Retention Returns:

Insights for More Effective Diversity Initiatives

A Report by the
Robert Toigo Foundation
Developed in Collaboration
with Heidrick & Struggles

HEIDRICK & STRUGGLES

table of contents

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Insights for More Effective Diversity Initiatives

Retention of talent—specifically professionals of color—has long been a challenge for many firms and industries, and finance is no exception. After investing significant resources, time and energy to bring in the best and brightest talent, too often organizations are faced with an unpleasant and costly reality: the candidates they worked feverishly to recruit are leaving.

For the past few years, the Toigo Foundation has witnessed a disconnect between what young professionals perceive as valuable at their workplaces relative to where finance firms often invest their resources. Our hope is that **Retention Returns** provides insights or reaffirms to finance firms and Fortune 500 companies alike where diversity recruiting and retention initiatives are succeeding and where, in fact, they may be contributing to a sense of disenfranchisement that ultimately leads to an employee's departure.

As you will discover in **Retention Returns**, it is often a series of events—feelings of disconnection, limited access to deal flow, not being heard, of being passed over for significant opportunities, and compensation issues—that send many talented employees elsewhere. Not surprisingly, the fact that a firm heavily promotes its commitment to diversity, yet fails to substantiate that commitment (by linking business operations, management compensation and bonuses) is contributing to the retention issue. While similar factors also come into play with retention of non-minority employees, they appear more acute when it comes to young professionals of color.

A critical point of difference between **Retention Returns** and other diversity surveys is that it presents insights from the very people diversity programs are intended to attract and retain. As we were developing the survey, we found that the vast majority of

studies and surveys available to date focused on gathering insights from the HR department or executives, rather than from people of color within the organization. We hope that by offering this differing viewpoint, we can help inspire or encourage continued dialogue, new thinking, new ways of working and help garner meaningful results. This survey is intended to offer perspective to various sectors of the finance industry, realizing that each sector may be at different stages of development and implementation around diversity.

Changing the landscape will take time, but we believe that by working together and engaging in a collaborative dialogue we can better tackle issues facing professionals of color.

Creating, orchestrating and analyzing a survey of the magnitude Toigo envisioned were lofty goals. To help us achieve them, we worked in collaboration with Heidrick & Struggles, an international executive search firm. Together, our teams polled over 300 ethnic minorities within the finance sector, including Toigo Alumni, Fellows and other professionals of color employed by finance firms and Fortune 500 companies throughout the United States.

In analyzing and reflecting upon the data, we found the insights addressing issues of retention to be of the greatest significance and, as a result, have dedicated the majority of this piece to that strategic business challenge. Throughout **Retention Returns**, we have identified areas in which the Toigo Foundation can continue to provide guidance and services to the growing network of minority professionals we support, as well as the organizations in which they work. We have also cited other resources and studies that may be of interest.

Changing the landscape will take time, but we believe that by working together and engaging in a collaborative dialogue we can better tackle issues facing professionals of color. As a result, we believe firms will see measurable returns, most notably a more loyal and diverse workforce. With a close pulse on the lives and feelings of our Alumni and an unwavering commitment to help firms recruit and retain top minority talent, Toigo has a unique vantage point on diversity retention challenges. Using the **Retention Returns** findings, the Foundation plans to organize individual firm and group meetings across industry sectors to address issues of particular relevance. As a complement, Heidrick & Struggles will be providing insights directly to their clients as well.

As always, the Toigo Foundation welcomes your feedback on our work and what more we can do with you as an organization to develop or redefine your diversity strategies.

Nancy Sims, President
Robert Toigo Foundation

Strength in Collaboration

The Robert Toigo Foundation thanks Heidrick & Struggles for its generous support and insights in conducting the Retention Returns survey and follow-on focus groups.

HEIDRICK & STRUGGLES

As leaders in the executive search industry, Heidrick & Struggles helps create human capital strategy and solves business problems for its clients every day. The firm works with clients in all sectors providing:

- *Searches and services for Boards (including CEO searches)*
- *Searches and services supporting CEOs and the entire C-level executive group*
- *A range of services for target client accounts to help them build winning leadership teams*

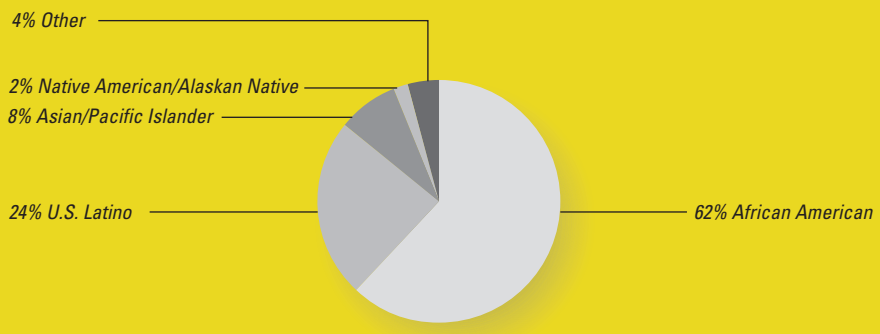
Heidrick & Struggle's global team includes more than 300 consultants working from 58 locations in principal cities of the world. In 2005, the firm conducted 4,077 confirmed executive searches worldwide. The firm's Global Finance practice was formed in 1988 and today includes 79 consultants in 29 offices around the world, supported by a similar number of associates. It represents the firm's largest and most active practice, accounting for approximately 30% of the firm's revenue. The Global Finance practice client roster includes a majority of global finance firms. Heidrick & Struggles works with these clients on global searches for executives in key areas such as technology and operations, human resources, marketing and legal infrastructure.

About the Survey | Demographics

To gather insights presented in "**Retention Returns**," more than 490 professionals of color were contacted to participate in the survey. Over 300 responded (60%), a remarkable response rate which Toigo views as an indication of these professionals' commitment to finance and their strong desire to have an active voice in helping to make their firms and the industry more successful in this area. The respondents included full-time professionals (260 total) and second year MBA candidates (40 total). The data and themes presented in this report focus on issues raised by the 260 respondents employed full-time.

Outreach of survey respondents focused on Toigo Foundation Alumni and their colleagues. While it represents a fraction of professionals of color in today's finance firms, we believe their responses and input are representative of the opinions of a broader base of professionals of color working within the field of finance. Our hope is that the findings provide valuable insights as organizations review current recruiting and retention efforts with the goal of realizing better returns.

DEMOGRAPHIC MIX OF SURVEY RESPONDENTS



All **Retention Returns** respondents are MBA graduates from the nation's top 25 graduate business school programs—all are people of color. More than 60% of respondents are African American, 24% Latino, 8% Asian/Pacific Islander, and 2% Native American/Alaskan Native. The respondents are employed in a range of finance sectors (see Appendix II for a full list of firms where the survey respondents are employed.)

Over two-thirds of respondents have been with their current employer for less than four years—a critical employment timeframe from the perspectives of both the employees and employers. The success (or disappointment) during this career phase can significantly impact the retention of minorities in finance today. Seven percent of respondents have spent more than eight years with their current employer, perhaps representative of the comparatively high turnover and abbreviated tenure of employees in the finance industry.

