

Breaking barriers

Advancing diversity and inclusion
in the compliance world

White paper

Contents

Foreword	1
Diversity and inclusion efforts and the compliance landscape	2
Whose responsibility is diversity and inclusion?	11
Hiring: An important focus area	14
How will a company know it has achieved D&I?	16

Foreword



In September 2020, we surveyed 300 members in the compliance field to determine how compliance is advancing diversity and inclusion efforts and what challenges still exist to implementing an inclusive D&I programme.

Compliance practitioners from various industries discussed the results from **'Diversity and Inclusion in the Compliance World'** and offered a glimpse into D&I practices and policies within their own companies. They also examined key takeaways from the survey. See inside for more insights and full survey results.

38% of respondents said they had experienced **some kind of discrimination** in the workplace



48% agreed that regulations address D&I in compliance, but said **more could be done**



37% said **more should be done** to advance diversity and inclusion at firms today




More than a third of respondents said compliance regulations **do not do enough** to address D&I



Exactly half of those polled said their company is **fully committed to D&I**



13% of respondents said **D&I hasn't been adequately addressed** at all



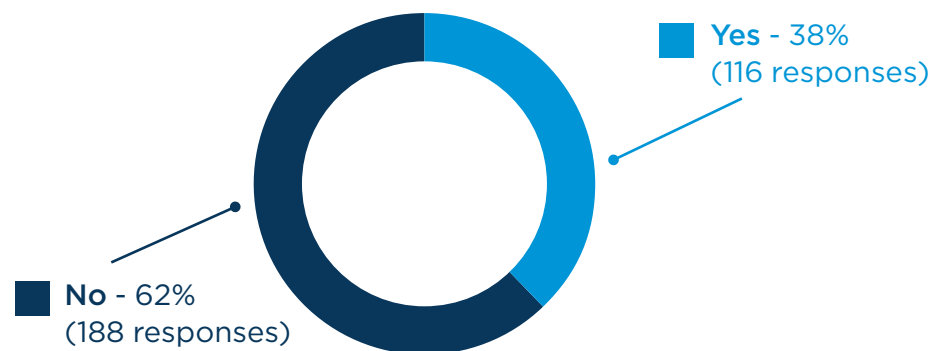
Diversity and inclusion efforts and the compliance landscape

By Erin Lynch, Compliance Week

Nearly 40% of compliance practitioners surveyed recently by ICA reported experiencing discrimination in the workplace at some point in their careers, an unsurprising yet troublingly high number, particularly in the wake of 2020's global reckoning on racial equality and inclusion.

Compliance experts are not shocked by this finding from the poll, titled **'Diversity and Inclusion in the Compliance World'**.

Have you experienced any form of discrimination at your workplace?



In fact, Elizabeth Adekoya, a Malta-based senior banking advisory consultant, says: 'Discrimination is a longstanding issue in the world in general; therefore, of course, it also exists within the workplace'. Adekoya adds, 'As with most things which have existed for a while and almost become the 'norm,' changing this behaviour will take some time'.

For starters, it's hard to quantify how inclusive a workplace is. Discriminatory behaviour can manifest in ways that are not obvious to an organisation, according to Jennifer Newton, founder and CEO of the National Association of Black Compliance and Risk Management Professionals (NABCRMP) in the United States. 'The overall impact of even unconscious discrimination can still impose insidious consequences on the culture of the organisation as well as the career trajectory of individual victims,' Newton says.

Unconscious bias almost certainly comes into play here, especially in hiring practices, says Deborah O'Connor, a leadership and management tutor with a background in compliance. 'Lack of diversity awareness is a key factor and involves more than mandatory regulatory-driven D&I training,' she says.

Biggest challenges in achieving D&I

If four out of every 10 employees experience discrimination, as the survey denotes, why don't more people speak up? After all, most workplaces now have regular training on the subject, a whistle-blower or hotline programme, and certainly many companies at least claim a diverse and inclusive workplace is a high priority.

