



Whitepaper: Broad Diversity as a Driver of Meritocracy

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1. Executive summary

Diversity was once seen mainly as a manifest realisation of the quest for social justice. Today, especially in a workplace setting, it is also widely recognised as a source of competitive advantage and as an issue that acknowledges the differences that might exist not just between demographics or groups but between individuals.

We trace the story of diversity in the workplace over the course of almost 50 years. We begin by revisiting the ground breaking research that highlighted its contribution to team performance and conclude by exploring the millennial generation's unprecedented and increasingly influential commitment to the cause.

We pay particular attention to the emerging notion of diversity of thought, which is a cornerstone of Invesco's corporate ethos. We seek to explain how, in tandem with an inclusive culture that allows all voices to be heard, such an approach can underpin a meritocracy that benefits a business and its stakeholders.

2. Introduction

The notion that diversity can enhance an organisation was in large part conceived just a few miles from Invesco's base in the UK. It was at Henley Business School that management theorist Meredith Belbin embarked on his groundbreaking studies of cooperation and collaboration in the workplace, eventually introducing the idea - since repeatedly reinforced by decades of further research worldwide - that the most effective teams are those with a mix of different types of people.

Today, almost 50 years later, this concept remains extremely close to home for us. Invesco is committed to diversity in all areas of its business. In keeping with Belbin's findings, we believe that teams with a broad array of experiences and backgrounds create and maintain a healthy and constructive work environment.

Significantly, it is not only employees who should gain from such a situation. Clients and other stakeholders should also reap the benefits. We regard diversity as absolutely central to our efforts to provide investors with superior products and services: it defines our investment philosophy and our decision-making ethos.

Yet diversity is still a difficult and controversial topic in some circles. A common complaint is that it is incompatible with the pursuit of meritocracy and instead fosters a box-ticking, tokenistic approach - one that results in an ever-expanding cast of what American economist Thomas Sowell has dismissed as "movie extras".

By way of further complication, some proponents of diversity have more recently begun to question whether meritocracy can ever actually operate as intended. They suggest, for instance, that managers who see themselves as fair and objective are in truth especially susceptible to unconscious biases when assessing issues related to recruitment, promotion and pay. There is a nascent body of research into what has come to be known as "the paradox of meritocracy".

These opposing schools of thought increasingly combine to give the impression that diversity and meritocracy are mutually exclusive. We prefer to think of the two as inextricably linked; and we hope that such a view, however idealistic it might appear to some critics, is one that investors share.

Investment, after all, is itself often a matter of both diversity and meritocracy. Consider, for example, a multi-asset strategy: here the basic goal is to assemble a varied portfolio by balancing the desire for best-in-class propositions with the knowledge that, while a specific asset class might outperform during a particular period, no asset class will outperform in perpetuity. It is neither a case of ticking boxes nor a case of assuming omniscience: it is a case of finding a golden mean that serves investors' interests as well as possible.

In this white paper we take a closer look at what diversity really means and how it functions in a business setting. We explore its history, its supposedly vexed relationship with meritocracy and its capacity to impact positively on organisations and their stakeholders. We assess the consequences to date - both intended and unintended - and we reflect on what has been achieved so far and what might still be done. Perhaps most importantly, we highlight the fundamental value of an inclusive culture that allows - and, indeed, encourages - people to be the way they are.

"We regard diversity as absolutely central to our efforts to provide investors with superior products and services."

3. A brief history of diversity in the workplace

3.1. From “right” to “better”

Diversity in the workplace, like diversity in any setting, has its deepest roots in social justice. The transformation evident today is the product of a process spanning centuries and punctuated by numerous milestone shifts in policy, practice and thought. The lowering of barriers around issues such as gender, race, religion, privilege and social mobility has gradually given rise to new norms and imperatives that together capture the fundamental importance of equality of opportunity.

In the spirit of social justice, the agents of change throughout the ages undoubtedly believed diversity in the workplace to be inherently right – which, of course, it is. What they may not have foreseen, at least in certain senses, is that it would also make workplaces better. The idea that diversity might be a source of competitive advantage has emerged only in recent decades, adding a novel and compelling dimension to the drive for organisations to reflect the wider world as fully and as fairly as possible.

Meredith Belbin’s research at what was then known as the Administrative Staff College¹ in Henley-on-Thames was crucial in paving the way for this development. A voracious scholar who had spent his first two years at the University of Cambridge studying classics before switching to psychology, Belbin collaborated with a mathematician and an anthropologist to devise a series of “business games” intended to analyse management teams in action.

By recording and dissecting the various contributions and interactions of team members – who also participated in an assortment of psychometric tests – Belbin began to formulate his theory of what he called “team roles”. The detailed observations on which he based his findings were amassed over the course of the 1970s and summarised in his 1981 book, *Management Teams: Why They Succeed or Fail*.

Belbin encapsulated his conclusions by urging organisations to contemplate the respective merits of “a collection of brilliant minds and a brilliant collection of minds”. This is a distinction that a growing number of businesses around the globe now readily appreciate. As with many genuinely pivotal breakthroughs, however, it was some time before the significance of the concept was widely recognised.

3.2. False dawns and glass ceilings

Management Teams: Why They Succeed or Fail is nowadays regarded as one of the most influential books of its kind, yet its publication by no means signalled an instant sea-change in how the business community as a whole viewed diversity. Despite a burgeoning academic literature endorsing Belbin’s principal conclusion – that the most effective teams are those made up of different sorts of people – many companies remained conspicuously “male, pale and stale”, particularly at senior levels.

