Faced with the current economic downturn and an uncertain industry environment, many within the finance industry are reassessing their career options and future choices. As shown in a recent pulse survey conducted by Toigo, many minority finance professionals are more open than ever to exploring non-traditional finance career paths and are finding ways to leverage their analytical and finance skills to pursue new opportunities. This shift means that once markets rebalance and hiring is again on the agenda, institutions and individuals alike will find a dramatically different landscape. Understanding the nuances of the changed finance and business landscape, and the shifting mindset of finance professionals, will help finance institutions and individuals alike better navigate the future.

The numbers are grim. In 2008, total U.S. job losses topped 2.6 million, or the highest level in more than six decades, including more than 524,000 in December alone and 1.9 million after the credit crisis began in September. January 2009 offered little relief, with 598,000 jobs lost, the most since 1974. The rapid drop marked the highest yearly job-loss total since 1945, the year in which World War II ended. Within the financial services sector, job loss rates have been staggering, accounting for 7.4% of the jobs that have been lost overall since the economy entered a recession in December 2007. In New York alone, the financial crisis is expected to cost the city and state of 225,000 private-sector jobs and a loss of $6.5 billion in tax revenue from the securities industry over the next two years.

These dramatic industry and economic changes presented a propitious time for Toigo to assess the perceptions and potential impact of industry changes on career management strategies among its 700-plus minority Fellows, including MBA graduates and MBA students. Their feedback, presented here in Toigo’s inaugural “leading indicators” thought leadership piece, underscores how workforce reductions and talent management decisions made today by finance firms in all sectors of the industry are influencing the mindset of today’s most talented minority professionals.

**Challenging Times, Challenging Issues**

Three key themes that emerged from pulse survey data and follow-on focus groups with Toigo Alumni put a spotlight on workforce reduction issues and their implications. These themes underscore that in current chaotic and volatile times, the workforce management practices of today’s finance firms will have lasting, long-term ramifications not only on the institutions, but also on the individuals (or talent) they hope to hire in the future.

**Survival Mode Takes Hold.** Recognizing the value of diverse experiences among talent, firms spend millions to reach out and recruit diverse professionals—many quite successfully. Despite the investments and efforts, long-term diversity goals are seldom factored into workforce reduction decisions—particularly in chaotic and turbulent markets. “Firms are not thinking about their long-term strategies in this market—they’re just trying to make it through,” noted one pulse survey respondent. In fact, 60% of pulse respon-
Exploring Minority Talent & Career Management Issues within a Changing Finance Industry

...ents do not believe that diversity is a major priority for firms and most believe it is “back burnered” in downturns.

Futures & Options: A firm’s commitment to diversity and inclusion is a factor in the minds of future employees—which means missteps today could dramatically and directly affect the firm’s ability to attract and retain diverse talent in the year’s ahead.

Perceptions of Bias Surface. Some firms approach layoffs from a purely cost-cutting perspective, making unilateral or across the board cuts to realize immediate cost reductions. With the urgency of the market downturn, careful review and thoughtful consideration from a talent management perspective has been challenging. In fact, more than half (55%) of pulse respondents agreed or strongly agreed that current market conditions were having a greater or disproportionate impact on the careers of minorities than on non-minority colleagues. Many pointed to the lack of internal sponsorship, not under performance, as a likely cause of the disproportionate numbers of minorities falling into the job loss category.

Futures & Options: Perceptions of bias, even if unwarranted, can have a lasting, negative impact on a firm’s ability to hire new talent once markets rebalance. At the same time, perceived unfairness relative to employee layoffs—including selection of those who are let go, how those employees are treated in terms of severance and extension of benefits, and how the workflow and environment for those left behind is managed—can either positively or negatively affect employee loyalty among those who remain employed.

Commitment at All Levels. According to the pulse survey findings, nearly half (49%) of respondents indicated they were either extremely or very satisfied with their company’s success in recruiting diverse talent at the entry level. Yet, when it comes to recruitment and retention of diverse professionals at the senior level, only one in five (or 20%) held that view. Underscoring this tenuous commitment to diversity at the senior level is a recent study conducted by USC’s Marshall School of Business. In the study, more than half (55%) of corporate directors at publicly traded U.S.-based corporations indicated they would not like to see their boards become more diverse by increasing their minority representation. By comparison, boards of organizations in the 2008 DiversityInc Top 50 Companies for Diversity include 23% ethnic minority board membership, compared to just 13% for national boards.

Futures & Options: For companies to attract diverse, multicultural talent, they must commit to hiring, supporting and creating an environment where all professionals will thrive at every level, always, not just in positive economic times. As outlined in Toigo’s Retention Returns 2007 thought leadership report, diversity must be in the DNA of the organization, ingrained in its culture at every level, and to be authentic to employees, must start at the top. Forward-thinking firms committed to inclusion will view the current environment—and availability of highly talented minority talent—with an opportunistic mindset, recommitting to talent diversity, beginning at the most senior levels.