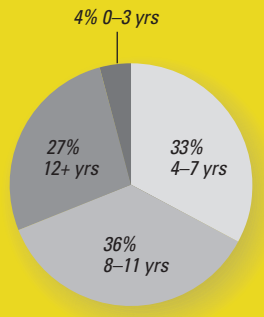
As a follow-up to the online survey, Toigo and Heidrick & Struggles teams conducted focus group sessions in New York, Chicago and San Francisco and invited survey participants to share added insights regarding recruiting, mentoring, leadership development, performance reviews and more. Information gathered during those small group sessions has been incorporated into this report.

YEAR ONE TO FOUR: THE FORMATIVE YEARS

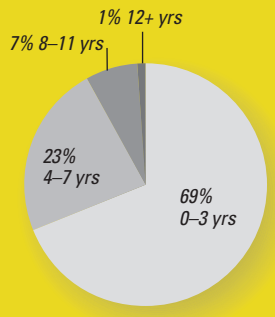
The first four years is a critical stage in a professional's career path within the finance arena—often shaping their perceptions about the industry and themselves.

As a result, the Toigo Foundation dedicates a significant portion of its APEx™ curriculum to the needs of this important and growing population. Mentoring programs, ongoing career assessment and counseling during this time can help establish a strong foundation for crritical feedback and success.

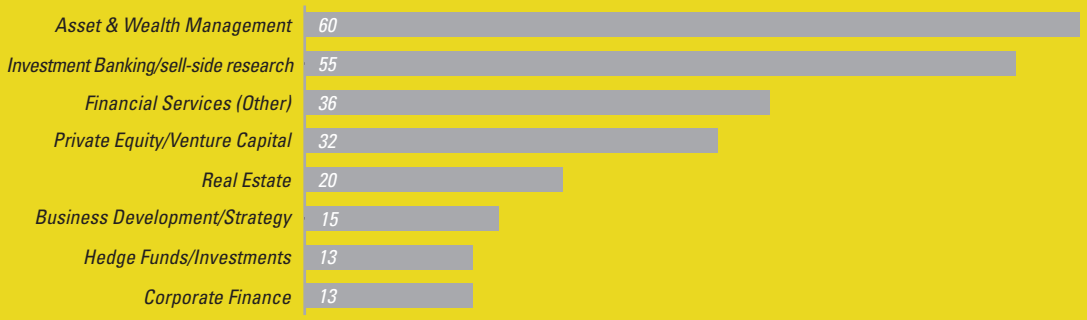
NUMBER OF YEARS EMPLOYED (PRE AND POST-MBA)



NUMBER OF YEARS EMPLOYED BY CURRENT EMPLOYER



FINANCE SECTOR (252 RESPONDENT)



Executive Summary

In analyzing the findings from the **Retention Returns** survey and the subsequent conversations from the focus groups held with professionals of color regarding firms' retention efforts, key themes emerged. These findings represent important issues that finance firms committed to improving retention of diverse talent are hopefully considering as they evaluate their current practices—and are inspired to adopt new ways of working.

- **The Cycle of Departure: Recognizing the Pattern.** For the survey respondents, the domino effect resulting in voluntary departure follows a similar path or pattern of events, including limited access to key deals which leads to a lack of visibility, and in turn leads to a lack of recognition and proportionate rewards. Ultimately it all leads to the employee's departure.

  Find out how to break the cycle and how lack of access on deals is tied to the challenges professionals of color face in tapping into a firm's social network. [Page 7]

- **Mentoring Matters—When Done Right.** Formal mentoring and support network initiatives were unanimously cited as critical elements of support in a firm, yet less than 20% of respondents perceived their firms to have a firm-wide commitment to mentoring.

  Review what makes a state-of-the-art mentoring program, and how you can encourage professionals to build relationships that make a difference in their careers. [Page 12]

- **Performance Management: Be Clear, Be Open.** Having a plan in place to manage expectations (and disappointments) is a fundamental part of a robust and open performance review process. Failure to gain access to systematic feedback and support leaves candidates with a feeling of disillusionment—and often serves as the impetus to move on.

  Learn more about the importance of establishing clarity around what qualities, characteristics and performance lead to promotion opportunities, communicating a timeline for advancement,—and then ensuring that that information is shared with all. [Page 19]

- **Institutional Priority and Individual Execution Are Critical.** The majority of our respondents do not believe retention is recognized as a strategic priority in their firms. Why? It may be communicated at the top, but day-to-day interactions indicate a disconnect between leadership and line managers. In order to drive real and tangible results, firms need to link HR/diversity efforts with overall operations, including linking a portion of line managers' compensation to diversity-related recruiting and retention goals. This approach has its champions and its detractors—and will likely be an area of continued focus for finance firms as they evaluate their diversity efforts.

  Learn more about the rationale for elevating diversity to a level where it directly impacts compensation as a way to ensure that everyone in the firm embraces diversity in a consistent and meaningful way. [Page 21]

Minority Retention: The Cycle of Departure

For many professionals of color, the decision to seek employment elsewhere comes after a series of predictable—and often avoidable—events. Understanding the need to watch for patterns and what factors trigger the domino effect are important steps for firms as they tackle the challenge of retention.

34% of respondents indicated the firms in which they work have no formalized diversity efforts in place.

According to a recent Conference Board study, employees want more than great benefits and compensation from their employers (those ranked 8th on the expectation list.) Interestingly, challenging work was the most mentioned expectation of employees, followed by open, two-way communications and opportunities for growth and development.[1] As Generation Y individuals—those born after 1982—come into the workforce, HR experts and organizational management professionals believe this issue of "workplace experience" will become an even more prominent decision factor for joining and staying with an employer.

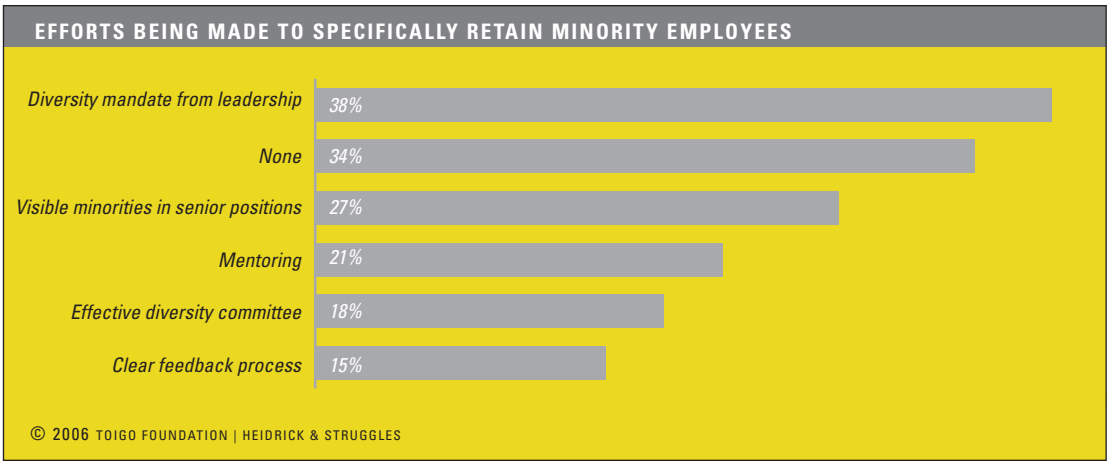
While more than one-third indicated their firms communicate a diversity mandate from the most senior levels of leadership, a nearly equal number of **Retention Returns** respondents also indicated that their firms have no institutional efforts in place to address minority retention. Fewer than 20% indicated that their firms effectively utilized diversity committees as a way to solidify its diversity efforts. Based on Toigo's work with firms of varying size and industry focus—from investment banking to alternative investing, private equity to real estate investment—the commitment of professional time and resources toward diversity initiatives varies widely. Toigo is investing in programs aimed at helping firms that will most benefit from establishing more formalized diversity programs.

