

The Informed Banker: The Business Case for Diversity, Equity, and Inclusion
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TRANSCRIPT

Samira Salem, Senior Policy Analyst, CUNA

Christine Ahlgren, Director, Strategic Business Alliances, Harland Clarke

Nathan: Good day and welcome to Harland Clarke, the Informed Banker Webcast; *The Business Case for Diversity, Equity and Inclusion*. This webcast is being recorded and a replay will be provided to you within a few days. If you have questions, please use the question box located in the control panel. Your questions are private and are only seen by the presenters. I'll now turn the call over to Christine Ahlgren of Harland Clarke. Christine, you have the call.

Christine: Thanks, Nathan. Welcome to everyone who's joined us today for this month's installment of the Informed Banker. This is a series designed to cut through the noise and bring you succinct, timely information on topics that are critical to community financial institutions. Today's session, *The Business Case for Diversity, Equity and Inclusion* presented by Samira Salem of CUNA; Credit Union National Association. Well, today we'll discuss why diversity, equity and inclusion isn't just a catchphrase and it's more than a statement on your website. We'll learn how to attract and engage a more diverse talent pool and more diverse membership.

Samira is a Senior Policy Analyst at CUNA with more than 20 years of experience in international economic development, community development, policy research and social finance. Samira, we're really excited to have you with us today. The floor is all yours.

Samira: Wonderful. Thank you, Christine and thanks to Harland Clarke for the opportunity to present on DEI; or diversity, equity and inclusion. Thanks to you, the participants, for your time today. There is an increasing amount of energy and momentum around diversity, equity and inclusion, which I'm sure you all have felt. Today, I'd like to talk a little bit about the business and the values case for DEI within the credit union movement. Next, please.

The US census predicts that by 2044, people of color in the United States will be the majority. By people of color- I'm going to define a couple of terms here- I mean those people that are non-White. Another term that's used to describe this group is multicultural. You'll see that on the slide. What we see in the chart is that every generation, since the G.I. Generation, has become increasingly more diverse. The youngest group within Generation Next, which is at the bottom of the slide, this group is alternatively called Generation Z, and they're between seven and 13-years-old today. They're majority people of color. It is the most diverse generation in modern US history.

We also know that people of color accounted for 61% of credit union growth and 100% of population growth over the last five years, according to research that was done by CUNA Mutual Group. So, what does all these mean for the credit union movement? For our workforce? For our membership and how we engage them? You-

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Samira: -our mission in this rapidly changing environment.

Next. Before we get into that question, I actually wanted to see if we could launch a poll. Nathan, are we able to do that? There we go. What percentage of senior-level management in the financial services industry are people of color? If you could please select one. Here we go. We have our answers here. It looks like most folks believe that it's under 20% and that is correct. In fact, the GAO did some research not too long ago-

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Samira: -the 2017 study that shows that-

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Samira: -within leadership at credit unions. I'm not going to get into that today but there are a few pieces that I've written that summarize our research. You could probably find those on *CU Magazine*, *Credit Union Magazine*, as well as- I know that there's **[unintelligible 00:04:49]** that recently came out. We've got one more polling question. What percentage of senior-level management in the financial services industry are women? Okay. Again, folks lean towards the under 20%. And in fact, it's answer B, or between 20 and 40. 29% of senior-level management in the financial services industry are women. In both cases, we see that when we know that people of color make up about 40% of the population in the United States and women make up about half, we're lagging behind when it comes to representation. Can we move on to the next slide, please?

Back to the question of how we can remain relevant, competitive and continue to fulfill our mission in this changing environment. Maurice Smith; CUNA's immediate past chairman

and the President/CEO of Local Government Federal Credit Union, has an idea for how we can remain relevant, competitive and true to our values in the movement. In an op ed that he penned earlier this year, Maurice called on the credit union movement to expand the seven cooperative principles, which have stood since the mid 19th century, by adding diversity and inclusion as the eighth cooperative principle. Maurice points out that adding diversity and inclusion as the eighth cooperative principle will help us further distinguish our industry from other industries, the credit union difference, and it'll signal

our determination to outperform the competition. In other words, in a changing marketplace, DEI will bring competitive advantage. Maurice alludes to two things here which we'll discuss; the business case for DEI and our secret weapon of values case. Let me let you in on a little secret here. Credit unions are unique in the financial services industry because we have strong values case for DEI. Before I unpack that, I really would like to briefly talk about what we mean by diversity, equity and inclusion. Next.