Different Approaches, Different Outcomes

Many finance firms believe in the power of diversity and the bottom line advantages of bringing together teams with diverse experiences and cultural backgrounds. It’s the cornerstone of Toigo’s mission—and of donor support of our Fellows and programs. Based on the pace or urgency of decisions being made, finance organizations may be directly...
undermining years of investments and progress made in inclusion and diversifying their talent base, as well as their ability to attract and retain professionals in the future.

As one PULSE respondent noted, “In the last downturn, my firm let the majority of women and ethnic minorities go; then, when it was time to rebuild the ranks it was difficult to attract diverse talent back since there was literally no one left with the same multi-cultural background as the candidates the firm sought to hire. It’s taken a long time to rebuild a truly diverse workforce.”

Similar to any crisis situation, the way in which an organization responds, communicates and implements its decisions will have a lasting effect on all its constituents, from shareholders, customers, and vendors to employees. In a recent study of more than 500 MBA students by consultancy Hill & Knowlton, 75% indicated that a company’s corporate reputation would play a critical role in helping them to decide whether or not to take up a job offer.7

In the case of workforce reductions, procedures and decisions have a lingering impact as much on the survivors (or those who stay) as on those who have lost their jobs. While the immediate cost savings of the layoffs is significant (and needed), the residual affect not only on the organization’s ability to stabilize, but also to grow and attract talent once markets rebound must be considered. “The exact parameters of this new landscape—from the numbers of employees needed and skills required, to the compensation and benefits offered—has yet to take shape and remains an important unknown for both institutions and individuals,” said Virginia “Ginny” Clarke, leadership consultant and former head of Spencer Stuart’s diversity practice.

What Message Are You Sending?

Just as finance firms pursue dramatically different strategies for managing growth and risk, the approaches for reducing headcount vary widely, as well.

For many, decisions regarding staff reductions are made at the business unit level, oftentimes with managers fulfilling a mandated, across the board headcount reduction. Working from an end goal to dramatically reduce operating costs, the rationale of where to cut and exactly who to lay off is not always clear, or clearly communicated.

“Communicate more in a downturn—not less,” noted one respondent to the query about what advice or recommendations they would offer their employer.

The approach to talent management, both in the manner in which employees were let go and how the “survivors”, or those who remained, were treated has a direct bearing on employees’ perceptions of and loyalty to their current employer. Messages communicated in tough times will directly impact how current employees view the firm and their tenure there.

The impact of layoffs can be much longer than the length of the downturn. Focusing on open communications and support for remaining team members is critical, but often not tackled because time, energy and resources are scarce—or because those responsible for these soft-skill management tasks have been let go. Open, transparent communications is an effective way for companies to better contain the informal talk and the tension it brings regarding anticipated layoff plans and employee cutbacks.

“People of color experience significantly more subtle bias in the workplace than their Caucasian counterparts of either gender. Not surprisingly, these experiences result in substantially higher disengagement and voluntary turnover. What is often overlooked by employers, however, is that being subjected to subtle forms of unfairness leads to actively discouraging other professionals from seeking employment at their firms or from purchasing their companies’ products and services. The cumulative effect of subtle bias has a long and costly lifecycle for employers.”

FREADA KAPOR KLEIN, PH.D., FOUNDER
LEVEL PLAYING FIELD INSTITUTE
Career Considerations: Futures & Options

A number of factors—from changing compensation levels to chaotic market environments—are prompting successful finance professionals at every level to reassess their career choices, with an increasing number giving careful consideration to pursuing alternative or less traditional paths.

Based on pulse findings, the minority professional’s commitment to finance as a career remains strong—in fact, very strong. Of pulse respondents, 80% indicated they were extremely happy or very happy with their decision to pursue a career in finance. Additionally, more than two-thirds of respondents indicated they have not contemplated leaving the industry, even during the most chaotic market conditions in decades.

Futures & Options: Finance Careers to Explore

As finance professionals today reflect on their options and make future career plans, here’s a look at some of the new directions shared by survey participants that are being considered by a growing number of Toigo Fellows. Firms interested in attracting and retaining talent will be effectively competing against these non-traditional career paths, which oftentimes offer professionals an inviting array of benefits in terms of give-back, work/life balance and reduced industry volatility.

Stand Up and Serve. Become a community advocate and deliver solutions aimed at the subprime borrower, which included 41% of Latino and 48% of African American homebuyers in 2006. Work on behalf of small and minority-owned business to navigate newly available federal funds and contracts, as well as complex federal certification processes needed to bid on and secure U.S. government contracts. Or utilize finance and business skills to better serve the community. Areas of growing interest/influence among Toigo Hispanic/Latino Fellows include media/film development, education, sports, and healthcare ventures—all business sectors poised for explosive growth as the demographics of the nation continue to become more diverse.