As you see in the chart on the following page, only 15% of respondents indicated that clear feedback processes were in place as part of efforts to retain professionals of color. As part of its APEx coursework and Career Services advisory sessions, Toigo reinforces the responsibility that each professional should assume for identifying appropriate ways to seek ongoing feedback while promoting their potential and demonstrating excellence in their work. In short, to forge their own open channels of communications.

FRUSTRATION ON ALL FRONTS

"The anticipated natural progression fails to occur. Minorities and women see themselves plateauing prematurely. Management is upset (and embarrassed) … and begins to resent the impatience of new recruits and their unwillingness to give the company credit for trying to do the right thing. Depending on how high in the hierarch they have plateaued, alienated minorities and women either leave the company or stagnate."

Source: From Affirmative Action to Affirming Diversity," R. Roosevelt Thomas, Jr., Harvard Business Review



HOW THE DOMINO EFFECT STARTS

Based on respondents' feedback regarding the few formal or structured efforts that are in place to retain professionals of color, we see a pattern of departure emerging:

- **Key Deal Access**: Assignment to plum deals with high revenue-generating potential is limited. Focus group respondents felt this limitation is primarily driven by many firms use of an informal process of allocating deals that appears to be heavily tied to membership in the "old boy network."

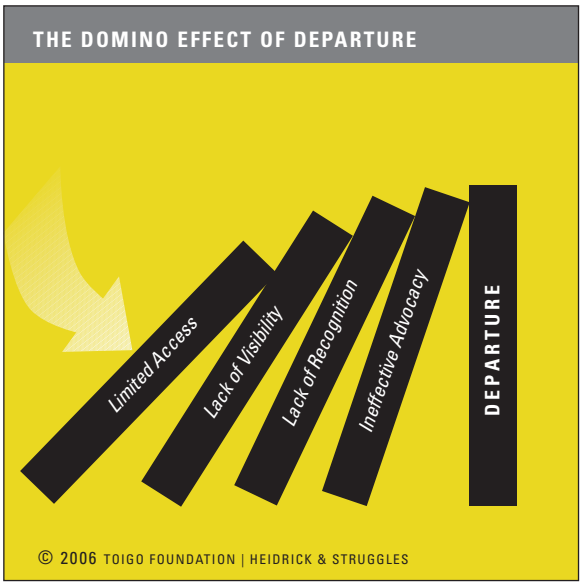
- **Internal Exposure/Visibility:** Exclusion from lucrative deals leads to a lack of visibility in the organization. Research and thought leadership published by Laura Morgan Roberts of Harvard Business School and Dr. Stacey Blake-Beard, Associate Professor of Management at Simmons School of Management and member of the Research Faculty at the Center for Gender in Organizations, sheds light on the challenges—and importance—of the issue for professionals of color. "…the most effective means for managing visibility is to adopt a combination [of] knowing how to stand out in critical moments and slip under the radar when needed. In taking a more nuanced, or 'tempered,' approach to managing visibility, anyone operating as 'the only' in his or her organization, will have a powerful tool to demonstrate competence, establish credibility, build connections, counter negative stereotypes, and stay true to themselves while playing the tournament game of career advancement."[2]

- **Recognition:** The lack of access to key deals and lack of visibility results in professionals of color not being recognized for their contributions. Morgan Roberts and Blake-Beard note: "There are several reactions to the minority professional who seeks and/or receives this heightened visibility: her every action is scrutinized; her judgment may be questioned; her performance is evaluated closely and criticized vigorously. Small errors are held up as proof of this leader's incompetence rather than seen as opportunities to learn from mistakes and hone important skills."[3]

- **Effective Advocacy:** It is critical to have a sponsor to advance in the competitive finance culture. Many of the established firms—particularly in the investment banking space—have formalized programs for internal mentoring, coaching and advocacy in place. Yet, many firms do not. As more professionals transition from other industry sectors where they have benefited from formalized mentoring programs, the value of these programs will become even more apparent to finance firms of all sizes and focus.

A LEVEL PLAYING FIELD

Level Playing Field Institute's research explores unique reasons employees of color, LGBT professionals, and women choose to leave their jobs and investigates how employers can hold on to valuable, experienced employees. The Institute's Corporate Leavers Initiative is the first national, diversity-focused study of professionals who have voluntarily left their jobs. Corporate Leavers utilizes both qualitative methods, such as interviews and focus groups, and a national quantitative survey. Level Playing Field reached out to Toigo Alumni to participate. Level Playing Field Institute's workplace research is based on Dr. Freada Kapor Klein's 20 years in diversity research and consulting for Fortune 500 companies and global professional service firms. For more information, visit www.corporateleavers.org.



To solve a complex problem at work, professionals predominately turn to colleagues rather than computers.[4] Studies at MIT in the area of social networking show that "people with rich networks tend to solve problems faster, and with better results."[5] In finance firms, where the business of relationships is as critical as analytical and technical knowledge, establishing a social network is critical to a professional's short- and long-term success. And, by extension, to the professional's career satisfaction and loyalty to their employer.

"Leaders need to understand how social identities influence the way employees experience the organization's work and culture," write the authors of a Harvard Business Review (HBR) article, "Rethinking Political Correctness." "By developing a deeper understanding of those who differ from them in gender, race, ethnicity, sexual orientation, and so on, leaders learn to anticipate how employees are likely to read situations… leaders can intervene early and respond effectively when situations arise, as they inevitably will." To develop that type of insight, the authors note, requires leaders "to build trusting personal relationships with senior-level staff who represent the organization's diversity."[6]

Only 1 in 5 survey respondents indicated their firms have formal mentoring programs in place to help retain minority talent.

Importantly, professionals of color are (or perceive themselves to be) outside of the "informal" mechanisms of information sharing and social networks, including lunch or coffee with peers, being invited to drinks, socializing with managers. Both Rob Cross (University of Virginia) and Wayne Baker (University of Michigan) are exploring the role that the quality of a professional's network has on the person's performance. In one study, the colleagues found that the "energy spent between people during interactions is four times a greater predictor of performance than the information we bring to bear.[7] Clearly, this set of findings supports the old adage emphasizing the importance "who" you know, an adage that remains increasingly relevant—a challenging obstacle for professionals of color that firms need to be increasingly aware of and work toward resolving. Toigo's APEx training offers key strategies to its participants on building their "social capital."

THE DISCONNECT RUNS DEEP

More than half of the minority women professionals surveyed feel their outside lives are invisible.