Diversity really refers to the wide range of differences that exists among people. It can be race, it can be an ethnicity, physical ability, income level, parental status, veteran status, where you're from, religion, educational background, the whole host of-

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Samira: -nicely represented in this graphic. Some of these are visible and other dimensions are less obvious. A diverse workplace is one where there is a good representation of people of different educational backgrounds, worldviews, skills, gender, race and ethnicity. Increase in workplace diversity may require us to think about, for example, recruitment practices, thinking about where we recruit, are we using the same networks? How are we recruiting? Research has shown that job applicants with Black-sounding names are 50% less likely to get a callback than an equally qualified applicant with a White-sounding name. Same level of qualifications for the job. What this research is elevating and unearthing is that there is bias that's baked into hiring practices that we need to be examining. When we talk about diversity, it's not the diversity of an earlier era, which meant basically quotas. We've learned a lot since then. When we talk about diversity now, it goes hand in hand with inclusion. You can't have diversity without inclusion. Next.

An inclusive workplace is a work environment and culture that recognizes and values diversity. It's one where everyone can participate. Everyone can bring their full selves to work. In an inclusive environment, staff feel a sense of belonging and they feel valued. They're empowered and they feel like they can contribute to their full potential. Fairness and respect is baked into the work environment. Finally, an inclusive workplace is one where people feel safe. Differences in an inclusive workplace are perceived as an advantage. When you think about inclusive workplaces and inclusion in the context of your organization, you could ask yourself, "What kinds of signals is your organization sending about who is welcome and who is valued?" That's an important first place to start. As I mentioned at the beginning, diversity and inclusion go hand in hand. If you have diversity, you are hiring folks from different backgrounds with different dimensions of-

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Samira: -diversity. You bring them into your organization and you don't have an inclusive environment that welcomes them, that values what they bring, then you will ultimately see problems with retention. So, you need to ensure that when you're thinking about diversity, you're also thinking about inclusion. There's a quote attributed to Vernā Myers; an activist and newly-appointed head of DEI at Netflix, that I really like a lot. It goes something like, "Diversity is being asked to the party and inclusion is being asked to dance." Next, please.

Let's talk about equity. DEI, right? What does equity mean? In essence, it means fairness. It recognizes that diversity exists and it means giving people what they need in order to improve the quality of their situation. This is different than equality. Equality is about giving everyone the same thing. As you can see in the graphic here, everyone's got the same size box that they're standing on. It doesn't necessarily recognize diversity as we can see and it's not concerned with outcomes. Normally, when I present this to a group, I will ask the group to help me think about how we can move from equality to equity, what are some ways that which we can do this? Inevitably, I get some of the same answers. And one of them is, remove the fence or remove the barriers, removing the barriers to equity. I think that's an important thing to think about, is what are the various ways we can move from equality to equity, where people have what they need in order to improve their situation? At the credit union level, credit unions have influence over how capital moves through communities, including historically marginalized communities. This is important. To achieve equity, we need to understand who these members in our communities are so that we can tailor products and services, like small-dollar loans, payday alternatives, even item lending, to meet their needs and help them reach their full potential. This is part of removing those barriers and credit unions do this day in and day out. I think we need to recognize this. This concept can also apply within the organization. You can think about things like pay equity and career advancement. I started off by saying you can't have diversity without inclusion. I think I need to broaden that statement and say you can't have diversity without inclusion without equity. Those are the three pieces or three legs to the stool here. Next, please.

64 billion, there is a cost to exclusion and a gain from inclusion. At the level of the economy, we're talking about 64 billion. This is the annual loss that was calculated by Stephen Frost and his book, *The Inclusion Imperative*; the annual loss of the US economy of discriminating against women, LGBTQ and people who are physically disabled. That's a huge number. Next, please.