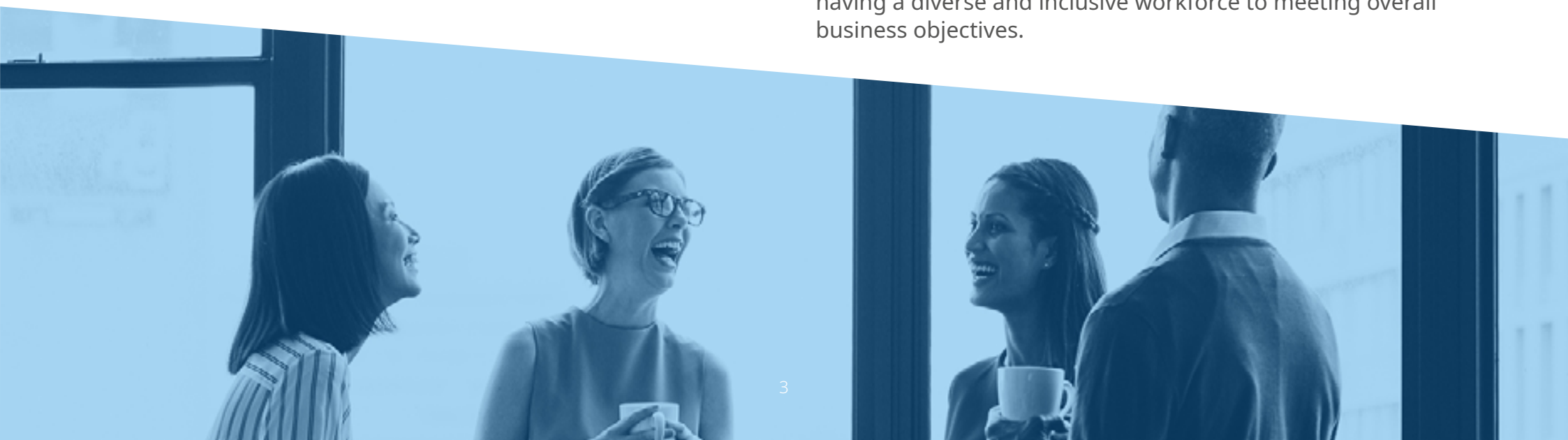
According to Cindy Raz, senior vice president of HR and organisational development at NAVEX Global, job security is certainly one factor. 'Discriminatory behaviours and programmes have been painfully tolerated by many people given their fear of retaliation should they voice a concern... When people fear the realities of a job loss or any type of a career limitation, it's understandable why they may pause on speaking up,' Raz says.

There is a perceived moving line of what is and isn't acceptable in various community groups today, Raz says. 'Generational differences and shifting norms have made defining a clear path forward more complex and can lead to people holding back their thoughts out of fear of offending someone.'

A major consideration is many companies don't connect having a diverse and inclusive workforce to meeting overall business objectives. CalPERS CCO Marlene Timberlake D'Adamo says it's a goal of management to achieve overarching D&I for the organisation.

'It takes leadership to think that you or your organisation might not have all the information. It takes leadership to ask a question to which you may not get the answer you expect or believe. What's in it for senior management—the ability possibly to improve your culture, employee engagement, and the performance of your organization.'

A major consideration is that many companies don't connect having a diverse and inclusive workforce to meeting overall business objectives.





What are the biggest challenges to starting a discussion about diversity and inclusion in the compliance world?

10 sample survey responses:

'Generally, people who don't experience issues with D&I don't think there are issues with it.'

'It is seen as an HR remit.'

'The fear of saying the wrong thing, rather than having a desire to learn and be educated.'

'Time, everyone is so busy.'

'Every jurisdiction could be facing a different type of D&I issues; the problem with American and European companies is that they assume their D&I issues are the same in Asia. A one-size-fits-all approach.'

'Getting management to actually see value in D&I. Most see it as a PR stunt.'

'Too many people still think of diversity and inclusion as gender, race, or sexual orientation. It needs to be wider than that.'

'There are no obstacles to start discussions. Merely excuses.'

'People automatically assume you're asking for something more than equality and compassion. They also don't recognise they are speaking from a place of privilege.'

'Different cultural values (West vs non-West).'



Fact: diversity is good for the bottom line

'As risk and compliance officers, we are often the managers of risk—in all of its forms. The absence of diversity and inclusion in decision-making functions can create inevitable blind spots which, if unmitigated, can lead to negative impacts on the entire organisation,' Newton says. 'This is what makes diversity and inclusion a business issue rather than simply an HR issue.'

But at the end of the day, notes NAVEX Global's Raz, when the entire team feels seen, heard, safe, and cared for as people, their 'desire to perform at their best level will only increase.' Ultimately, she says, 'It is also not a hidden fact that organisations with a higher diverse workforce outperform those with less diversity.'

