The Role of Signaling When Promoting Diversity and Inclusion at the Firm Level: A Financial Advisory Professional Case Study

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Based on signaling theory and visual perception theory, this study evaluated how financial advisory firms depict diversity through online platforms. Signals sent by firms may impact outsiders' understanding of race and gender inclusion at the firm level, which may explain why some struggle to recruit and retain a diverse workforce. To evaluate, 1,379 advisor biographies on 73 firm websites were analyzed. In this study, 29% of all client-facing advisors with known gender were women; only 0.5% of those with known race were Black. This is much lower than what other studies, based on different industrial codes, have reported. The fact that White males featured predominantly in depictions of employees on firm websites may influence who applies for positions in financial advisory firms. This signaling pattern may also indicate hiring preferences among firm owners and managers. Results have implications for firms that wish to recruit and retain a diverse workforce.

Keywords: Diversity; Inclusion; Signaling; Perception; Hiring; Black; Women; Financial Planning

Introduction

Firms of all sizes and descriptions generally aim to hire the best available applicant for open positions regardless of race or gender (Gilbert, Alder, & McAllister, 2010). Many firms hiring practices are also focused on increasing workforce diversity because the role of inclusion is an important human resource outcome. The financial advisory profession is one field that continues to face challenges related to diversity and inclusion in the workforce. As of December 2017, women accounted for over 50% of the general population but only 33.5% of all financial advisors. Blacks accounted for 12.7% of the total population but only 5.0% of personal financial advisors (U.S. Department of Labor, Bureau of Labor Statistics [BLS], 2018; U.S. Census Bureau, 2017). The financial advisory profession has cumulatively spent millions of dollars studying why women and Blacks are reluctant to join the financial advisor workforce. To date, few comprehensive answers have been identified.

This inclusion-gap is perplexing. Personal financial advising is a helping profession known for high wages, fast job growth, and career satisfaction. Financial advisors are inherently a "client-facing" profession, in which the advisor directly and consistently interfaces with the client. Personal financial advisors earn median annual wages of $88,890, the highest median pay of all business and financial occupations tracked by the BLS Occupational Outlook Handbook (2017a). In addition to high wages, personal financial advisors are also one of the fastest growing business and financial occupations with a projected 10-year job growth rate of 15% (BLS, 2017a). Furthermore, professionals working in the field express a high level of career satisfaction. Financial advisors often state that they obtain high intrinsic satisfaction using their financial knowledge to help individuals and families attain short-term and long-term financial and life goals (Certified Financial Planner Board of Standards [CFP Board], 2018a).

Despite being an occupation with high wages, job growth, and career satisfaction, the profession lacks diversity. A high proportion of professionals that work directly with clients ("client-facing") are White men. As noted above, historically, women and Blacks have not often occupied client-facing advisory roles.

Diversity issues in the personal financial advising workforce appear to be at a crisis level. A recent study conducted by the Certified Financial Planner Board of Standards, Inc. (CFP Board, 2018a) suggests that rates of client-facing participation for women and Blacks are even lower than reported by the Bureau of Labor Statistics, with only 23.4% of women and 3.5% of Black (or Latino) advisors serving in this role. The conclusion is a stark one: in a profession whose primary mission is to help a cross-section of the population achieve financial goals, the ranks of client-facing professionals are not reflective of the U.S. population. Unfortunately, this is not a problem faced only by firms operating in the financial advisory space.

Even when women and Blacks join the ranks of financial advisory firms, their compensation is not representative of universally equal treatment when compared to White males (Lahey & Quist-Newins, 2011). Among all other business and financial occupations, personal financial advisors exhibit the greatest percentage difference in median weekly earnings between men ($1,714) and women ($953) (BLS, 2017b). The combination of disproportionate representation (CFP Board, 2018a) and unbalanced wages (BLS, 2017b) has led to White men dominating the practice of providing financial advice (BLS, 2018), primarily because retention rates for women and Black advisors tend to be quite low.

The purpose of this study was to analyze information gathered from the websites of financial advisory firms to explore the rates of female and Black financial advisors in client-facing positions (Heo, Park, Henager, & Grable, 2018). Based on signaling and visual perception theories, it was hypothesized that the images used by financial advisory firms on public websites may be one explanation for the ongoing lack of representative diversity within the financial advisory field. While other studies of representation in financial advising have relied on self-reported data from questionnaires, this study is unique in that it used data collected by observing each firms' online presence as a form of signaling to potential new hires. The remainder of this paper is structured as follows. The literature review provides more information about diversity within the financial advisory field. Signaling theory and visual perception theory are then introduced. The research methodology is then presented. This is followed by study results and a discussion of findings.