The investment industry was held up as a prime example of this failing in the wake of the global financial crisis, with critics suggesting that more diversity in boardrooms could have helped to avoid the turmoil. In 2010 Christine Lagarde, then France’s finance minister and now managing director of the International Monetary Fund, famously postulated that Lehman Brothers might not have collapsed if it had been Lehman Sisters. Speaking in 2015, Helena Morrissey, founder of the 30 Per Cent Club², claimed that insufficient diversity had encouraged “groupthink” and “shut out the voices of those on the outside”. A Financial Services Authority report into the Royal Bank of Scotland’s ill-fated acquisition of ABN Amro in 2007 condemned an absence of “divergence from consensus” among RBS’s board members³.

Ironically, it was in the year that the global financial crisis started to unfold that the business case for diversity in the workplace gained renewed momentum. In 2007, arguing that “corporate models... form the pillars on which the glass ceiling is supported”, McKinsey & Company released a study linking a higher percentage of women in senior positions with greater returns on equity in large organisations; US-based research house Catalyst published similar findings after examining the performance of Fortune 500 companies. Thus, capital markets and investors were alerted to diversity’s farther-reaching benefits just as the seismic repercussions of a lack of diversity were about to make themselves felt.

A taxonomy of team roles

Meredith Belbin’s formative research into how teams function transformed businesses’ understanding of team roles and helped advance the broader notion of diversity in the workplace beyond considerations such as gender and race and into the realms of skills and thought. Eight roles were outlined in his 1981 book, *Management Teams: Why They Succeed or Fail*, with a ninth, “specialist”, added in 1988.

Resource investigator

Uses inquisitive nature and networking to find ideas and bring them back to the team.

Team worker

Helps the team to gel, using versatility to identify and complete the work required.

Coordinator

Focuses on the team’s objectives, delegates duties and seeks equity within the team.

Plant

Highly creative, imaginative and adept at solving problems in unconventional ways.

Monitor evaluator

Strategic and discerning, able to provide a logical perspective and make impartial judgments.

Shaper

Provides the drive needed to ensure that the team maintains momentum and focus.

Implementer

Draws on practical thinking to plan a workable strategy and deliver what the team wants.

Complete finisher

Most effectively deployed at the end of tasks to apply “polish” and ensure quality control.

Specialist

Single-minded, self-starting, dedicated and able to bring in-depth knowledge to a key area.

“The idea that diversity might be a source of competitive advantage has emerged only in recent decades.”

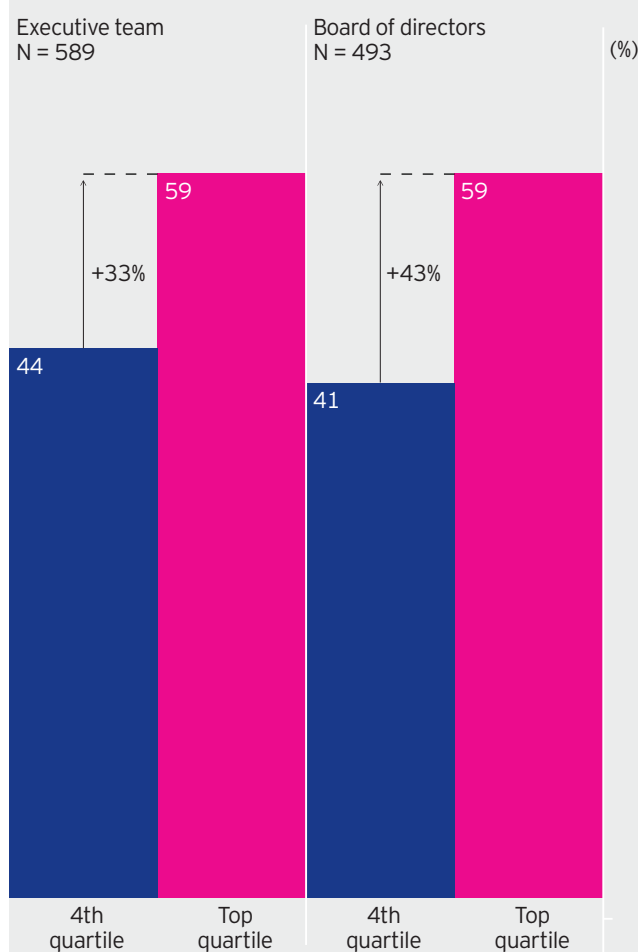
Today the notion of diversity has become both more multi-dimensional and more embedded in society's collective consciousness. The continuing shift can be attributed to several factors, including a wealth of research, the forces of globalisation, freedom of international movement and the rapid rise of technology-driven interconnectedness. McKinsey's more recent studies in this sphere, rather than focusing exclusively on gender, have taken into account ethnic and cultural backgrounds; others have analysed the consequences of building teams whose members are diverse in their sexual orientation, physical ability or age.

There is ever-mounting evidence, then, that diversity in the workplace is desirable not only because it is socially just but because it can enhance an organisation's culture and performance. And yet, as we will attempt to explain in the next section, it does not automatically follow that these aims are easily achieved.

The business case for diversity

A 2018 study by McKinsey & Company, *Delivering Through Diversity*, reaffirmed the link between diversity and financial performance. It found companies in the top quartile for executive teams' ethnic/cultural diversity 33% more likely to have industry-leading profitability. The authors concluded: "That this relationship continues to be strong suggests that inclusion of highly diverse individuals - and the myriad ways in which diversity exists beyond gender (e.g. LGBTQ+, age/generation, international experience) - can be a key differentiator among companies."

