowess. And unfortunately, he was a victim of a brutal mugging outside a karaoke bar many years ago.

[00:33:48] And after his brain injury, his whole personality and worldview was completely upended. And he found himself basically turning [00:34:00] into a mathematical marvel, but it took him a while to get there because he thought he was losing his mind and he became hermit-like for four years. And during that

time, he became obsessed with math and visualizing all the geometric fractal shapes of the natural world around him.

[00:34:22] And he started to draw them. And, uh, the right folks found him and discovered he had a marvelous new ability around math, and he began to delve into mathematical theory and essentially became a mathematical savant. And he ultimately went on to achieve great success in a career as a math professor and an artist.

[00:34:44] And it's a story that leaves you wanting for answers to something that seems impossible. So, I guess like much in life, we don't always have the answers. Oh, that sounds fascinating. Okay. Struck by Genius. I'll add that to my queue. So, Karen, thank you so much for joining us [00:35:00] today. This has been such an insightful and important conversation.

[00:35:04] If folks wanna learn more or contact you, what's the best way that they can do that? Yeah, thanks, Devon. I would love for anybody to contact me. I'm always happy to share ideas for, uh, how folks might want to take some of our ideas and translate them into their own organization. I've had many clients, uh, talk to me about, uh, that, and the best way to reach me is my email, Kpaulson@fiducient.com.

[00:35:40] That's excellent. Thank you. And just a reminder to our listeners, in addition to Karen's wealth of Information, there is so much info on our website. So, if you visit fiducient.com, you can check out the insights tab and there you'll be able to access white papers, our blog, other episodes of [00:36:00] the podcast, various resources that you might, uh, find helpful.

[00:36:03] So again, Karen, thank you so much for joining us. Thank you. Karen, this has been absolutely wonderful. Your insights are spot on, and it's just an honor to work with you and Devon and our many other colleagues who are efforting on this front. So, thank you. And to all you good stewards, thanks for investing time to help your nonprofits prosper.

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