O'Connor agrees that the more diverse and inclusive and organisation is, the more agile and creative it is. 'It means the business can adapt efficiently particularly in times of crises, because it consists of employees with different ways of thinking and resolving challenges.'

Especially after the global COVID-19 pandemic, O'Connor believes 'organisational psychologists will undoubtedly explore correlations between diverse workforces and organisational agility, as these variables will have an impact on a company's financial rebound,' she says.

An inclusive workplace increases employee morale, which leads to higher productivity. This means employees will go above and beyond in their roles 'as they feel truly valued as opposed to merely a cog in a wheel,' Adekoya says. In addition, she cites increased employee retention and decreased turnover as pluses.

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– Jennifer Newton,
Founder and CEO of NABCRMP

The benefits don't stop there, either; becoming known as an organisation that values D&I can have an increasingly significant upside. 'Consumers of today seem to care more about diversity and inclusion than ever before and are willing to pay more for products and services offered by companies that make a positive social impact,' Newton says.

Conversely, if your company is perceived as not caring, or isn't factoring D&I into hiring, it can lead to costly, protracted employment discrimination lawsuits, not to mention customer and vendor complaints, and a negative perception of your products or services.

Safe to say, no one wants to be in that situation. All the more reason to give careful consideration to diversity in all forms: cultural, gender, but also cognitive and personality type. Ultimately, the goal needs to be 'building organisations representative of the societies in which we live,' O'Connor says.

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– Deborah O'Connor,
Leadership and Management
Tutor and ICA Member



How do you feel diversity and inclusion impacts compliance?

10 sample survey responses:

'Diversity provides different ways of thinking, of looking at things. These are often required to assess certain elements in a more holistic manner.'

'Compliance people need to come from varied backgrounds (and to be inquisitive about different cultures and expectations).'

'Lack of diversity may result in limited reach and one-sided points of view. Diversity within a group is likely to create a good compliance base.'

'Diversity is crucial for every industry, but compliance being such an ever-changing discipline, is imperative to learn from different perspectives.'

'Equality, transparency, ethical behaviour has an outcome on company culture and productivity.'

'Missing out on talented individuals because of a person's background, image, age, sex, height and more.'

'The more diverse the Compliance Team the better the outcomes for the firms.'

'In some cases, D&I is treated as a 'tick the box' compliance issue instead of appreciating the value a more diverse and inclusive work environment.'

'I don't believe it does, or if it does, I'm not aware. It's not a big issue where I'm located.'

'When leadership is all male, the point of view and actions are more in tune with traditionally masculine qualities.'



A diverse culture is often a compliant culture

As many survey respondents noted, a diverse workforce leads to important diversity of thought and perspective, which is especially important in compliance. '[D&I] is important, because it introduces different opinions and ideas to the discussion which can be beneficial in terms of developing compliance strategies,' wrote one compliance executive.

'A culture of diversity lends to culture of ethics and compliance,' wrote another survey taker, while a third said, 'It helps the organization to setup much better compliance ecosystem through a deeper and more comprehensive worldview.'

If compliance is largely based on the interpretation of data and risk, it stands to reason you'd want the most diverse collection of backgrounds and perspectives to analyse that data.

Managing that one colleague, who doesn't seem to 'get it'

Chances are, you've heard the following statements from co-workers in discussing diversity and inclusion:

- **'Why bother, I'll just get it wrong.'**
- **'I feel like everything I say offends someone.'**
- **'Everyone's so sensitive and politically correct these days.'**
- **'Back in the good old days, you could say whatever you wanted.'**

Sadly, that's an all too familiar sentiment at many companies; but there are ways to guide employees on how to interact with their rogue colleagues –those who aren't on board with creating an inclusive environment.

First of all, read the room, says Adekoya. 'Assess the situation to determine whether it is a safe environment to try to start a discussion on D&I with the individual in a non-aggressive and non-judgmental manner, to understand the reason why they do not value D&I and try to educate them on the matter'.

Of course, that's not always advisable. If doing so would be too contentious, consider raising the concern to a senior management or, perhaps, human resources.

Similarly, O'Connor says, 'A review of the company's commitment to D&I might be a good place to start. Use the company's policies to raise your concerns with your line manager or employee relations manager. Organisations must walk the talk.'