Distrust and reluctance to discuss private lives are often rooted in minorities' experiences of 'hidden bias' in corporate cultures. A feeling that co-workers simply will not be able to relate to cultural and other experiences that have shaped the minority professionals' lives.

Hidden biases can lead minority professionals to deny their authenticity as they try to fit into the majority, predominantly white male environment.

One in five professional women of color perceived hidden biases severe enough for them to consider quitting.

Source: Center for Work-Life Policy & Charney Research, 2005.

REVERSING THE TREND

Based on our team's interaction with firms, Alumni and feedback from **Retention Returns** respondents, Toigo presents the following recommendations to firms committed to finding ways to forge tighter integration between daily operations and diversity retention goals throughout their organizations.

- **Communicate a Clear Path for Advancement**. Communicate clear, objective metrics for an individual to achieve career advancement and secure positions of growth and leadership within the firm. Improve channels of communication—both informal feedback and formal review processes—to help guide employees along this identified career path. When it comes to a clear path for advancement, the variables, of course, are many.

At smaller firms, for example, the path may not be clear since it has never been forged before (or, in fact, there may not be room for growth at all.) For those firms that believe they have clearly stated metrics for advancement (and many do), issues can arise when the metrics are not objectively applied by all in leadership positions. Communicating the path is the first step, without an objective application of the metrics; your efforts will be undermined.

- **Adopt More Transparent Review Processes**. Strive to preserve objectivity in meaning. Begin to objectively measure an employee's movement or progress along the clear career path. Among our respondents, Asset Management was often cited as a more egalitarian environment since a money manager can always be judged on the basis of his/her portfolio performance, eliminating the subtle inequities that impact minorities' access to deals/visible positions/access to senior management in other areas of finance like investment banking. The lack of clarity, or transparency, in how deals are assigned was raised frequently as a point of frustration by survey respondents.

- **View Performance Review as a Development Opportunity.** Effective appraisal programs represent more than a time to set a person's salary. The programs should incorporate skills development via coaching from supervisors or others on the team. Rather than viewing the interactions in formal performance reviews as an opportunity to reflect on past performance, this benchmark should be used as a training opportunity with a focus on the employee's future development and growth. Just as training is focused on achieving growth and professional development, performance management can be viewed in the same light.

- **Provide More Options.** In an effort to retain strong professionals of color who are not positioned to succeed in their current role, firms might consider a formal process for evaluating these employees for other opportunities that might be a better "fit." The concept of internal mobility, and a focus on core competencies that are transferable between lines of business, has been gaining traction within firms. Communicating to professionals that options exist—and that an exit is not the only answer—may be one way to keep talent in-house and ensure that both the professional and the firm are realizing the most from the relationship.

- **Foster Social Networking.** For professionals, personal networks deliver tremendous advantages—ready access to private information, the ability to tap into diverse skill sets, and power. For professionals of color, research shows that the value of mentors and networks is critical to their success and longevity with a firm. There are many ways in which professionals can build and capitalize on their networks. Firms that foster networking efforts, including the active support of affinity groups and alignment of these groups with strategic goals, will in turn boost their diversity initiatives.

At Toigo, we encourage our Alumni and Fellows to actively manage their network and seek contacts who will provide valuable—and sometimes differing—points of view. Just as a company relies on its board of directors for objective and expert advice in a broad range of functional areas, professionals should view and actively manage their network as a source of wisdom and insights. They are encouraged to consider reaching out and building connections with individuals with varying degrees of professional experience or years "in the field." Importantly, as each person's roles, responsibilities and perspectives change, so will their advice. The result will be a richer contribution of differing points of view. In a networking piece in HBR, the authors advise, "If you've introduced yourself to your key

The lack of clarity, or transparency, in how deals are assigned was raised frequently as a point of frustration by survey respondents.

contacts more than 65% of the time, then your network may be too inbred."[8] As many Toigo Alumni have realized first-hand, there is tremendous value in reaching beyond the established network of colleagues and classmates.

Additionally, recognizing the importance of forging both strong and weak ties is critical. While strong connections give you considerable rapport, there are also benefits to be gained from having a network with weak ties—people you don't know well but who may be helpful. Research suggests that one of the most common ways people find jobs is through information and connections from the weak ties in their networks. Mark Granovetter at State University of New York, Stony Brook writes in "The Strength of Weak Ties: A Network Theory Revisited," that "weak ties provide people with access to information and resources beyond those available in their own social circle; but strong ties have greater motivation to be of assistance and are typically more easily available."[9]

AHEAD OF THE CURVE: ADVANCING PROFESSIONAL EXCELLENCE

APEx™ In the mid 1990s, the Toigo team recognized a growing need among its Alumni for leadership development training. Before developing a program, we surveyed offerings in MBA programs as well as training that finance employers were providing. We found that a gap existed in leadership development training, specifically in areas relating to self-assessment and "soft skills." Equally important, our conversations with practitioners raised awareness for the importance and value of training tailored to meet the needs of professionals of color.

Our initial research led to the creation and launch of APEx. Our APEx faculty includes recognized academicians and thought leaders. Working with them, the Foundation continues to expand its curriculum based on feedback from Alumni and sponsors. Recent news of MBA programs adapting their curriculum to include more "real world" or soft skills and more of an inter-discpilinary approach to their classroom offerings validates the approach Toigo adopted early on and continues to follow today.

Mentoring Matters—When Done Right

Mentoring and networking have become cornerstones of talent development. While many firms have formal mentoring programs in place, the survey findings and focus group feedback indicates that it may be time for organizations to carefully evaluate these programs to ensure they are realizing maximum benefit. The structure of the formal mentoring program, who is involved, how accountability is assigned and reviewed are all factors in the overall success of the program. In this section, we hope to provide added insight to firms with formal mentoring programs in place, as well as valuable input for firms that are embarking on the important process of establishing formal mentoring programs to support their talent.

Protective hesitation—the fear of being called racist or sexist—can prevent mentors and supervisors from sharing information and providing critical feedback regarding an individual's performance or actions.

At the core of every mentoring relationship is trust—a willingness of partners to authentically engage one another. Mentoring provides "real world" information, advice, encouragement, and access to networks that might otherwise be unavailable to women and people of color. Mentor relationships can contribute significantly to the development of a professional of color's confidence, competence, and credibility, or what Professor David Thomas of Harvard Business School labels the "three Cs." In Thomas's groundbreaking research, he shows that in a professional environment, mentoring relationships are critical to all professionals, but for professionals of color, they play an even more vital role in career development.

Enabling the type of trust needed to foster meaningful mentor relationships often becomes more challenging as mentoring partners cross-racial lines, according to Blake-Beard. A member of the Toigo Foundation's APEx faculty and a recognized authority on mentoring, Blake-Beard works closely with Dr. Regina O'Neill of the Sawyer School of Management at Suffolk University to address mentoring issues and provide robust mentoring training. Both note that several challenges related to mentoring across dimensions of diversity may emerge for professionals of color, including issues such as "tokenism," challenges that can come into play because people of color or women are often one of a few and subject to stereotyping. This dearth of other minority colleagues naturally places them in a spotlight, making learning more challenging as a result of the added scrutiny.[10] Blake-Beard and O'Neill work with Toigo Fellows and Alumni to recognize other issues when it comes to the care and nurturing of mentoring relationships. Protective hesitation—the fear of being called racist or sexist—can prevent mentors and supervisors from sharing information and providing critical feedback regarding an individual's performance or actions. Instead, mentors and supervisors can default to a comfort zone, avoid potentially difficult conversation and tell their protégés they are doing fine.

