This simple statement amplifies the essence and importance of what diverse teams can deliver. When a business involves high risk or complex deals, a team with a range of experience, educational backgrounds, and intellectual rigor delivers the best results.

For years, diversity has remained a topic of interest and concern around hiring, advancement and promotion, compensation, and more recently, investment strategies. Yet strategic initiatives aimed at increasing inclusion within the ranks of firms have not been sufficient to eradicate concerns about diversity.

Going well beyond the disciplines of 1970s-era affirmative action, the concept of diversity is the deliberate creation and promotion of work environments that welcome the participation, visibility, and success of talent across a variety of demographic profiles (ethnicity, gender, and socioeconomic background). In fact, the tactical implementation of affirmative action is quantified in recruitment numbers but places little emphasis on talent development, retention, and ascent.

Toigo notes the distinction because affirmative action is now being used interchangeably with diversity, and diversity is being met with the same resistance as affirmative action. Within finance, the concept of diversity ranges from organizational composition to investment opportunities to governance; it is a deliberate effort to create opportunities for inclusion and participation of those most commonly underrepresented in a manner that firms can adopt and implement at a pace that suits their organization. Affirmative action presented a mandate; diversity is a culture shift, which when successfully incorporated into a firm’s DNA, can be measured in numerous ways, including its positive effect on the bottom line.

“\You’d never build your dream house using only hammers.\”

With the globalization of our economy, coupled with rapidly changing demographics, diversity is a necessity for businesses focused on future growth and success, and for long-term investors and key stakeholders interested in shareholder value and the well-being of society. This is the principle that has driven the performance of Toigo’s work.

Denise L. Nappier, Connecticut State Treasurer

The fundamental operating principles that surround the promotion of diversity and inclusion within finance have been at the center of the Toigo Foundation’s work for more than 20 years. And based on the swell within the nation’s diverse population, it will most likely remain central to Toigo’s agenda for years to come. With the appeal for greater participation of women and minorities in senior leadership, the demand for increased management of institutional capital by emerging managers, and the imperative for improving diversity in the governance of organizations, Toigo has evolved to enhance its partnership with industry to explore ways to implement an effective shift in thinking and operational strategy.

For those who have considered implementing a diversity strategy in their organizations, Toigo offers a best-practices model (Exhibit 1) that includes well-coordinated, strategic, and tactical steps that will help an organization become more diverse.

Toigo’s best-practices model presents four quadrants anchored by a strategic, top-down leadership message of commitment to diversity and inclusion—supported by senior management—and a plan for slow, successful implementation.

The most critical tactical step is introducing sound performance management and professional development efforts (either formal or informal). Diversity should never be introduced to an organization as a stand-alone “project” or “program.” With systematic implementation (including a combination of visionary, big-picture initiatives and focused, productive small steps), an organization can begin to make inclusion part of the firm’s DNA and integral to human capital management and employee engagement.

This model is a road map for companies that have yet to pursue this strategic objective or a checklist for those who seek to bolster existing efforts. As teams diversify with the increased presence of women and ethnic minorities, the strength of this effort becomes naturally apparent. Return on investment data and survey outcomes that underscore the value of diverse teams are becoming more available every day, and organizations such as Toigo, top academics, industry associations, and others are prompting companies to seek out diverse talent. Investors are appealing to their majority managers to deliver diverse teams as part of their operational strategy.

Diversity as a Business Driver: Difference Matters

The benefits of a diverse workforce manifest differently for different organizations. For some, the suc-
cess of a single senior hire or the promotion of an existing high achiever begins to highlight the importance of diversity; for others, it’s the introduction of women or minority talent to the organization.

The art of relationship building is critical to success in real estate. Based on that, organizations should ask themselves these critical questions:

- What is the opportunity cost (or loss) when there is a lack of perspectives and ideas, cultural experiences, and knowledge at the table?
- How do the perspectives of women and minorities impact an investment deal or a market?
- How does diversity demonstrate the company’s commitment within the community in which it seeks to build or operate?
- How does diversity underscore institutional responsibility to clients and investors to manage within changing dynamics?