Explore Bailout-Related Opportunities. The federal bailout programs and billions in infrastructure spending represent a tremendous opportunity for finance professionals interested in working at the crossroads of finance and public policy. Teams are focused on structuring, monitoring and regulating the many aspects of the bailout. There are many roles to fill within the Obama Administration, from treasury, the Federal Reserve, risk management, compliance and regulatory to policy, analysis and program management.

Be a Buyer. Challenging economic times can also mean value opportunities for business acquisition teams. Pulling together a team of investors of entrepreneurial finance professionals and opportunistically pursuing distressed assets, with the goal of restructuring and adding management expertise is a viable path for many finance professionals.

Ensure the Future of Others. With fiduciary responsibility for investing the retirement of the plan’s members, a career within the plan sponsor community is at the heart of community service and finance. In addition to working within a plan sponsor, this might include serving non-profits, endowments and foundations as a consultant to help identify the right mix of qualified asset management firms or fund of funds.

Launch an Entrepreneurial Venture. With the massive shake out of talent, now is an opportune time to gather partners and launch a business, especially if you can access capital. Over 20 Toigo Fellows have launched and currently run successful ventures—ranging from asset management firms to a boutique wine store and high-end online fashion retail venture.

Explore Emerging Markets. Emerging markets, including those in Latin America and Sub-Saharan Africa, are in growth mode. Advanced financial management and training is under-represented—yet in demand—in those regions. There’s a growing range of opportunities to consult on economic development projects in these regions regarding microfinance, capital market structures and project finance for major infrastructure development.
While there was strong support for their career choice and the finance industry overall, Pulse findings showed weaker allegiance when it came to the professional’s employer. Of the Pulse respondents:

- 60% have contemplated voluntarily leaving their current employer
- Nearly half (45%) indicated extreme or strong satisfaction with their current position within their organization
- A mere 5% would seek counsel from an in-house HR or diversity officer about their employment dissatisfaction—a clear indication they did not value internal support, and a strong signal that internal talent management and human resource systems are inadequate.

As the Pulse study indicates, many minority professionals are using the market downturn as an opportunity to evaluate not their commitment to finance, but rather the trajectory of their planned career. Responses and focus group feedback underscored that today’s minority talent is open to exploring a wide range of non-traditional finance careers, including opportunities in public service, niche finance markets, and entrepreneurship.

In the past, the promise of high compensation offered by traditional finance careers in investment banking and asset management served as a strong draw. Given anticipated rebalancing of salaries and bonuses, and uncertain markets, fewer professionals may be willing to sacrifice work/life balance and put in the requisite long hours without the benefit of top compensation.

“‘The days of big money are gone—so it allows you to focus on what is valuable to you and what really matters,” noted one Toigo Alumnus.

As the economic demands and market changes continue to reshape the industry, finance firms will continue to grapple with major talent management challenges. What organizational and team structures offer the most value? What skills will be required of talent operating within this new environment? What can we do to nurture talent? What will employee compensation and benefits be? What life/balance options can we support? How can we foster entrepreneurship and our employees’ growing desire to give back as a sustainable and profitable business practice? There are tremendous opportunities for finance firms that address talent management strategically, for those that find ways to leverage business operations and talent practices as a way to attract and retain the right talent.
About the PULSE Survey

Toigo’s Market Conditions 2008 | PULSE Survey was conducted to gain insight into how top minority talent was being impacted with the economic challenges the finance industry was facing, how their firms were dealing with these issues and how diversity/inclusion was being impacted. Recognizing the volatility within the industry and potential impact on Toigo talent and employers, Toigo reached out to its Alumni and Fellow network and colleagues for perspectives to gauge the impact on early stage and mid-career finance professionals. The PULSE Survey was completed in September 2008 by nearly 200 respondents, just prior to the severe downturn of the financial markets in October / November 2008. While the responses gathered reflect timely and important perspectives, due to escalating industry events, they may understate those that exist today. As a follow up to the survey, the Foundation held focus groups in late 4th quarter 2008 in New York, Chicago and Los Angeles to gain added insights and further gauge the impact of industry events on minority finance professionals.

About Toigo

For 20 years, Toigo’s commitment has been to bring increased diversity to the finance industry. As a catalyst for change, our programs inspire minority students who might not otherwise have considered finance as their career and provide them with the leadership training, mentoring and fellowship support they need as they pursue their MBA and launch their finance careers. Today, the Toigo Fellow network of MBA graduates and current MBA students is 700-plus working at all levels of leadership within the finance industry. Just developing talent is not enough. That’s why Toigo works with finance industry leaders to create a workplace that attracts and keeps a diverse workforce—one as diverse as the markets the finance firms serve.

Toigo is the only diversity leadership development program dedicated to the field of finance. Our combination of individualized support of aspiring minority finance professionals and active engagement as a partner with industry helps ensure that the next generation of finance leaders is able to flourish.

9 “The Millennials: Why This Generation Will Challenge the Workplace Like no Other.” Andrés Tapia, Chief Diversity Officer/Emerging Workforce Solutions Leader, Hewitt.