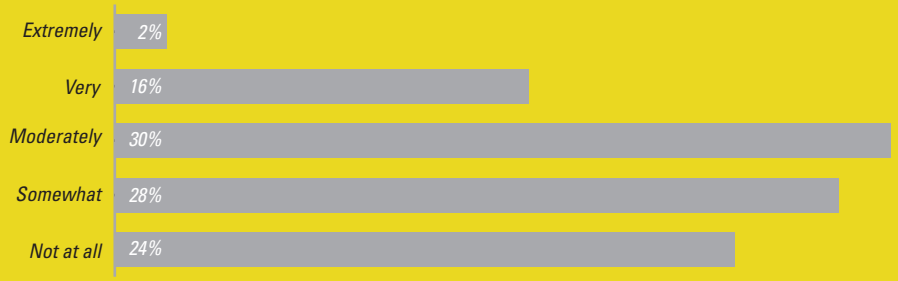
WORK TO BE DONE

The findings of **Retention Returns** indicate that while only 21% of finance firms have mentoring programs in place, the majority of firms fall short when it comes to the care and feeding needed to make these programs productive for all. Of those surveyed, 18% indicated that mentoring was considered either extremely or very important in their firms, with the remaining 75%-plus indicating only a moderate (or worse) sense of importance. Nearly one-quarter of respondents said mentoring was not considered important in their firms. Feedback from **Retention Returns** also indicated that less than one-third of employers actively monitor their mentoring programs to ensure that benefits are being realized.

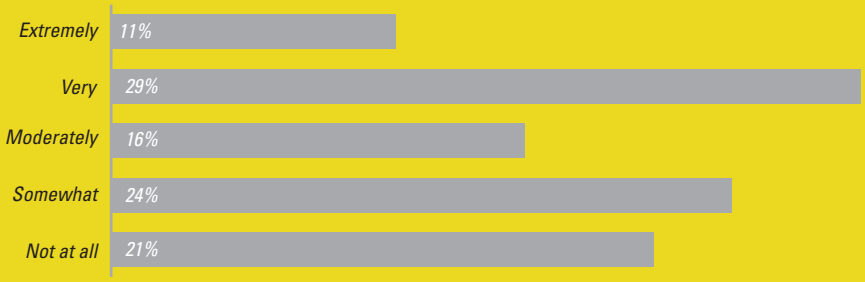
To truly be effective, organizations cannot approach mentoring as a "check off the box" or a stand-alone program. While mentoring programs can represent a very important part of an organization's diversity efforts, they should not be the first and only effort.

Investing resources, specifically, the time and energy of key executives, is fundamental to the success of any formal mentoring program. The survey responses indicate that even when there are formal mentoring programs in place, limited monitoring and structure provided by the organization means the full value of the program is not being realized.

TO WHAT EXTENT IS MENTORING CONSIDERED IMPORTANT AT YOUR FIRM?



HOW VALUABLE HAS YOUR FIRM'S MENTORING PROGRAM BEEN TO YOU?



ELEMENTS OF SUCCESS

The dynamic established between the mentor/mentee is fundamental to the long-term value of the relationship. Based on survey respondents' feedback, key elements to foster include:

- **Access:** Having a powerful or influential mentor only mattered if the mentee had sufficient or consistent and frequent access to the mentor. A powerful mentor might be too busy to provide real and substantive mentorship. Over 90% of the respondents considered "access to the mentor" to be "very" or "extremely" important. Interactions should occur in different formats. In-person meetings, based on Toigo's experience, are essential at the start of the relationship to establish trust. Moving forward, scheduled calls as well as in-person meetings prove valuable, with email providing a convenient way to exchange quick thoughts.
- **Constructive Feedback:** Honest, candid feedback is the cornerstone of successful mentoring relationships. According to survey respondents, 94% indicated that their assigned mentor's ability to provide feedback was of paramount importance.
- **Advocacy:** A mentor's ability and willingness to sponsor or advocate on behalf of a mentee also ranked as a top attribute in the relationship, with 83% of the respondents ranking this attribute as "very" or "extremely" important.

Respondents also provided insight into qualities in the mentor/mentee relationship that had little or no bearing on the benefits they gained from the interactions. These factors should be considered as firms work to either establish formal mentor programs—or retool existing ones:

83% of survey respondents ranked their mentor's willingness to serve as their advocate as a very or extremely important attribute in the relationship.

- **Gender:** Only 10% of the survey respondents considered having a mentor of the same gender "very" or extremely "important", with 40% ranking this quality as "not at all" important.
- **Ethnicity:** Only 16% of the survey respondents considered this quality to be "extremely" or "very" important, with 29% ranking this quality as "not at all" important.

The findings reinforce Toigo's approach to mentoring over the past 17 years in the promotion of diversity relationships that can exist and flourish across cross-cultural pairings. The findings also reflect recent academic studies—and Toigo's first-hand experience—that focuses on the importance of deep level similarity rather than surface level similarity. When finance firms first began establishing mentoring programs, people believed that "matching" included gender and ethnic backgrounds. Most important to the mentor/mentee relationship is that the pair is able to connect on deeper, more important issues. Being the same gender and/or race, in short, is not enough to make a mentor valuable.

40% of survey respondents indicated having a mentor of the same gender was "not at all important."

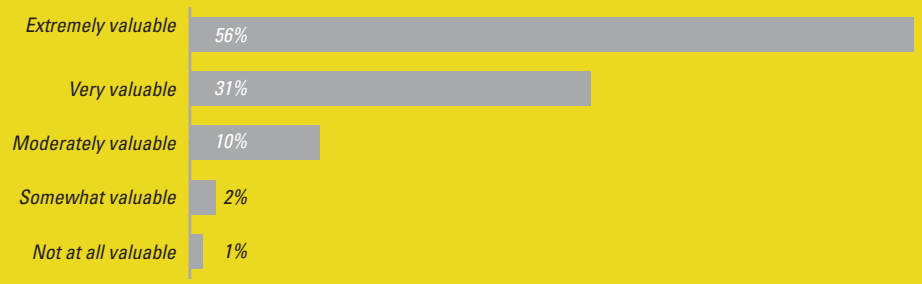
THE VALUE OF INFORMAL MENTORS

Over 80% of the respondents indicated their relationships with informal mentors—individuals they rely on who are not a part of the employer's formal mentoring program—have proven to be either "extremely valuable" or "very valuable." This compares to just 40% who rated their relationships with their formal mentors with the same value levels.

The high value placed on informal mentoring relationships is not surprising. Oftentimes, these relationships are forged through social processes of attraction and career similarity—the mentee/mentor are drawn to each other and, as a result, tend to invest added energy and commitment in building the relationship. One-third of the respondents in this section ranked the fact that informal mentors were in the same or a similar field as "very" or "extremely" important.