It's not surprising that DEI is recognized as a factor of competitive advantage. The number of initiatives and organizations that are dedicated to advancing and supporting DEI has been growing at a very fast pace. Within the credit union movement, CUNA, the leagues, credit unions and partners in this system are thinking about and working on how we can advance DEI. There are a number of factors that have really come together

at this moment to encourage organizations to prioritize DEI, and no one factor really accounts for the growing energy that we're seeing. We know that some organizations prioritize DEI because it makes good business sense. Other organizations do it because of their commitment to social justice. There's a whole other group that falls somewhere in between. As Maurice Smith suggested for credit unions, there's both a business and a values case. Let's unpack a little bit of both. Next, please.

Here's some of the evidence. There is actually about three decades worth of research that suggests that advancing DEI among staff, leadership in boards, makes good business sense. I'll cite some of the research here. Companies where around a third of leadership are women are associated with a six percentage point increase in net profit margin.

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Samira: -teams are associated with 19% higher revenue due to innovation. Companies with high levels of racial and cultural diversity are associated with 33% above average profits. Certainly, these are very significant results. And research, as I mentioned, over a long period of time supports the actual benefits of diversity, equity and inclusion. Let's move on to the next slide. We'll take a look at-- Oh, okay. I wanted to talk just really briefly about board diversity because that's another area of research that pulls more diversity out from the leadership and highlights what some of the benefits are there. I won't spend too much time there but one area that there's been a lot of research in is for gender diversity. What's been found is that more gender diversity on boards is associated with higher risk-adjusted returns and higher board effectiveness. There's enhanced strategic controls, less fraud, fewer regulatory enforcement actions and improved quality of reported earnings. These are just a few of the benefits that some of the research is finding when it comes to gender board diversity. Well, while many perceive the practice of-

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Samira: -the leadership as a zero-sum game, there is a lot of evidence, as I've been pointing to, that in the realm of DEI, a rising tide raises all boats. Everybody wins. What's driving the improved performance of these organizations is organizations that are more diverse, are better able to attract and retain top talent. More diverse teams- diverse teams are more collaborative, they are more innovative, they have a stronger orientation to the customer or member. We can also think about how this would work within credit unions. When you have diverse leadership, staff and boards that reflect their members, this signals to their members that they value and understand them. This engenders trust and allows credit unions to provide- and when needed, to develop

tailored products and services that best meet their member's needs and helps them prosper. Next, please.

Little bit more research on the value of diversity. This was research done by Deloitte Consultants that underscores the value of diversity of thinking that comes from more diverse and inclusive teams, you get varying perspectives. They find that these types of teams are 20% more innovative, they're able to identify blind spots because they've got these various perspectives. Therefore, 30% more effective at avoiding risks. Next, please.

The other thing I think it's important to consider, because one of the things we hear from credit unions is the challenge of the war for talent. If you look at some of the research that's been done around millennials, they're very much driven by their values when it comes to employment and are attracted to more diverse workplaces. And in fact, are willing to take a pay cut in order to work for a place that aligns with their values. Next, please.

So, just quoting Maurice Smith again here, trying to bring it all together, diversity, equity and inclusion is credit unions' secret weapon and it brings competitive advantage. Next please.

We've talked about the business case but credit unions also have a values case. It's unique or were unique within the financial services industry because we have this additional case for DEI. Inclusion and equity are evident in the credit unions mission of promoting thrift and providing access to credit for provident purposes. Who can deny that credit unions unique genesis story is about inclusion? DEI is in our DNA. Next please.

Finally, I am part of the Advocacy Team at CUNA and what's very apparent to us is the new Congressional leadership is very, very interested in the topic of DEI. In fact, they've established the first subcommittee on diversity and inclusion that has become very active. We know that there will be more scrutiny around diversity, equity and inclusion. Not only within the regulators but also the regulated entities; banks, credit unions. Next please.

We're the-

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Samira: -as a thought leader to increase the awareness of the DEI in the movement and to provide support around it. We have been working with our partners, the leagues, associations, credit unions, service organizations, credit unions and others that are

dedicated to advancing DEI within the credit union movement, to support credit unions to reach diverse communities and to work to deepen DEI in our industry. Next please.

[silence]

Samira: Next please, thank you. There is a commitment on the part of CUNA leadership to DEI, and we're thinking about the DEI as a holistic concept. We recognize that in order to better serve an increasingly diverse population, we need to consider what we look like at the organizational level. We need to reflect the diversity of the communities we serve in order to better serve them. Next. That's it. Thank you very much.