Whatever you do, don't let bad behaviour go un-addressed, advises O'Connor. Yes, things like microaggressions must be handled sensitively, but 'a team player's ignorance to discrimination or the offence caused sow seeds of division, affecting collaboration, morale, and ultimately team success,' she says. 'It is important for the HR function and senior leaders to act on concerns and look for possible signs through employee engagement surveys for example'.

“ Assess the situation to determine whether it is a safe environment to try to start a discussion on D&I (...). ”

- Elizabeth Adekoya,
Senior Banking Advisory Consultant





Does compliance have a diversity problem?

10 sample survey responses:

'I don't think so. Not in my experience. Situations occurring are dealt with.'

'Yes. There are too many white men.'

'Yes, coming from specific countries is still a reason to discriminate people, while job searching.'

'Compliance tends to welcome female professionals. However, one still questions if they are respected equally by their male counterparts.'

'My team is very diverse across gender, age and colour.'

'Lack of female representation at board level.'

'I think compliance has less of a diversity problem than the wider industries we work in.'

'I think BAME candidates are still unrepresented. Regulations can be learned but candidates from different sectors may bring a different perspective and make a positive change.'

'Yes. Compliance is focused on white middle class with a university degree.'

'I don't think that compliance has a diversity problem - but entry to compliance possibly, it is expensive to self-fund and this can be a barrier.'



Whose responsibility is diversity and inclusion?

It's long been a debate at many companies: where to put D&I ownership. Be it HR, the ethics function, another department, or the board, a company must first learn where D&I sits within the organisation before moving forward with a plan.

Notes Raz: HR and compliance will be most impactful when working together on D&I efforts. 'They must equally share in the commitment of building a culture that is rooted in doing the right things consistently and prioritizing the experiences people deserve to have,' she says. 'By openly sharing information and insights with each other on how people can safely thrive at their workplace, HR and compliance teams can work together to ensure their board of directors is equipped with accurate workplace trends that may influence their organisation's culture and success.'

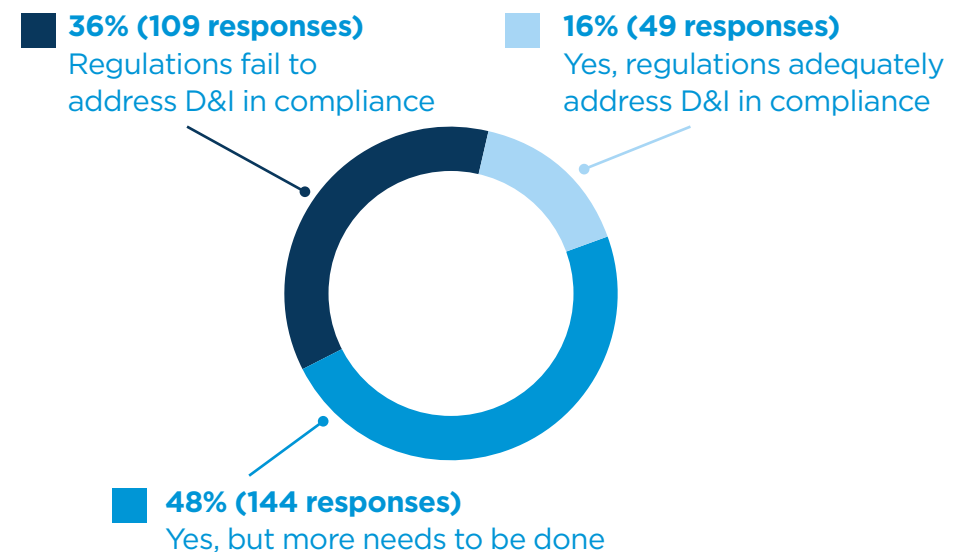
In other words, HR and compliance should hold each other accountable in getting the right information in front of the board.

O'Connor agrees. 'The board, HR and compliance must be working collaboratively to oversee, implement, and challenge the effectiveness of D&I programmes.'

The specific area of risk, however, is one compliance can own. As compliance and risk officers, we have the responsibility to

inform stakeholders of such risks and to be educated enough to inform them if their diversity and training programmes are ineffective, especially if significant investment is placed into them,' Newton says. 'The assessment and management of diversity risks should be fully aligned with other traditional forms of risk management.'

Do you think compliance regulations adequately address the issue of diversity and inclusion?