More than two-thirds of respondents identified their informal mentors through colleagues, while 39% identified their informal mentors through workplace, professional and social affinity groups.

HOW VALUABLE DO YOU CONSIDER THE RELATIONSHIP WITH YOUR INFORMAL MENTOR?



STATE OF THE ART MENTORING: GETTING STARTED

Whether an organization is looking to fine-tune and maximize the benefits of its existing mentor program, or the organization is starting from scratch to establish a new program, we believe insights from **Retention Returns** respondents will be of value. Clarifying the mentoring program's objectives—from "fast tracking" high performing professionals to improved integration of all individuals—is an important first step.

Based on survey respondents' feedback and Toigo's expertise in developing and managing a mentoring program that serves more than 500 professionals of color, we believe there are fundamental elements for firms to consider, including:

- **Match Talent with Multiple Mentors**. Pairing professionals of color with two or three mentors—rather than just one—allows for a more organic growth in relationships, with mentees gravitating toward the mentor or mentors with whom they connect. Often, an assigned mentor may be someone with little interest or training in being an effective mentor, and if this is the case, the mentee will have other options available to pursue.

- **Be Clear on Goals.** From the start, define the parameters and goals of the mentor relationship. Establishing these guidelines at the outset will ensure a more meaningful experience. Areas to address include: Should discussions between a mentor and a mentee remain confidential? Should mentors and mentees work in the same business units or be paired across departments? It is the firm's responsibility to define some basic expectations for a successful mentor/mentee relationship. A mentor helps guide another person, providing added understanding, connections and more, through ongoing interactions and discussions, which is valuable input at every stage of a person's career. A coach, in contrast, equips others with the tools, knowledge, and opportunities they need to develop themselves and become more effective in their environment. Each plays an important yet distinctly different role in the professional's development.

Pairing minority professionals with two or three mentors—rather than just one—allows for a more organic growth in relationships.

- **Extend Mentoring Programs to Serve Mid-Career Professionals.** The majority of finance firms focus on establishing and nurturing mentor relationships in the first few years of a professional's career. While these are important (and formative) years, mentor relationships can benefit professionals at all stages of the career path. Extending mentorship programs beyond the entry level to mid-career or management-level employees—particularly years five through eight—can be tremendously beneficial. Based on interactions with Alumni, Toigo believes that this "fall off" in mentoring represents a key area which, if addressed by firms, could have measurable, positive returns.

Extending mentorship programs beyond the entry level to mid-career or management-level employees can be tremendously beneficial.

- **Don't Assign Mentors.** Often, mentoring is a mandated activity, with firms requiring the participation of individuals who do not truly believe in the process, or are not fully engaged in its importance, to assume responsibility for guiding the career of a newly minted professional. This approach is a model for failure. Encourage professionals within your organization to volunteer their services as mentors—rather than pressuring them to participate in a program in which they may not be invested. People with an affinity and ability to mentor will make your program richer. The goal is to engage individuals who are genuinely interested in a development role. A senior employee may have good intentions yet be ill equipped to be an effective mentor. Training can provide mentors with a basic set of mentoring skills. Mentoring should not be a mandated commitment required of all senior employees, regardless of interest or aptitude.

- **Foster a Mentoring Culture.** Many firms operate on a "figure it out for yourself" approach, with managers stepping back to watch as new employees either sink or swim in their first six months. What the firms often overlook is that white males, because they are automatically part of the dominant culture, typically become a part of an informal network that provides training and support. In short, they are not really figuring things out for themselves because they have been granted a sort of insider's access from the outset. Women and minorities, in contrast, are often left to figure things out on their own because they are outside of both informal and formal networks and communication loops. Sadly, many do not realize, until it is too late, that they didn't quite "figure it out."

"Formal programs allow you to meet more people, but unless you make a connection with mentor it will not be successful. Informal mentoring works better." — *Toigo Alumni*

Developing an organization that supports a culture of mentoring makes it "ok" for senior professionals to support new hires, formally and out in the open. As Dr. Lois J. Zachary writes in her book, "Creating A Mentoring Culture," this is not just the domain of large, established firms. "Whether an institution is large or small, it is important to understand the wider school culture in which mentoring exists and to make sure that there is a cultural fit between it and mentoring. This fit provides the foundation for supporting its implementation and full integration into the organization. Without a fit, mentoring efforts continuously face challenges that threaten both the quality and the sustainability of mentoring programs."[11]

The Toigo Foundation looks forward to exploring the issues raised in the remainder of ***Retention Returns****, including performance management and business integration, in more detail with both professionals of color and their employers.*

One of the founding tenets of the Toigo Foundation and its Fellowship program is the advancement of excellence and leadership among the individuals and institutions we serve. We hope the findings presented in the previous sections of this report have provided added insight into how to create a workplace on which all talent can thrive.

As the Toigo population continues to grow, our goal is to orchestrate additional research, surveys and employer-focused workshops to gather more insights into performance management and integration of diversity with all aspects of business operations. Initial findings and thoughts on those topics are outlined in the remainder of ***Retention Returns****.*

Performance Management: Be Clear, Be Open, Be Timely

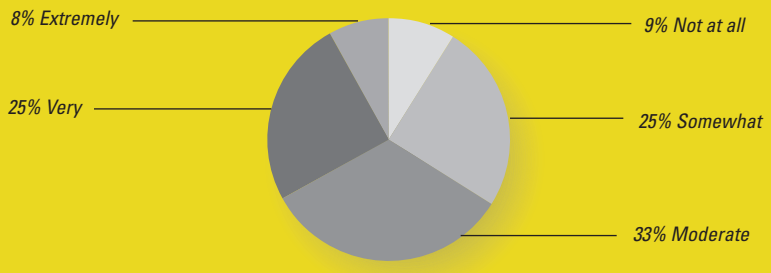
On the whole, respondents viewed their employers' delivery of clear and consistent feedback on their job performance as adequate, 33% indicating either "extremely" or "very" clear and consistent feedback. However, over 50% indicated feedback to be "somewhat" or "moderately" clear. This lack of clarity reinforces the need for firms to carefully evaluate their ongoing performance management practices and for young professionals to be more active in soliciting input. Less than 10% indicated they received no formal feedback regarding their performance.

"The review process should be transparent. If I am average, why am I average? And importantly, how can I move forward and excel?" — *Toigo Alumni*

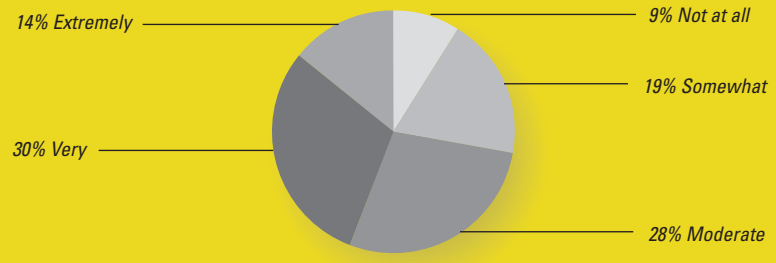
When asked about recognition and rewards, 44% of the respondents indicated they believed recognition they received was "extremely similar" or "very similar" to that of their non-minority peers.

