Institutional investors want to analyze money managers' diversity data
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There's a growing interest among institutional investors for money managers' diversity data.

After launching a diversity scoring product in late 2019, Lenox Park Solutions, a company that gathers, analyzes and benchmarks asset manager diversity data for institutional investors, now has a client stable with assets totaling $5.5 trillion, according to Jason Lamin, its New York-based CEO and co-founder.

Lenox Park gathers data on a firm's ownership, leadership, board, workforce and other areas to come up with a score on how a firm is doing with respect to gender and ethnic diversity. "We think of this as a FICO score," Mr. Lamin said. Lenox Park then benchmarks the score to illustrate how a firm is doing compared to its peers.

The company gets about an 80% response rate from firms and now has about 2,200 firms in its platform, Mr. Lamin said. "The managers are not being forced, but they certainly feel compelled to align with something our clients have designated as very interesting."

One of those clients is the $70.6 billion Maryland State Retirement & Pension System, Baltimore. Andrew C. Palmer, the system's chief investment officer, said manager diversity has been a focus at the fund for decades, but it wanted to do more. "We think we've done what we can from a hiring, ownership perspective on managers," Mr. Palmer said. "How do we take the next step? That's why we're getting some outside resources to address it because we think we're effective, but we're limited in our ability to become more effective."

The Maryland system isn't simply trying to check a box when it comes to hiring diverse managers, Martin Noven, its executive director, said. "If we're really trying to improve investment returns and make real change, we've got to do a deeper dive and have a more robust conversation," he added.

Institutional investors want to see hard data when it comes to diversity, Mr. Lamin said. "The rhetoric has been done; the narratives have been done; we can turn to Page 34 of your slide deck and read your four pages on DEI and your principles, we got it," he said. "But what they want to see now is tangible performance (around diversity), improvement goals."

Mr. Lamin added, "There's not an organization on this planet in 2022 that isn't solving their biggest challenges with data. If you're serious about addressing a DEI problem, you have to measure it."