Likelihood of financial performance¹ above national industry median by diversity quartile



Source: McKinsey & Company: *Delivering Through Diversity*, 2018.
¹ average economic profit margin, 2011-2015, and average EBIT margin, 2011-2015

3.3. Complacency and controversy

Deloitte's *Only Skin Deep?*, published in 2011, was one of the first major studies to highlight a tendency to pay lip service to diversity in the workplace. It memorably remarked that too many businesses were responding to the challenge merely by nodding their heads rather than by rolling up their sleeves. Echoing a warning delivered three years earlier by Laura Liswood, co-founder of the Council of Women World Leaders, the authors cautioned: "It is not enough to create a corporate vision of Noah's Ark bringing in 'two of each kind'. There is a clear argument for actively managing diversity rather than assuming we will naturally derive the benefits."

To put it more bluntly: complacency can be dangerous. Consider, for example, the often controversial use of quotas, which represent an obvious way of addressing under-representation but might not remedy the ingrained organisational shortcomings that permit inequality to flourish in the first place. Academics in Sweden, a country regularly championed as the most forward-thinking in this regard, have consistently stressed how resilient to change some companies and industries can be. Numerical parity alone is no guarantee of cultural transformation, because diversity is about much more than numbers⁴.

Initiatives that rely entirely on a perfunctory rebalancing of the scales risk adding fuel to the fire of those who believe diversity and meritocracy are mutually exclusive. They might also have a negative impact on the organisations that implement them. Above all - and perhaps most worryingly - a business that treats diversity as a box-ticking exercise can employ as many minorities as it wishes yet still contrive to treat them as second-class citizens.

Some organisations are unwilling to confront such concerns. As industrial economist Getinet Haile commented after conducting a study indicating that the average UK workplace becomes unhappier as it takes on more disabled employees: "The current situation might be some way removed from the cosy ideal we would all like to think has long since been realised. The solutions won't come easily, but that could well be the whole point: it is when we convince ourselves they will that the cause of diversity genuinely flounders."⁵

This observation goes to the heart of how businesses choose to frame diversity in the 21st century. Do they see it as essentially tokenistic, an encumbrance that they should tolerate for the sake of projecting an affirmative image, or do they see it as a valuable vehicle for benefiting their employees and their stakeholders? At Invesco we see it as a means of assembling a richly informed array of perspectives - a goal that recalls Belbin's formative findings, acknowledges the perils of a superficial approach and underpins our corporate quest for "diversity of thought".

"Today the notion of diversity has become both more multi-dimensional and more embedded in society's collective consciousness."

4. Defining diversity today

4.1. Beyond demographics

In 2007, a year when the business case for diversity in the workplace was enjoying a notable push into the mainstream, the US-based Society for Human Resource Management conducted a survey of almost a thousand HR professionals. The resulting report, the 2007 State of Workplace Diversity Management, revealed that less than a third of the organisations that took part had an “official” definition of diversity.

Although the picture might be less confused now, defining what diversity actually means is still a task that many businesses evade. This could be because, as we have already touched upon, they are content merely to pay lip service to the idea; or it could be because they struggle to recognise how the concept has developed and how the motivations and objectives attached to it might have shifted over time.

So maybe it would be helpful if we were first to determine what diversity does not mean - or, to be more specific, what it might have meant once but no longer means now. Deloitte’s aforementioned *Only Skin Deep?* can provide us with a solid foundation here, asserting that diversity “means more than having a sprinkle of women and a dab of colour”.

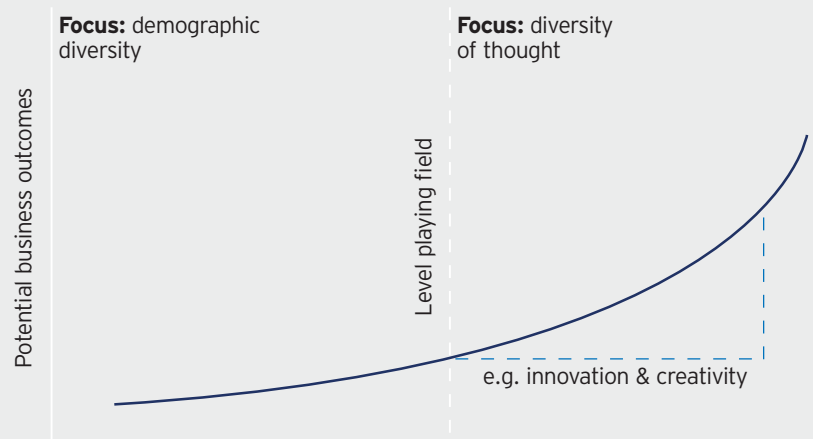
This deliberately forthright statement underscores a vital point about diversity as we know it today, which is that it is no longer just an issue of what might be called “visible” differences. These still matter, but diversity has moved beyond the traditional agenda of eliminating discrimination on the basis of gender, race and other manifest distinctions. Diversity is about sexual orientation, physical ability, mental ability, age, religion, culture, socioeconomic status and many other comparatively “invisible” factors.

Even here, though, a degree of care is required. Confining the argument to demographics or groups could produce an unduly narrow focus and might even invite the type of “Noah’s Ark” thinking referenced in the previous chapter. A more granular and nuanced view is needed, because diversity should not be about labels. If it is in fact derived from both the visible and the invisible - and if it therefore encompasses backgrounds, beliefs, life experiences and myriad other profoundly personal traits - then diversity must ultimately be about individuals.

