



January 2021

Diversity: An indicator of distinctive cultures

One of the key tenets of our investment philosophy has long been a focus on the cultures and people behind businesses. We believe that franchises that are successful over the long term are built on the backs of unique cultures that have the wherewithal to resist short-term pressure in favour of nurturing a sustainable business over decades, have the ability to think diversely about the opportunities ahead and the risks they might face, and the operational focus to deliver on their strategies year after year.

In the process of analysing companies and meeting with management teams, we spend a lot of time looking out for these markers of distinctive cultures. This takes the form of studying histories, understanding how succession has evolved over time, and looking at remuneration structures amongst many other things.

Why do we think about diversity?

Considering diversity within organisations is also a key part of understanding cultures better. For us, the willingness of founders and managers to go out of their way to foster an inclusive environment, seeking a diverse range of viewpoints, is suggestive of a culture where leaders are open to being challenged, are always on the lookout for new perspectives, and are planning for their next decade of growth when the profile of incoming talent will continue to evolve.

This diversity of thought comes in many different forms. Some examples of areas we focus on include the range of experiences on the Board, management or Board members from different countries as companies expand operations across new geographies, and gender diversity within the organisation.

Why and how we are engaging on gender diversity?

We believe we invest in some of the highest quality companies in our Asia Pacific, Emerging Markets, and Worldwide universes. Even with these companies, gender diversity remains a work in progress, especially on senior management teams and the Board. This is a topic that is relevant to companies across our investment universe, and in our minds, a first step towards thinking about diversity of thought more broadly.

We are by no means experts on this topic, particularly from within the glass houses of the investment industry. As such, we worked with the University of Technology in Sydney to commission a report on policies and tools around the recruitment and retention of women through their careers to compile a set of ideas that have had clear cases of success. We have shared this research with some companies and continue to have conversations on where they might be following different strategies and areas of improvement.

Diversity and Inclusion at Halma

Halma has been able to see tangible changes in gender diversity across the organisation in a fairly short period of time. We had a dialogue with Jennifer Ward, the Group Talent and Communications Director at the company, who helped us better understand their views and the policies implemented to improve diversity within the company.

Operating with a decentralised model with 44 subsidiaries across 20 countries, diversity is a key competitive advantage for the group. Creating an environment that is inclusive of unique viewpoints, under an overarching shared purpose, allows managers on the ground to take decisions and act quickly, which is critical to the success of a decentralised operation.

Six years ago, Halma had 18% women on the Board and the executive team did not have any women. With strong leadership from CEO Andrew Williams and buy-in from the organisation as a whole, Halma today has 40% women on its Board, 58% on the Executive Board, and 50% amongst its divisional CEOs.¹ Alongside commitment from senior managers, they have achieved this through active management of recruiters, focusing on IQ and learning agility rather than just the relevant job experience (particularly on the Board), and implementing practical, behaviour-based learnings. As a decentralised organisation, Halma is very careful about the balance of the relationship it maintains with operating subsidiaries. The first global policy they implemented across the organisation was a parental leave policy for both parents, highlighting the importance of inclusion in the culture of the organisation.

You can watch our interview with Jennifer [here](#).

Next steps

Given our focus on cultures and people behind businesses, gender diversity continues to be an area of engagement for us with many of the companies we invest in. The solutions to bring about change are long term and require incremental changes to deliver tangible outcomes. We expect to continue having these conversations with companies over the next few years, and to continue learning from their successes ourselves.

Sujaya Desai
January 2021

Insights from Halma's approach to diversity

- > Senior leadership commitment
- > Shared purpose and mindset
- > Inclusion comes first, no point having more diversity if it isn't heard
- > Focus on IQ and learning agility in recruitment, not having done a specific role for x number years
- > Manage recruiters very actively
- > Practical, behaviour based learning - just highlighting bias doesn't change it
- > Breakdown gender role norms - e.g. parental leave and flexibility
- > Continuously monitor both the types of roles and career progression to manage pay gap

¹ Source: Company data as at 31 December 2020.

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