

Culture Matters

1. Importance of Culture

The essence of a workplace lies in its culture, which has a profound influence on behaviour and attitudes. When respect, integrity, and openness serve as pillars of a company's culture, then the risk of inappropriate conduct is significantly mitigated.

Conversely, a culture that turns a blind eye to unwanted attention or harassment enables such behaviour, causing a ripple effect of harm to individuals and the overall workplace. This harm could translate into diminished productivity, a higher turnover rate, and potential legal ramifications.

Institutional allocators can influence culture by holding their investment managers to high standards of probity. By doing so, allocators can effect positive change and protect themselves from reputational damage. Both institutional allocators and investment managers stand to gain from positive workplace culture. It is recognised that there are numerous ways for firms to approach culture in their organisations and there is no defined industry approach. The below guidance should provide a pathway for allocators and investment managers, in dealing with this topical subject.

2. Policy & Procedure

It is essential for businesses to adopt robust policies and procedures to do so. The following policies and procedures can help foster a positive culture and protect staff:

Hiring Process: A firm's hiring process is a good place to start assessing prospective candidates' cultural alignment and their ability to be additive to a positive working culture – with some firms introducing personality testing. Background checks can be another practical way for firms to perform due diligence on candidates to ensure a history of ethical conduct.

Code of Ethics / Code of Conduct: This policy should define the standards an organisation sets for its employees related to professionalism, honesty, and integrity.

Anti-Harassment and Anti-Discrimination Policy: This policy clearly defines what constitutes harassment and discrimination, demonstrating that such behaviours will not be tolerated. This includes unwanted attention and sexual harassment.

Whistle-blower Protection Policy: Ensuring that employees who report instances of harassment or discrimination are protected from retaliation.

Anonymous Reporting Mechanism: Introducing an anonymous reporting system to allow individuals who might otherwise feel uncomfortable coming forward to report instances of inappropriate behaviour.

Third-Party Mediation: Involvement of an external unbiased party to investigate claims, particularly in cases involving individuals with significant power or influence within the organisation.

Regular Behaviour and Ethics Training: Conduct regular workplace behaviour and ethics training to ensure all employees, including the owner(s), understand their roles and responsibilities regarding a respectful workplace. Training could include Bystander Training to facilitate effective reporting and

Unconscious Bias Training to promote workplaces free of discrimination. Management should ensure that employees are aware of what is expected of them and what may constitute unacceptable behaviour.

Performance Evaluation: Incorporate behaviour that respects and promotes a healthy work environment into performance evaluations to reinforce the importance of these practices.

Employee Surveys: Firms can conduct regular surveys amongst staff to assess staff happiness, inclusion, and engagement. Surveys allow for benchmarking of responses to indicate whether conditions are improving or declining over time.

The effectiveness of these policies heavily depends on implementation and support from senior management and owners. Checks and balances should be implemented as part of the successful implementation of these policies and procedures – without which abuse of governance and circumventing of policies could occur. Regardless of an offender's position within an organisation, all reports of bullying, harassment, or unwanted attention should be taken seriously and met with due disciplinary actions if substantiated.

3. Conclusion

The implementation of these policies reinforces an organisation's commitment to fostering a culture of respect and integrity. As organisations become larger and more institutionalised, the expectation amongst allocators will increase in tandem, investment managers will be expected to give due consideration to culture. By embracing these principles, businesses can create a work environment conducive to productivity, satisfaction, and overall growth. All employees, regardless of their role or ownership share, should feel secure, valued, and confident in their right to a respectful workplace.

Appendix: Practical questions for Due Diligence teams to discuss with managers

How can due diligence teams assess whether an investment manager considers its culture and the wellbeing of its employees?

This is not easy to answer but there are a number of aspects due diligence analysts can assess, including policies & procedures, complaints & disciplinary processes, staff training, culture & diversity, but also aspects such as attrition, which can serve as an indicator of an unhappy workplace. The following questions can help due diligence teams frame a thought-provoking dialogue with managers to better understand the culture of a manager:

Policy & Procedures

- 1) Does your organisation have a Code of Conduct/Ethics?
- 2) What other policies does your organisation maintain related to employee wellbeing and culture?
- 3) Does your organisation have a dedicated human resources function?
- 4) What systems or procedures do you have in place to regularly review and update your policies related to Conduct and Ethics?
- 5) How are managers and leaders in the organisation trained and held accountable for implementing Code of Conduct/Ethics policies and maintaining a positive work environment?

Complaints & Disciplinary Processes

- 1) How does your company deal with employee complaints or other misconduct? Can you describe the process?
- 2) What channels are available for employees to report unacceptable behaviours or other ethical concerns? Is there a system in place that guarantees anonymity and protection from retaliation?
- 3) Can you provide any examples of how your organisation has handled cases of unacceptable employee behaviour or employee complaints in the past? (Note that managers may not be able to provide specifics due to confidentiality reasons)
- 4) What is your procedure for disciplinary actions in cases of breaches of company codes or policy?

Culture & Diversity

- 1) Can you describe your company's culture and what are the core values of your organisation?
- 2) How do you ensure that your company culture is communicated to all new employees and reinforced among current employees?
- 3) How does your firm define and ensure diversity and inclusion in the workplace (including in hiring and promotion processes)?

How do you involve employees in maintaining and developing a safe, respectful, and inclusive company culture?

Attrition

- 1) What are the staff attrition levels at your organisation on average over the last five years?
- 2) Do you conduct any regular surveys of your staff to assess workplace happiness and engagement levels?