“Diversity has moved beyond the traditional agenda of eliminating discrimination on the basis of gender, race and other manifest distinctions.”

Towards diversity of thought

Historically, diversity was largely thought of as a means of reflecting multiple demographics. This is still important in ensuring a level playing field, but it is the different qualities found in individuals that are ultimately likely to provide an organisation with a competitive edge. Deloitte’s influential 2011 study, *Only Skin Deep?*, used the illustration below to delineate the crucial progression from demographic diversity to diversity of thought.



Source: Deloitte: *Only Skin Deep?* Re-Examining the Business Case for Diversity, 2011

4.2. Diversity of thought

Earlier we referred to two high-profile studies – one from McKinsey & Company and one from Catalyst – that linked a greater percentage of women in senior positions with better returns on equity in large organisations. Crucially, neither proclaimed a direct or causal relationship between diversity and performance: instead their significance lay in what they implied.

At least at first glance, the implication would seem to be that any company with a desire to improve should hire more women. But why should it hire them? Very simply put: it should hire them because women are not the same as men. The underlying premise, which an abundance of further research has since reinforced and extrapolated, is that different attributes and perspectives can lead to superior outcomes – just as Belbin proposed when outlining his “team roles” almost half a century ago.

In essence, what Belbin, McKinsey, Catalyst and others have repeatedly advocated – whether explicitly or implicitly – is diversity of thought. This is why the broader notion of diversity has increasingly come to revolve around expanding the available pool of talent; and it is why organisational excellence has rightly come to be associated not only with diversity in terms of gender, race or other “visibles” but with diversity in terms of all the things that make each of us who we are. By fishing in a bigger talent pool – that is, by striving to ensure equality of opportunity in the recruitment, retention and promotion of employees – a business augments its chances of benefiting from multiple outlooks; and by benefiting from multiple outlooks it reduces the likelihood of its decisions falling victim to diversity of thought’s diametric opposite, groupthink.

William H Whyte, a Fortune writer who later became a student of human behaviour in urban environments, introduced the neologism “groupthink” in 1952. Research into his theory began in earnest almost two decades later, with psychologist Irving Janis describing groupthink as evidence of “a deterioration in mental efficiency, reality-testing and moral judgments”. Such a mindset has since been used to explain apparently unthinking conformity – and the catastrophic consequences that can stem from it – in settings ranging from blue-chip boardrooms to clandestine cults. The collapse of Swissair, the Waco tragedy, the Bay of Pigs debacle, the Challenger space-shuttle disaster and the global financial crisis have all been blamed on the phenomenon.

Diversity of thought guards against groupthink by fostering discussion and debate. As behavioural economists from the London School of Economics and the University of Nottingham remarked after studying how decision-makers react to consensus-defying information: “Groupthink thrives in the absence of genuine deliberation. Well-made decisions are rooted in openness and the meaningful exchange of views. At its absolute simplest, the lesson is that it is good to talk.”⁶⁷ Perhaps what we should try to define next, then, are the organisational prerequisites for cooperation, candour and dialogue.

Diversity of thought at Invesco

Diversity of thought defines Invesco’s investment philosophy, collegial culture and decision-making ethos. Ensuring that our teams have a broad range of experiences and backgrounds helps us to promote the diversity of thought needed to deliver a superior investment experience for clients and maintain a positive, engaging work environment for our people.

We believe diversity of thought has supported our success in the past and will be increasingly important to our success in the future. We have built diversity goals into our global and regional business plans and the personal objectives of our senior leadership team, and we also use management information and metrics to measure our progress and inform our planning.

Diversity at Invesco means maintaining a tolerant, respectful and inclusive culture; creating an environment in which all our people feel valued and can be themselves; and optimising our collective expertise, knowledge and experience.

4.3. The importance of inclusion

We have already alluded to how some organisations treat diversity in the workplace as a box-ticking exercise. Maybe the most damning indictment of such an approach can be found where diversity does not go hand in hand with inclusion.

By way of illustration, imagine three companies. The first has no interest in diversity per se, preferring to enforce what its senior managers trumpet as a strict meritocracy. The second is an enthusiastic devotee of the “Noah’s Ark” ethos, appearing dazzlingly diverse on the surface but in truth making scant effort to utilise the variety of backgrounds, beliefs and life experiences that it has at its disposal. The third pursues a policy of diversity and inclusion, insisting that the latter is necessary to unlock the advantages to which the former gives rise. Which is most likely to succeed?

Social scientist Scott Page examined scenarios such as these in his acclaimed 2007 book, *The Difference*, in which he championed the cause of what he called “cognitive diversity”. Recalling Belbin’s plea to weigh up the relative merits of “a collection of brilliant minds and a brilliant collection of minds”, he argued that progress and innovation depend less on “lone thinkers with enormous IQs” and more on “diverse people working together and capitalising on their individuality”. When solving problems and innovating, Page surmised, the best-performing teams are those that have members with diverse outlooks and allow all of those outlooks to be taken into account.

In other words, diversity without inclusion is self-defeating. It is a pretence, an act of corporate window dressing; and, as such, it is both the antithesis of meritocracy and a source of negative outcomes. Denied real involvement, stripped of the capacity to make a legitimate contribution, unsure that they even belong, the supposed beneficiaries of diversity are relegated to the ranks of imposters – a fulfilment of Thomas Sowell’s bleak vision of “movie extras” – and their organisations, by way of bittersweet irony, gain much less than they might.