D&I: tangible first steps

Now that we know an inclusive workplace is good for business, where and how does a company begin to create one? A company should first create a vision for an organisation that makes diversity and inclusion a priority, establishing diversity benchmarks, incentives, and accountability frameworks, according to Jennifer Newton.

In addition, she says 'Special training modules should also be created for management and employees that address special risk areas such as implicit bias, microaggressions and stereotyping.'

And once the programmes are in place, the bosses are not done. 'It's incumbent on senior management to always keep a pulse on morale issues and workplace culture and environment,' Newton says.



Tips on how to achieve workplace D&I

By Elizabeth Adekoya,
Senior Banking Advisory Consultant

- Establish regular D&I training for all employees.
- Initiate projects where individuals work with different types of people and on engagements which they wouldn't ordinarily.
- Make sure to specifically address D&I in recruitment/hiring practices.
- Encourage open communication with 'safe spaces' where employees can express workplace issues and areas for improvement without fear of repercussion.
- Regularly review D&I policies to make sure they are relevant and impactful.
- Clearly establish the company's tolerance for discrimination and the related consequences, and, perhaps more importantly, ensure that appropriate action is taken whenever an issue arises.

If this all sounds intimidating, you may be overthinking it, says Newton. 'I do not think it is an overwhelming task to create inclusive workplaces for diversity of thought, culture and personality differences... The biggest challenge that companies face in trying to implement these changes are a leadership structure or a tone at the top that does not see the value in creating spaces that are intended to embrace diversity in all of its forms,' Newton says.

Basically, as long as the top management is on board, the company is off to a good start.

According to survey responses, some compliance executives are taking informal steps on their own to create the right environment. When asked what they were doing to make sure everyone feels included, respondents said, 'making time for 1:1's and virtual coffees to check in,' 'creating an open door policy for raising issues,' 'taking a stand if somebody's concerns are belittled,' and 'ensuring everyone I work and interact with knows they are valued'.

Adekoya says in addition to establishing policies addressing D&I, companies must make them measurable. Without the measuring, it's impossible to know if what you're doing is working.

And there's no such thing as too early to start the conversation about the company's values. 'Diversity and inclusion is a very complex topic and regular dialogue is important from as early as onboarding and the induction of new employees,' O'Connor says. 'It is a chance to engage and convey the organisation's vision and strategy of an inclusive workplace, as well as learn about the uniqueness of an employee and the value they will bring to the organisation'.

“ Diversity and inclusion is a very complex topic and regular dialogue is important from as early as onboarding and the induction of new employees. ”

- Deborah O'Connor,
Leadership and Management Tutor



Hiring: An important focus area

Experts agree that recruitment and hiring are two of the most important areas to focus D&I efforts. That starts with where an organisation looks for candidates, as there is a tendency for hiring managers to rely on their own spheres of influence and propagate a homogeneous environment.

AJ Yawn, co-founder and CEO of compliance software company ByteChek, would advise an organisation to be willing to go outside of the normal areas in searching for candidates. 'Visit Historically Black Colleges & Universities, and don't just rely on referrals,' Yawn says. After all, 'There is not a pipeline problem, there are plenty of qualified diverse candidates. It will just take additional effort and a change in approach to find them.'

Also, consider whether your company's job postings and recruitment initiatives promote diversity. 'Are decisions to recruit evidence-based and transparent, relevant to the business needs, and devoid of unconscious bias?' O'Connor asks. Who is responsible for the final decisions on a candidate, and what is the composition of the decision-makers? 'This is an area in which compliance can play a role in critically questioning the business... Each business function should be holding each other accountable in their approach to D&I.'

Bottom line: companies should focus on the specific competencies of the role in question, as opposed to hiring based on factors like race, gender, socioeconomic background, and academic institutions attended. At the same time, they also must become more open minded in their recruitment practices and consider candidates of different backgrounds.