Christine: Thank you, Samira. This is Christine. That was a really interesting presentation and it looks as though we'd already got a few questions from the audience, so we can use these last few minutes for. If anyone did have a question they wanted to ask and hadn't had a chance to put it into the system yet, please use your Webcast chat box and we'll be happy to get any questions, answers that we can. Samira, first question for you is what are the benefits of a diverse talent pool for credit unions? What are the benefits of that diversity for credit unions particularly?

Samira: Yes, so as I mentioned, there's a lot of research on the benefits of DEI for organizations. We've got more than three decades worth of research on this that shows that these types of more diverse organizations perform better financially. If we unpack this, it really is about having a diverse talent pool. It's associated with more collaboration. Staff are better motivated, they're more productive. You've got a better customer orientation and it's likely because your staff will better reflect and understand their customers. We also know that diversity of thought is correlated with higher innovation, as I showed, and lower risk. Because if you bring these various perspectives together they're, oftentimes, more easily able that we otherwise wouldn't see and help us to avoid risks in our organizations. When it comes to credit unions, this is all very good and I think having more diverse organizations signals to staff that their diversity is valued, especially if we're talking about an inclusive organization. And it also signals to membership that they are valued when they come into an organization and see themselves reflected in the staff. So, I think there is a true value internally in terms of how organizations work, and it also affects your performance.

Christine: There's are a few questions here that I'm going to ask in tandem, Samira, and let you decide how to answer. They all sort of relate to what you just said. One is asking to discuss inclusion in the workforce and what it looks like. Another is, do you have any thoughts on actually having a diversity and inclusion team within a credit union? The last piece which is- I'm sure a lot of people are thinking but aren't asking is,

is diversity program like Affirmative Action? I'll leave it for you to decide how you want to answer.

Samira: Yes. Well, let's start with the last one. This is one that I think we've been all sort of thinking about and it tends to come up. Affirmative Action was-- I think it resulted in things like quotas. One of the things that I mentioned is that this formulation or generation of diversity is different than quotas. It's not about quotas. It goes hand in hand with an inclusive environment. It's also-- When we're talking about diversity we're talking about multiple dimensions of diversity. Affirmative Action is, I think, much more narrow. I think it's qualitatively different than that. I want people to kind of put that aside. We're talking about something very very different because it also implies the inclusion piece in ensuring that you have a work environment and a culture that's created that actually values diversity.

It's not just about numbers and getting people in the door and getting this many women, and this many African-Americans, and this many Latinos, and this many Asians and LGBTQ. It's much more about a qualitative- it's about a qualitative shift, or it goes hand in hand with the qualitative shift in your organization and how you value and benefit from the diversity of thought and perspective in everything that these folks bring.

Christine: Would you suggest that they have a diversity and inclusion team in an individual credit union? This is, unfortunately, going to be the last question because we're [crosstalk] over.

Samira: Sure. If you have the resources and your organization is able to do something like that, I think it could be useful. It's not necessary though. I think that getting there in terms of becoming a more diverse, and inclusive and equitable organization, really just first starts with taking stock of where we're at now. Anybody can do this in the organization and everybody should, in fact. Do our employees feel welcome and valued? Do they feel like what they bring is something that that the organization is open to? Do they feel like they can bring their full selves? Is the organization taking full advantage of the various perspectives that are brought to the table? I think that those kinds of questions, and that kind of work and the internal work that is required can happen, yes, if you have a diversity and inclusion team, but you don't necessarily need to have that. You can have folks who- staff at all different levels who are interested in the topic, who might come together to think about these issues in a more loose, informal way.

Christine: Thanks, Samira. Unfortunately, we do have to close. It's all the time we have for today. It sounds like we could talk about this topic for hours but for those other folks, as a follow-up to today's program, we'll send you an email that gives you a link to the recording of this presentation, where you'll also be able to download the presentation



and it's transcript. So, feel free to share any of that information with colleagues. Our next Informed Banker will be on August 22nd, where Alexandra Gekas of Callahan & Associates will discuss turning your brand into a lifestyle. Samira, thanks again for sharing with us today. I'd also like to extend a very sincere thank you to the many financial services professionals who made time to be with us today. Hope to see you all again at future Informed Banker sessions. That concludes today's webcast, thank you for joining us.