An inclusive workplace is one where diversity is welcomed rather than tolerated; where contrasting perspectives are encouraged rather than assimilated; and where the things that make each of us unique are accepted, celebrated and used to best effect rather than distilled, eroded and lost. Above all, as we will explore further in the next chapter, it is one where people feel that they can be themselves.

The Diversity Project: towards an inclusive culture

The Diversity Project is an initiative that aims to bring about a “truly diverse and inclusive culture” in the UK investment and savings industry. It was launched in 2016, with Invesco among its founding members.

Its mission is to achieve diversity across all dimensions – including gender, ethnicity, socioeconomic background, sexual orientation, age and disability – with a view to supporting more effective teamwork, encouraging wider perspectives and informing better investment decisions.

The project promotes and shares best practice among asset owners, fund managers, fund selectors, pension consultants, actuaries, trustees, wealth managers and professional standards and trade bodies. At its heart is a belief that organisations, clients and other stakeholders are more likely to enjoy future success if the industry fully reflects the society that it serves.

5. The workplace and the self

5.1. Two sorts of performance

Canadian-American sociologist Erving Goffman's *The Presentation of Self in Everyday Life* was first published in 1956. In 1998, 16 years after Goffman's death, the International Sociological Association listed it as one of the most important sociological books of the 20th century. Today, in no small part thanks to the story of diversity and inclusion, its message may be more significant than ever.

Goffman broke new ground by treating face-to-face interaction as a subject of sociological study. He searched for deeper meaning in the day-to-dealings in which we all participate. Drawing on the imagery of the theatre, he posited that every one of us is essentially a performer: we seek to fabricate an identity, we strive to avoid embarrassing ourselves and others, and we may prefer to exhibit certain characteristics on stage and in full view while keeping others concealed behind the curtain.

Fellow academic Geoffrey Nunberg once lamented Goffman's "unrelieved scepticism", noting: "There is rarely an intimation that anything animates our performances beyond the terrible fear of being caught out." This observation seems hugely relevant to diversity and inclusion, as it captures much of what is deficient in any organisation in which individuals do not feel able to express what they are.

Consider, for instance, an employee who has a same-sex partner. How might such an employee have to "perform" in a workplace whose culture is sincerely inclusive - that is, a workplace defined by diversity of thought? How might such an employee have to "perform" in a workplace that only pays lip service to the notion of inclusion? What if there were an informal event for staff and their partners? Would the employee be happy to attend a function with his or her loved one?

The employee would need to give no thought to such concerns in a genuinely diverse and inclusive organisation. Applying Goffman's analysis, nothing would be concealed behind the curtain. Rather than agonising over what to say and how to behave, rather than surrendering to "the terrible fear of being caught out", the employee would simply be true to his or her self - and, moreover, would be completely comfortable in doing so. This is how businesses cultivate diversity's competitive edge: by ensuring that "performance" in the Goffman idiom does not compromise performance in the corporate sense.

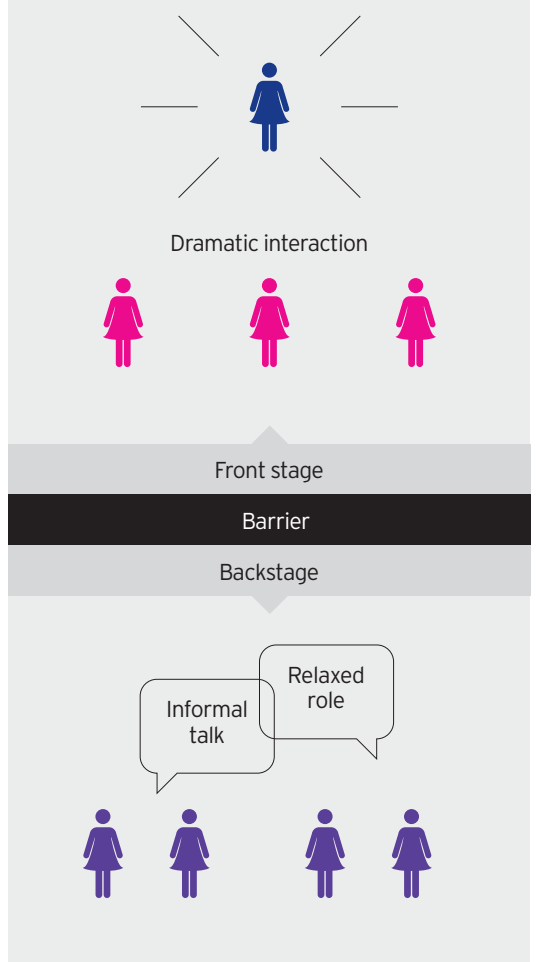
"This captures much of what is deficient in any organisation in which individuals do not feel able to express what they are."

Raising the curtain

First published more than 70 years ago, *The Presentation of Self in Everyday Life* examined the near-cessant challenge of adhering to society's accepted norms. It was with this concern in mind that Goffman delineated a "front stage" and a "back stage".

Goffman argued that an individual basically endeavours to follow convention when "performing" on the front stage. When on the back stage, meanwhile, an individual "can relax; he can drop his front... and step out of character".

Of course, there might still be occasions when it is sensible - at least in some way - to "step out of character"; yet the line between front stage and back stage has inevitably become more blurred as society's notions of accepted norms have developed over time. Today individuals ought to be able to feel much more comfortable about raising the curtain.



5.2. Corporate cover stories

In one of his later books, *Stigma: Notes on the Management of Spoiled Identity*, Goffman established the concept of “covering”. This is a form of identity management used to mask or downplay specific attributes. Goffman offered the example of Franklin D Roosevelt, who habitually seated himself behind a table before meeting members of his cabinet: even though it was well known, the wheelchair-bound president wanted to “cover” his disability.