Literature Review

Although the problem of representative diversity has been identified as a universal human resource issue, diversity and inclusion research pertaining to the financial advisory and financial services profession is still in an infancy stage. There have been numerous studies conducted to learn about women and Blacks' use of financial advisory services, but few of these studies have addressed the disparity in gender and race within the profession, especially among those in client-facing positions. Even fewer studies have provided firm-specific or policy recommendations to help improve workforce inclusion.

The primary source for workforce inclusion data and insights related to financial advisory services comes from the CFP Board. CFP Board released two comprehensive studies on the issue in 2014 and 2018. These reports made two observations: first, White men tend to be predominately involved in client-facing roles, and second, women and Black financial advisors face challenges in the recruiting, hiring, and retention process due to perceived hiring and promotion biases at the firm level (Zhang et al., 2017). Whether these takeaways are an artifact associated with historical advisory recruitment practices, cultural awareness of financial advisory services as a profession, or a (the) result of systematic firm preferences in the hiring process is worthy of future study. The first step in addressing diversity questions is to determine the extent to which advisory firms are signaling, in the public domain, who has client interfacing responsibilities at the firm level. These signals are, either by serendipity or by design, intended to inform potential clients, and by default potential new hires, who will be providing advice and counsel on a day-to-day basis.

The Role of Black Financial Advisors

The United States has a diverse population that varies by race and ethnicity; however, the financial advisory profession does not reflect this racial diversity (MacBride, 2015). Research funded by the CFP Board (2018a)[1] indicates that there are three factors that contribute to the lack of racial diversity in the financial advisory profession. First, the face of the financial advisory profession has historically been White men. A majority (59%) of respondents in a 2018 CFP Board study described the primary image of a financial advisor as a White man, whereas 3% of respondents described financial advisory work as being something done by Black men (CFP Board, 2018b). Second, hiring preferences by firms has limited the number of Blacks that work in advisory roles. A CFP Board (2018b) study revealed that 56% of financial professionals agreed that Whites are more likely to be hired than Blacks, even though 78% of financial professionals thought no difference in skills exists between Whites and Blacks. The reasons for this, according to CFP Board (2018a), are due to the fact that (a) predominantly White clientele prefer working with advisors with a similar cultural/ethnic background; (b) firms hire employees from existing social networks, which tend to be White; and (c) firms equate "fit" and "existing corporate culture" with being a White male. Although the scarcity of minority financial advisors makes it difficult for clientele to engage the services of a non-White advisor (Eisenberg, 2018), which itself is problematic, CFP Board's study hinted at the possibility that ongoing hiring biases reinforce racial discrimination (CFP Board, 2018a). Third, on-boarding and retaining practices in firms tend to be unfavorable for Blacks due to lack of representation, opportunities for professional and career development, and subtle forms of racist biases at the office level (CFP Board, 2018a).[2] Historic perceptions of financial advisor identity, hiring preferences, and unfavorable on-boarding and retaining practices reinforce racial disparities in the field. When viewed holistically, Blacks may not think of a career as a financial advisor primarily because the cultural signals sent by firms operating in the space have, intentionally or otherwise, presented a cultural image that is foreign

[1] The 2018a CFP Board study was based on an online survey of professionals at financial firms responsible for recruiting and hiring financial advisors, current Black CFP® professionals, other CFP® professionals, consumers with investable assets or income of $100,000 or more who were working with a financial advisor at the time of the survey, Black and Latino business professionals, and students between the ages of 20 and 54. Additional insights were based on qualitative interviews and focus groups with the same constituent groups. A sample of 2,276 adults from the United States participated in the study.

[2] Many of the diversity hiring initiatives undertaken within financial advisory firms have occurred at the corporate and non-client-facing level, with most client-facing hiring decisions being made at the local office level.

to non-Whites. Signaling and cultural factors are similar to those that inhibit women from entering the profession. These are reviewed below.