However, when it comes to informal modes of communicating feedback relating to job performance and recognition, approximately 40% responded that informal mechanisms were "moderately," "somewhat" or "not at all" the same compared to those used for non-minority peers. Informal methods of communication regarding an employee's performance included emails from a supervisor, office discussions, and one-on-one meetings outside of the annual review process, office gossip and promotions.

TO WHAT EXTENT DO YOU RECEIVE CLEAR AND CONSISTENT FEEDBACK ON YOUR PERFORMANCE?



TO WHAT EXTENT DO YOU PERCEIVE YOU ARE REWARDED AND RECOGNIZED IN *SIMILAR* FASHION COMPARED TO YOUR NON-MINORITY PEERS?



Some of the key recommendations to firms regarding performance management include:

- **Ensure Transparency.** Compensation processes should be transparent to employees with performance metrics clearly communicated and objectively applied. Ensuring there is a clear, direct alignment—or logic—between performance and deal assignments (which in turn has an impact on compensation and bonuses) is a fundamental to ensuring transparency. Based on survey respondents' feedback, this lack of logic and transparency is a major contributing factor prompting professionals of color to seek other employment.
- **Identify and Communicate Objective Goals.** Providing employees a clear set of goals toward which they can work, rather than relying on arbitrary and unclear distinctions between levels of performance, helps instill career satisfaction.
- **Provide Consistent Feedback.** While seemingly routine, conducting regular reviews to communicate areas where improvement is needed provides professionals with valuable guidance—and comfort. To be truly effective, feedback on a professional's performance should be a fluid process and not just limited to one formal annual session. In short, the exchange should be a continual dialogue, rather than a static, one-time event.

Many studies indicate that generation Y professionals openly share information—a byproduct of their spirit of collaboration and knowledge sharing. This workplace trend reinforces the growing imperative for firms to ensure transparency as part of performance management practices—or risk the consequences.

Institutional Priority, Individual Execution

Finance firms truly committed to reversing the cycle of departure by professionals of color and improving retention need to go beyond addressing stand-alone solutions and examine deeper, more systemic issues that may be contributing to their retention issues.

The advantages of recruiting and retaining a diverse workforce go well beyond social benefits—it simply makes smart business sense to have the collective wisdom and talent of differing perspectives within the firm. "Companies need open and explicit discussion of how differences can be used as sources of individual and organizational effectiveness," write David A. Thomas and Robin J. Ely.[12]

For every organization, the benefits of a diverse workforce will manifest in different ways. For many, multi-cultural teams have led to product innovations and offerings that might otherwise have been overlooked. As today's consumer base becomes more diverse—and the "share of wallet" among minority consumers grows increasingly more powerful—employing a workforce that understands and reflects the cultural differences of your clients and customers becomes increasingly important. A cornerstone of Toigo's mission is based on the belief that a diverse workforce makes for a more profitable, productive enterprise.

The challenge many firms face is ensuring that all within the firm understand and believe in the value of diversity. Not surprisingly, of the 29% of firms in the SIA/Catalyst study that reported having no diversity program in place, many cited the biggest obstacle for moving forward and launching a program was "buy in from business units."[13]

Firms need to begin to view diversity as one of many organizational dynamics that must be managed in order to achieve optimal performance. "Diversity needs to be integrated into firms operations, and specifically into the way compensation is set. Finance firms are in the business of building relationships—and at the core of every relationship are their people. Having a diverse team brings diverse ideas, cultural experiences and knowledge to the table and makes for a more robust organization. Once firms understand and acknowledge that diversity is as fundamental to their operations as total quality management was to manufacturing businesses, change will begin," said Pamela Puryear, an organizational development consultant who works closely with Toigo as part of its APEx initiatives.

Once firms understand and acknowledge that diversity is as fundamental to their operations as total quality management was to manufacturing businesses, change will begin.

THE EFFECTS OF DIVERSITY ON BUSINESS PERFORMANCE:
Report of the Diversity Research Network

- **Foster a culture** that views diversity as a resource for learning, change, and renewal.
- **Train for group process skills.** Training programs must help managers to develop the leadership and group process skills needed to facilitate constructive conflict and effective communication.
- **Adopt a more analytical approach.** Despite the use of HRIS systems, basic HR data about individuals and groups is often difficult to link to business-level performance data. Better metrics are needed to monitor an organization's progress in managing diversity.
- **Support experimentation and evaluation.** Be open to exploring and learning about the effects of diversity in your own organization.

Source: The Diversity Research Network: Thomas Kochan, Katerina Bezrukova, Robin Ely, Susan Jackson, Aparna Joshi, Karen Jehn, Jonathan Leonard, David Levine, and David Thomas

Study Funded in part by the Society for Human Resource Management (SHRM) Foundation

CEO AS ROLE MODEL

The commitment to inclusion starts at the top and must be translated into every area of the workforce if it is to become part of an organization's DNA. When the accounting and consulting giant Deloitte began to address the fact that women were leaving the firm at a measurably higher rate than men, the CEO for the firm viewed it as a serious business concern that could—and should—be fixed. "To overcome the resistance of partners, the CEO actively led the initiative. "He put his reputation on the line," writes Douglas M. McCraken in "Winning the Talent War for Women."[14] The result? An annual savings of $250 million in hiring and training costs, with lower turnover, enabling Deloitte to grow at a faster pace than competitors.

Having institutional proclamations are meaningless if they are not backed up and reinforced by day-to-day interactions, conversations, and decisions. In the case of Deloitte and its women's initiative, they "invited the world to watch" by appointing an outside advisory council of leading experts and promoting their efforts along the way to the media.[15]

MAKE THE LEAP: DIVERSITY AS AN INSTITUTIONAL PRIORITY

To make diversity an integral part of the culture will require a wholesale shift in the way many aspects of performance assessment and rewards compensation and bonuses are awarded. Linking retention goals and practices to a manager's compensation sends a clear and defiant critical message: retaining a diverse workforce is a critical part of our firm's success, and those who contribute to the effort will be rewarded. Toigo suggests that firms who embrace this type of change will gain a competitive advantage by setting themselves apart from rival firms and help them achieve the diversity workforce goals they map out for their businesses.

There is no more effective way to create a clear and immediate impact on diversity retention than to link managers' compensation to their performance in this area. Meeting specified retention goals should be one of the key metrics for effective management—and as a result, should be linked to compensation and bonus awards. Only then will managers take steps to cultivate and keep their teams in place. Alternatively, firms might consider incorporating a component of the incentives to managers who excel at retention (versus recruitment) of diverse employees. This latter approach would eliminate the punitive aspect of tying retention to bonus/compensation packages.

Toigo understands the process of linking retention goals and compensation is a complex and challenging process—and is one that has drawn both champions and detractors. There are important interim steps that firms can consider and implement that will help move them toward closer alignment of their business operations and a culture of inclusion, including developing business line management skills. Business line managers are exceptionally skilled at analytical tasks and developing business, but too often, managing and developing "human capital" falls beyond their natural strengths and inclination. Firms might consider appointing managers based on their track record of building a team, in addition to their track record in managing a portfolio—or consider a team approach, in which senior managers share responsibilities, with one focused on business development, the other on human capital development. All senior managers should be provided training and metrics to help them succeed in this critical area of management.