One of the leading modern-day experts on covering, legal scholar Kenji Yoshino, has more recently investigated the phenomenon in the corporate world. In 2013 he produced a report based on a survey of employees at 220 Fortune 500 companies, laying bare the extent to which covering still occurs in 21st-century workplaces.

Some 75% of Yoshino’s study participants reported resorting to covering. More specifically, 94% of blacks, 91% of women of colour, 91% of LGB individuals and 80% of women said they covered. Pondering why programmes to promote diversity and inclusion might have stalled in key respects, Yoshino wrote: “One intuitive answer is that these initiatives have not lived up to the core ideal of inclusion. The ideal of inclusion has long been to allow individuals to bring their authentic selves to work... [but] most inclusion efforts have not explicitly and rigorously addressed the pressure to conform that prevents individuals from realising that ideal.”

It may be tempting to assume that covering is confined to what could very loosely be described as “minorities”. Yoshino’s research explodes this myth, with 50% of straight white men admitting to covering on the grounds of religion, disability, socioeconomic status and other factors. It is obviously a problem that affects some demographics more than others, but it is nonetheless a problem that can be found almost anywhere.

It is also a problem that might usefully be framed as an issue of exclusion rather than as an issue of inclusion. As Yoshino said of his survey respondents: “The question was not whether they were included but on what terms they felt their inclusion rested. Often the perceived social contract involved managing aspects of their identity in a way that the dominant group would not have to do. These individuals felt they had to work their identities alongside their jobs.”

“It is a problem that might usefully be framed as an issue of exclusion rather than as an issue of inclusion.”

The four ‘A’s of covering

In 2006, building on Erving Goffman’s formative idea of “covering”, Kenji Yoshino outlined four axes along which individuals might seek to manage their identities: appearance, affiliation, advocacy and association.

Appearance

This relates to how individuals adjust their self-presentation to blend into the mainstream - for example, by altering how they dress or the mannerisms they use.

Affiliation

This relates to how individuals avoid behaviour that might reinforce broad or stereotypical identities - for example, women declining to talk about motherhood.

Advocacy

This relates to the degree to which individuals moderate their allegiance to a group - for example, by not reacting to an offensive joke about race, religion or sexuality.

Association

This relates to how individuals limit their contact with other members of their group - for example, by not taking a same-sex partner to a work function.

Source: Yoshino, K: *Covering: The Hidden Assault on Our Human Rights*, 2006

5.3. A workplace fit for the 21st century

The cause of workplace diversity has undoubtedly suffered its share of setbacks and false dawns. Much of the evidence presented in this paper has acknowledged that progress has been less than meteoric. Yet there is no denying that positive change has taken place; and there is no denying that the transformation is likely to continue and might very well gather pace.

One reason for optimism in this regard is the millennial generation's unprecedented commitment to diversity. In 2016 the Institute for Public Relations published research showing that 47% of millennials would consider the question of diversity in the workplace when looking for a job, whereas only 33% of generation X members and 37% of baby-boomers would give the matter thought. According to Deloitte's 2018 Millennial Survey, millennials "correlate diversity with a forward-thinking mindset rather than with the mechanical filling of quotas" and view it "as a tool for boosting both business and professional performance". The generation Z cohort - those born between the mid-1990s and the early 2000s - may well elevate this way of thinking to yet another level. Organisations that only pay lip service to diversity are therefore increasingly unlikely to meet the expectations of the people they employ; and it seems fair to infer that they will also fail to meet the expectations of the people they serve.

So how might organisations maximise the benefits of diversity? How might they guard against complacency and controversy and instead nurture cooperation and collaboration? How might they move past the artifice of window dressing and bring about the real impact that can come from diversity of thought? We propose an overarching maxim: a culture in which everyone is valued can develop only if everyone values the culture.

What we mean by this is that diversity demands both top-down and bottom-up recognition. It cannot flourish in the absence of leadership and direction from senior management; equally, it cannot flourish in the absence of backing from the wider workforce⁷. It requires training and support programmes, networks, flexibility and an all-encompassing ethos of opportunity and empowerment. Its potential advantages should be clearly identified, articulated and communicated. It should be a must-have rather than an add-on. Fittingly, it is something that everybody must embrace - otherwise the tantalising prospect of a healthy, constructive, outperforming work environment may yield to the repellent reality of an organisation mired in pretence, conflict and inertia.

