

STEP



1

UNDERSTANDING THE
CURRENT STATE
OF YOUR INSTITUTION

In 2010, the John S. and James L. Knight Foundation President and CEO, Alberto Iburgüen, sat on a panel at the Black Corporate Directors Conference. When a conference attendee asked him point blank how much of the Foundation's assets were invested with diverse firms, he did not know the answer and resolved to find out. Upon returning from the conference, he enlisted the help of the Foundation's CFO, Juan Martinez, and outsourced CIO and investment consultant, Kevin Stephenson of Cambridge Associates, to determine the amount. They discovered that only \$7 million (less than .05% of the Foundation's assets) was invested with just one minority private equity manager. Iburgüen and Martinez felt that this result did not reflect the value of diversity, which was a strong tenet of the Foundation, and began a process to add diverse managers to the manager roster while not adding additional risk or sacrificing performance results.¹⁰

Understanding the answers to these questions will help you develop the most effective strategy for building support from your board and staff leadership.

See Appendix 1 for a template memo that you could send to your CIO to assess your institution's current commitment to diversity.

In understanding your own institution's current engagement with diversity and investments with diverse managers, here are some of the questions you should ask and answer:

1. Does your institution already invest with diverse managers? If so, how many?
2. How much money/what percent of assets is invested with diverse managers?
3. What is the racial and gender makeup of the analysts and decision makers at the majority firms who manage your funds?
4. Does your current investment policy discourage the use of certain diverse managers through quantitative or qualitative restrictions (i.e. minimum number of years track record and/or minimum assets under management)?
5. How does your institution currently address diversity and inclusion?
6. How diverse is the staff and board of your institution? How diverse is your senior leadership?
7. Does your institution have a supplier diversity program? If so, how is this program regarded by the board and staff? Does it include a focus on professional services such as accounting firms and insurance brokers?
8. Which trustees/directors/staff would support your diversity agenda, and which would have reservations?

ENDNOTES

STEP 1: Understanding the Current State of Your Institution

10. Juan Martinez, Chief Investment Officer of the John S. and James L. Knight Foundation, telephone interview by the author, January 25, 2016.