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- AJ Yawn,
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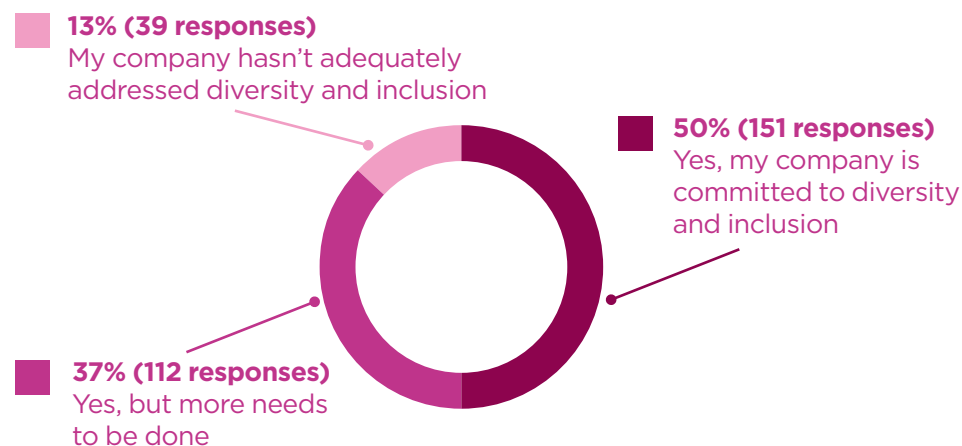
Where do companies tend to get D&I wrong?

For one, D&I programmes should never feel like an afterthought. According to the ICA survey, 50% of respondents say their company is committed to diversity and inclusion, while the other half report either that their company had made strides but must do more, or hadn't adequately addressed the issue. Much work remains to be done.

Adekoya says, 'It is vital to ensure that these initiatives are being employed and effectively, instilled within the corporate culture.' Furthermore, she warns, 'Most organisations' commitment to D&I stop at hiring individuals of diverse backgrounds, failing to recognise the support which is also needed to navigate the workplace and deal with the discrimination and challenges which they will likely face because of their identity.

This sets the wrong tone, by marketing themselves as diverse & inclusion firms in appearance rather than practice.'

Is your company committed to diversity and inclusion?



Similarly, Newton says it's not enough to verbally recognise the importance of diversity and inclusion. 'Organisations must reflect this priority and commitment by resourcing these initiatives and empowering employees tasked with implementation of initiatives with decision-making authority.'

Another common mistake occurs when companies 'resist or refuse to acknowledge the fact that certain issues exist or downplaying the effects,' Adekoya says. Or worse yet, companies get stuck in not knowing where to start and/or fear of offending people, and so they do nothing.

An important ingredient in an inclusive workplace is the ability to admit mistakes. 'I would encourage leaders to openly acknowledge when they've made an error and check in with people if they sense something they said was experienced differently than they intended,' Raz says. 'At the end of the day, we're human and most people do try to do the right thing, but we all trip on ourselves from time to time. We must give ourselves grace and consistently commit to learning, listening and challenging our assumptions.'

Adekoya says intent matters, even if imperfect. 'Speaking as a female person of colour who has experienced my fair share of discrimination, I would advise that managers not hold back from engaging in this movement, as the intention to do better is more valuable than anything' she says. 'I would be a lot more understanding and forgiving of certain mistakes because of the intention behind them, as well as the individual's efforts to educate themselves, do better and bring about real change.'

In fact, the mistakes and fumbles are often the best learning opportunities for an organisation. 'What matters most is the effort that is put in to achieving an equitable workplace that embraces the values of the organisation,' Newton says.

How will a company know it has achieved D&I?

While surveys are a helpful tool in measuring employees' perceptions on how inclusive and welcoming a workplace is, there is of course no quantifiable end point to D&I work.

'I don't think there will ever be a litmus test for determining whether an organisation has achieved a diverse and inclusive workplace,' Newton says. 'I think by its nature diversity and inclusion are matters of equity and perception.'

It's fairly easy to tell whether a company is genuinely trying, however, and that matters. 'An organisation that demonstrates a commitment to truly embrace differences and understands that diversity and inclusion is a constant work in progress... is in a much better place than an organisation that is not willing to do that level of ongoing introspection,' Newton says.

One thing to look for is whether a workforce is made up of individuals from a range of backgrounds across every level of an organisation.

Another metric is how much – and how well – employees are interacting. In a diverse and healthy environment, O'Connor says, 'employees will naturally collaborate, problem-solve, and innovate with little input from their managers. They will be thinking about clients and communities they serve, and be proactive in their approach to attracting diverse stakeholders.'

Yawn advises a bit of creativity on the part of companies in terms of D&I efforts. 'This goes well beyond surveys or other traditional methods of collecting feedback and requires innovative ways to hear from those that are directly impacted.'

Ultimately, Yawn says, the answer can largely be gathered by truly listening to your employees. 'This doesn't have to be guesswork,' he says.



About the International Compliance Association

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