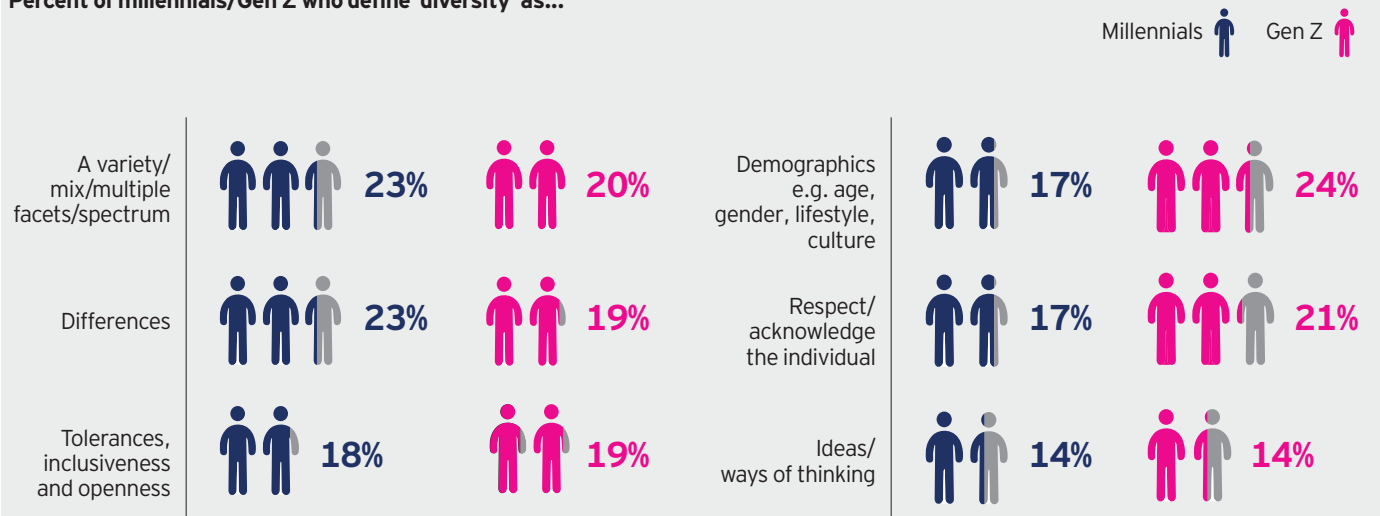
As we have seen, diversity is not a question of numbers or labels or ticking boxes: it is a question of appreciating that multiple perspectives make for better teams and that better teams, in turn, make for better outcomes. In one shape or another, this is an argument that has now been advanced for nigh on 50 years. Going forward, any organisation that chooses not to heed the lesson is unlikely to find - or deserve - a sustainable role in the 21st century.

"A culture in which everyone is valued can develop only if everyone values the culture." 6. Diversity as I see it: Q&A with Dr Henning Stein

Meeting current and future expectations

A growing body of research demonstrates the enormous value that millennials and members of generation Z attach to diversity. According to Deloitte's 2018 Millennial Survey, these generations increasingly frame the issue in a variety of terms and across a number of dimensions - including diversity of thought. With millennials expected to constitute around 75% of the global workforce by 2025, this is a trend that seems set to accelerate.

Percent of millennials/Gen Z who define 'diversity' as...



Source: Deloitte 2018 Millennial Survey, 2018; responses based on a survey of 10,455 millennials and 1,844 members of generation Z

6. Diversity as I see it: Q&A with Dr Henning Stein



Dr Henning Stein is Global Head of Thought Leadership. He and his team of strategists and researchers provide valuable insight and perspectives to the institutional investor and financial adviser global communities. He has 20 years of experience, including senior executive, business development and consulting roles, across pension funds, platforms, academia, asset management and insurance, working with boards and CEOs. Henning earned a PhD in Business and Strategy from the University of Cambridge, where he currently serves as a Fellow at Cambridge Judge Business School.

Why is the idea of diversity important to you personally?

As a white man with supportive parents who had the financial means to pay for my higher education, I've been able to enjoy certain privileges that many non-white and income-constrained people in other societies are unlikely to have. At the same time, as a gay Jew with a Muslim husband, I'm very familiar with being thought of as "different".

So I know what it's like to be a member of the majority, and I also know what it's like to be a member of a minority. And that's why diversity is important to me - because of who I am. My own life experiences have taught me to value the things that make each of us unique, and for me that's what diversity is all about.

How would you define a truly diverse workplace?

Very simply, I would define it as one where you can be yourself. You have to feel able to bring your whole self, your true self, to work. That's the mark of an organisation that recognises and respects diversity of thought, which is what we have at Invesco.

How does diversity of thought manifest itself generally?

It promotes an enthused, committed and high-performing working environment in which everyone's contribution is valued and everybody feels able to express themselves. It fosters informed, constructive debates rather than pointless arguments or blind conformity. It encourages us to engage with our colleagues, listen to their opinions and try to understand and take into account all of the contrasting perspectives, motivations and thinking available to us.

And in your own role?

Having global responsibility for Invesco's thought leadership means I work with people who have an enormous range of backgrounds and skills. It's vital for me to understand their views and their interpretations of the matter at hand.

At some stage I might have to make a decision that not everyone agrees with, but the most important point is that the overall process ensures that everybody's voice is heard.

This is why I believe genuine diversity goes hand in hand with meritocracy. If diversity of thought ensures that everybody's voice is heard then that's meritocracy in action. It reminds me of a quote from Ray Dalio, the founder of Bridgewater Associates, who advocates the concept of what he calls an idea meritocracy: "It doesn't matter who is right - as long as we are right."

Is diversity always conducive to meritocracy?

I think diversity's opponents have a valid point when they express concerns about the issue of "ticking boxes". If I believed I was appointed just because I somehow tick several boxes - "Wow, a gay Jew with a Muslim husband! Hire him!" - I would feel extremely uncomfortable. Expanding the available talent pool is essential, but the "Noah's Ark" approach that we discuss in this paper represents a very superficial and potentially damaging way of attempting to achieve diversity.

One of the problems with that kind of thinking is that it can tie you in knots. That's how you lose sight of meritocracy. For instance, someone might look at the authors of this white paper and say: "Wait a minute - they're all white. Where's the diversity in that?"

What we have to remember is that diversity in the broadest and most powerful sense isn't just about what's immediately apparent to the naked eye. It's also about the most profound and personal things. So the fact that the authors of this paper share the same skin colour doesn't mean they're not diverse. And the fact that we have a culture that's genuinely inclusive and which makes everyone feel valued means meritocracy is a natural corollary of how we approach diversity.