Pension funds engage in lively conversations with Toigo regarding many aspects of diversity—most importantly, how Toigo is successful in its work to promote the merits of higher education and support the career pursuits of young minority professionals in financial services. Pension funds also want to attract the high-caliber talent within the Toigo network who are interested in pursuing careers within public service. Toigo is actively working with investment staff to explore ways of providing practical training, internships, and industry education through participation in the Toigo leadership curriculum. Further, several funds have established emerging manager programs, demonstrating leadership and innovation by engaging qualified, underrepresented investment firms, and they continue their efforts to encourage their investment managers in their diversity leadership efforts, particularly in roles that influence the investments of their pension funds. This activity increases almost daily and shows no signs of slowing.

Once firms experience and acknowledge these diversity efforts as fundamental to their operations and to the industry, change will begin to take hold.

Retention Is the Key; Advancement Is the Pathway to Leadership

Institutional proclamations and heavy spending to attract diverse talent are meaningless if they are not backed up by day-to-day interactions and decisions.

Reports suggest that firms, across industries, invest millions of dollars in the recruitment of talent year after year, but how much is invested in developing and retaining that talent? What is the internal rate of return for the investment in human capital, the firm’s institutional history and contribution? As organizations think about competitive positioning, new product development, and succession planning, a deliberate effort to consider diversity in these processes can help drive success in meeting the goal of a more inclusive environment. To capitalize on a company’s strategy for diversity, managers (mid-level and senior) should be keenly familiar with the talent in their organization with an eye to the contributions and potential of underrepresented professionals in their ranks as they evaluate all candidates for promotion. Managers should consider the following:

- **Key Deal Access**: Are all individuals given access to deals with high revenue-generating potential, or are
those deals limited and allocated to individuals more familiar within the organization?

**Internal Exposure/Visibility:** Is the organization being selective regarding the assignment of deals? Exclusion from lucrative deals is directly correlated to a lack of visibility within and outside an organization, and potential for recognition and advancement is diminished.

**Mentoring Culture:** The majority of firms focus on establishing and nurturing mentor relationships in the first few years of a professional’s career. Have you considered extending mentoring to mid-career or management-level employees? Are there women or minority professionals at this level who could benefit from resources that offer candid feedback and support for success and longevity with the organization? Often, these groups are left out of informal networks that have proven to be invaluable for professional development.

**Talent at Its Best**

The inclusion and opportunity provided to women and minority professionals directly strengthens the services and performance of an organization without quality trade-off or risk. Diverse talent with top academic credentials, history of experience, and success or potential for growth validates strategic planning around inclusion and advancement of diverse talent. Toigo has supported more than 150 of its alumni in real estate, many of whom are graduates of seven of the top academic institutions that are recognized for their real estate programs. But many more women and minorities are beyond the Toigo alumni network and possess the requisite skills to contribute in today’s real estate environment. The myth that diverse talent doesn’t exist is dispelled by the caliber of talent introduced by Toigo and other enrichment programs and academic institutions.

While Toigo’s best-practices model presents definite steps toward introducing diversity and inclusion in an organization or advancing existing efforts, it is a fluid process that can take place immediately with a company’s next hire, in the context of a promotion discussion, or during consideration of market dynamics that impact investment deals. That’s the beauty of diversity—it can be customized to live and thrive in every organization based on its needs and culture.

Organizations that have enjoyed success without specific attention to diversity may question its merit, but the traditional methods of sourcing talent even at the entry level will continue to evolve as more millennials enter the workforce and the concept of longevity is redefined. There is no expectation for sweeping overnight change, but rather for a sincere start and steady pace to introduce the merits of a more inclusive environment and to leverage the talents of those traditionally underrepresented among the ranks of an organization.

The Toigo Foundation thanks PREA for the opportunity to share its best-practices model and for supporting the educational pursuits of Toigo Fellows in real estate by way of scholarship funding.

_Nerissa Thomas is the Director of Institutional Engagement of the Robert Toigo Foundation._

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**We are pleased to announce the closing of C-III Recovery Fund I L.P. and thank our partners for their contribution to our success.**

**C-III Recovery Fund I L.P.**

$310,115,000

Limited Partnership Interests

**C-HH INVESTMENT MANAGEMENT**

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