Toigo communicates its view of best practices around diversity and the responsibility of each participant— from employee to the organization model—in the diagram to the right. It summarizes the various efforts that need to take place at a firm wide or institutional level, as well as at the individual or managerial level. The Foundation often works with organizations in the early stage of planning around diversity to assess and/or identify the critical steps toward building diversity awareness into their organizations. Toigo is available to work with firms to assess or audit their current standing, and then together create a path forward for change to take hold.

SURVEY METHODOLOGY

The Toigo Foundation's recruitment and retention survey was distributed electronically to more than 400 Toigo Foundation Alumni. The survey letter to Toigo contacts invited them to distribute or forward the survey to MBA colleagues of color with work experience in the finance industry. While the survey respondents were predominantly affiliates of the Robert Toigo Foundation, many were not. Over 60% of those contacted (300) responded. This report focuses on issues raised by respondents employed full-time, which includes 260 respondents.

Together, Toigo and Heidrick & Struggles team members reviewed the data findings. After analysis of the survey results was performed, key themes were identified for further data-collection and discussion during focus group sessions. All respondents to the survey were invited to participate in focus groups held in New York, Chicago and San Francisco. The 90-minute focus groups were facilitated by members of both the Toigo Foundation and Heidrick & Struggles.

Retention Returns captures the findings gathered in the survey and follow-on focus groups, combining those findings with published findings on issues ranging from formal mentoring to performance management. The goal in providing the report is to help firms better identify where their recruitment and retention efforts are succeeding, and where realignment or development of new thinking may provide value.

APPENDIX I: FOOTNOTES

1 "Its 2008: Do You Know Where Your Talent Is?" Deloitte Research, 2004 Deloitte Development LLC.

2 "Releasing the Double Bind of Visibility for Minorities in the Workplace." Center for Gender in Organizations / Simmons School of Management, September 2004. Stacy Blake-Beard and Laura Morgan Roberts.

3 Ibid.

4 "Its 2008: Do You Know Where Your Talent Is?" Deloitte Research, 2004 Deloitte Development LLC.

5 Research by Tom Allen of MIT summarized in Rob Cross, "The Hidden Power of Social Networks: Understanding How Work Really Gets Done in Organizations." Harvard Business School Press, 2004, p. 11.

6 "Rethinking Political Correctness." Robin J. Ely, Debra E. Meyerson, Martin N. Davidson. Harvard Business Review, September 2006, p78 – 87.

7 "What Creates Energy in Organizations?" Rob Cross, Wayne Baker and Andrew Parker MIT Sloan Management Review, Summer 2003, Vol. 44, No. 4, p. 51-56.

8 "How to Build Your Network," Brian Uzzi and Shannon Dunlop, HBR, December 2005.

9 "The Strength of Weak Ties: A Network Theory Revisited." Mark Granovetter, State University of New York, Stony Brook.

10 "Blind Dates?: The Importance of Matching in Successful Formal Mentoring Relationships." Stacy D. Blake-Beard, Simmons College; Regina M. O'Neill, Suffolk University; Eileen McGowan, Harvard University, 2006.

11 "Creating A Mentoring Culture: The Organization's Guide." Dr. Lois J. Zachery, Jossey-Bass, 2005.

12 "Making Differences Matter: A New Paradigm for Managing Diversity." David A. Thomas and Robin J. Ely, Harvard Business Review, September/October, 1996.

13 2005 Report on Diversity Strategy, Development & Demographics, Catalyst/SIA, December 2005.

14 "Winning the Talent War for Women: Sometimes It Takes a Revolution." Douglas M. McCraken, Harvard Business Review, December 2000.

15 Ibid.

APPENDIX II: EMPLOYERS REPRESENTED IN SURVEY RESPONSES

ADM

AIG Global Investment Group

Alexandra Investment Management

Alpine Investors

Avalon Global Asset Management

Banc of America

Barclays Capital

Bear, Stearns & Co.

Bivium Capital

Blaylock & Company

BMO Financial Group

Brazilian Capital

Bridgewater Associates

Brown Capital Management

CalPERS

Calyon Securities

Capital One

Centurion MGT Partners

Charles Schwab

CIM Group

Citigroup

City of Los Angeles

Columbia Management Group/Bank of America

Contango Capital Advisors

CRA Rogers Casey

Credit Suisse

Credo Capital

DaimlerChrysler Finance

Deutsche Bank

Dupont Capital Management

Ernst & Young

Fairview Capital Partners

Fannie Mae

Fiduciary Management Associates (Chicago)

First Municipal Credit Company

Forstmann Little

GE

General Growth Properties

Goldman Sachs

Google

Highmark Capital Management

Hispania Capital Partners

Hold Brothers Securities, LLC

Honeywell

Houlihan Lokey Howard & Zukin

ibm credit

icv capital partners

Indymac Bank

ING Clarion Partners

Insight Venture Partners

Intel Corp

INVESCO

Iridian Asset Management

Jones Lang LaSalle

JPMorgan Chase

Kline Hawkes & Co.

Leerink Swann

Lehman

Lumina Foundation For Education, Inc.

Merrill Lynch

MFS Investment Management

Milbank Roy & Co.

Morgan Stanley

National Capital Revitalization Corporation

Nationwide Insurance

Neiman Marcus

New Amsterdam Partners

Nogales Investors, LLC

North Stone Capital Mgmt

Northern Trust

Oaktree Capital Management

Optimo Asset Management, LLC

Parish Capital

PIMCO

PreCash

Providence

Provident Investment Counsel

RBC Dominion Securities

Reliant Equity Investors

Rensselaer Polytechnic Institute - Endowment

RLJ Companies

Robert W. Baird & Co.

Roxbury Capital Management

RREEF

Shumway Capital

Standard & Poors

Sterling Capital

Sunrise Senior Living

SunTrust Capital Markets, Inc.

SunTrust Robinson Humphrey

TCW

The International Finance Corporation-World Bank

The Royal Bank of Scotland plc

Time Warner

Transwestern Investment Company

Triumph Capital Group

Tyco International

UBS Investment Bank

Union Pacific Railroad

United Enterprise Fund

Visa USA

VMC Management Corporation

Wachovia Securities

Waddell & Reed

Western Asset Management Company

Williams Capital

WM Advisors

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Nancy Sims, President

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About the Robert Toigo Foundation

The Robert Toigo Foundation is the premier organization supporting the ongoing advancement of exceptional minority business degree students and alumni within the financial services industry. The Foundation seeks to foster diversity in the global marketplace and promote ethics, integrity, community service and business leadership skills through the careers of highly talented minorities. The Foundation's Alumni network now numbers more than 500 professionals pursuing careers in finance.

The Foundation works closely with its sponsoring firms, including global and emerging financial services firms in all areas of finance, Fortune 500 corporations and minority-owned and developing investment firms, to foster diversity and inclusion within their organizations and the industry as a whole. For more information on the Robert Toigo Foundation, please contact Nancy Sims at (510) 763-5771 or via email at nancy.sims@toigofoundation.org.

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