So for you diversity is a driver of meritocracy?

Absolutely. Provided we fully recognise the challenges and benefits of diversity, yes, that's exactly what it is.

And how does an organisation address those challenges?

My first boss gave me two simple but very useful pieces of advice. The first was to treat people how you would like to be treated yourself. The second was to acknowledge that everyone within an organisation wants to be respected and to feel important to the process.

That's inclusiveness in a nutshell, and a company's senior management has a responsibility to encourage such thinking so that diversity can work to best effect. Treating people well, letting them know they're important - these things have to become second nature. It's a question of establishing good habits and reinforcing them until they become routine.

And what about the benefits?

The benefits extend far beyond the workplace. If diversity helps us to perform well - which we're convinced it does - then our clients and other stakeholders should also reap the rewards. It's crucial that this message is understood both within and outside an organisation.

7. Conclusion

Entrepreneur Malcolm Forbes, of Forbes magazine fame, once described diversity as “the art of thinking independently together”. This seems an especially beautiful encapsulation of diversity in the 21st century, when the broader concept of difference has moved beyond labels and tropes to encompass all the things that make each one of us unique.

Yet there is a jarring and noteworthy irony in Forbes’ observation, for it was only after his death in 1990 that the wider world learned that he had been gay. For whatever reason, this passionate advocate of diversity did not want attention drawn to what made him “different”. As the article that finally revealed his sexuality asked: “Is our society so overwhelmingly repressive that even individuals as all-powerful as the late Malcolm Forbes feel they absolutely cannot come out of the closet?”

This is just one illustration of how times have moved on. As we have discussed, the lowering of barriers around a multitude of once-controversial issues has reshaped attitudes, redefined norms and redrawn the boundaries that determine how society and the organisations and individuals within it should behave. Today it is more commonplace than ever to not just preach diversity but practise it.

We have seen how diversity in the workplace began as a force for social justice and metamorphosed into a source of competitive advantage; how it originally focused on groups and demographics but gradually came to encompass perspectives and skills; and how it was once a matter of making sure that differences were seen and is now, crucially, just as much a matter of making sure that differences are heard. All things considered, it is a phenomenon that has come a long way.

As touched upon earlier, however, it would be foolish to suppose that there is nothing more to be done. Complacency has been a persistent enemy of progress in this regard, and it remains so. To return to the concerns expressed by industrial economist Getinet Haile: “My feeling is that [some] companies have slipped into a ‘mission accomplished’ mindset in light of the remarkable strides that have undoubtedly been made during the past few decades... The mistake is to believe the box has long since been ticked and that we can now afford to rest on our collective laurels.”

The workforce of tomorrow is unlikely to tolerate a lack of commitment to the cause. Research has shown that millennials increasingly see diversity in terms of inclusiveness, openness, respect and thought. The people who will very soon constitute around three quarters of the working population are affronted by the idea of diversity as mere window dressing and instead view it - quite rightly - as something that is meaningful, productive and, above all, necessary.

It is important to note, too, that they expect companies to be at the vanguard of continuing change. According to a recent Deloitte survey, millennials feel that business leaders can have a more positive impact on the course of humanity than politicians and religious figures. This is an awesome responsibility - one from which no organisation should shy.

It is certainly one that Invesco tries to embrace. Although this paper is in no way intended to serve as a testament to our own efforts, we are confident that diversity - and diversity of thought in particular - has been central to our cultivation of an inclusive meritocracy that benefits our business and our clients. Recalling the analogy of the multi-asset strategy that we offered in introducing this paper, we trust that investors will agree with our assertion that diversity has served us well to date and should continue to serve us well far into the future.

“Today it is more commonplace than ever to not just preach diversity but practise it... All things considered, we have come a long way.”

8. References and suggested reading

8.1. References

¹ The Administrative Staff College later became known first as Henley Management College and then, having merged with the University of Reading in 2008, Henley Business School. Today it is one of the world's highest-ranked business schools and still counts Meredith Belbin, now aged in his early 90s, among its visiting professors.

² The 30 Per Cent Club campaigns for the percentage of women on the boards of the world's largest companies to reach 30% without recourse to quotas.

³ Former Financial Times editor Sir Richard Lambert went further, writing in the FT that all of RBS's directors at the time were "drawn from the same establishment pool".

⁴ For example, recent research by the University of Birmingham has suggested that such a situation can still be found in British politics, home to the only legal quota system in use in the UK. The Labour Party's introduction of all-women shortlists has led to a record number of women MPs, yet many report that they still encounter misogynist attitudes in the course of their work.

⁵ Dr Haile, of Nottingham University Business School and the Institute for the Study of Labour, Bonn, based his findings on an analysis of data from the British Workplace Employment Relations Survey, which contains information representative of all UK businesses with five or more employees. The reported reduction in job satisfaction was confined to non-disabled workers.

⁶ This research, *Risk-Taking in Social Settings: Group and Peer Effects*, was published in 2016. "When a group assembles to solve a problem," study co-author Dr Jeroen Nieboer wrote in an accompanying thought-leadership article aimed at HR practitioners, "the goal should be a decision of improved quality. But the variety of perspectives necessary to produce such an outcome is routinely nowhere to be found. The rush to judgment can be both rapid and, with the benefit of hindsight, reckless."

⁷ As Meredith Belbin has said: "Simply putting together a number of people and hoping they will work as a team is not good enough."

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