The Role of Women Financial Advisors

Over the past decade, financial advisory regulatory and certification boards have taken notice of gender discrepancies in the financial advisory profession. In April 2017, for example, the CFP Board launched the "I am a CFP Pro" media campaign to encourage young people, women, and people of color to become financial advisors. Moreover, CFP Board's Women's Initiative (WIN) has operated since 2013 to support women in pursuing careers in the financial advisory profession.

Despite efforts by CFP Board and other organizations, nearly all diversity studies, in the domain of the financial advisory profession, reveal aspects of gender discrimination. Consider a 2014 study commissioned by CFP Board.[3] A large percentage of study participants (41%) believed that men were more likely to exhibit attributes of financial advisor success compared to women (Blayney, 2016; CFP Board, 2014). This misperception impacts hiring procedures. The financial advisory profession was built on creating and maintaining relationships with clients (Kurlowicz, 2014). Although women financial advisory professionals tend to demonstrate more strengths, compared to men, in relation to building and maintaining healthy relationships built on trust and commitment (i.e., women are more likely to act as caregivers) (Domski, 2018; Garmhausen, 2016; Kurlowicz, 2014), 43% of male and 40% of female financial advisory professionals in the surveys believed that men were favored over women when it came to hiring (CFP Board, 2014). Some research has even suggested that firms are reluctant to hire women because of childbearing or family issues and that firms have not yet overcome organizational attitudes that favor men and minimize the career trajectory of female employees (Bisco, Gradisher, & Mulholland, 2018; CFP Board, 2018a). Once hired, women often face a work culture that caters to male colleagues. More than half of the financial professionals in the 2014 CFP Board study noted that lack of mentoring and role model programs designed for female financial advisory professionals, male-centered training systems, and production-based assets under management (AUM) pay models contribute to a work culture more conducive to men (CFP Board 2014; Domski, 2018). These perceptions may be a legacy of a culture established by senior leaders who are older, White, men from similar socioeconomic backgrounds (Jaekel & St-Onge, 2016).

Explanations for a Lack of Diversity and Inclusion

While much of the literature on racial/ethnic and gender trends in the financial advisory profession point to systemic barriers that limit hiring and promotion opportunities for Blacks and women, other explanations have been proffered to explain the relatively low numbers of non-Whites and women serving in client-facing roles. One explanation stems from research conducted on the ways corporate leaders create and use social networks (James, 2000; Murrell & James, 2001). A network is a "fabric of personal contacts who will provide support, feedback, insight, resources, and information" (Ibarra & Hunter, 2007) to one or more people. Given that historically there have been relatively few Blacks or women in positions of power in financial advisory firms, and concurrently few Blacks or women in client-facing roles, there may be few social networks to help promote the financial

[3] CFP Board "conducted an extensive literature review, commissioned two original research projects, and included questions in a separate consumer research project on the issue of gender preference for advisors." The purpose of the study was to (a) identify the reasons for the underrepresentation of women in the profession and (b) explore strategies to increase the number of women CFP® professionals. The first stage of research involved 1,792 qualitative interviews with firm executives, academics, and students. The second stage of research was based on analyzing data from online surveys that was designed to identify differences between male and female financial advisors. Data were obtained in 2012 and 2013 from 1,100 U.S.-based financial advisors. CFP Board also obtained data from a 2014 Economics of Loyalty survey. The survey was designed to identify (a) the role of gender in choosing a current advisor, (b) the role of gender in choosing an advisor to work with, (c) the perceived attributes that describe a financial advisor, and (d) the reasons for preference for one gender over another. The survey included 1,229 respondents.

advisory profession among underrepresented populations. Closely linked within this concept is the issue of cultural awareness (Rew, Becker, Cookston, Khosropour, & Martinez, 2003; Smith-Miller, Leak, Harlan, Dieckmann, & Sherwood, 2010). Without appropriate role models, those pursuing a college education, and those considering a career change, may overlook the financial advisory profession (Almquist & Angrist, 1971; Flouri & Buchanan, 2011; Gibson, 2004; Karunanayake & Nauta, 2011; Quimby & DeSantis, 2011; Rivera, Chen, Flores, Blumberg, & Ponterotto, 2007). This can reinforce the perception that the profession is unfriendly towards people of color and women.

It is also possible that young people—those contemplating attending college and those making degree and career choices— don't view financial advisory work as a viable career option. This perception may have nothing to do with hiring and promotional biases, but rather, thoughts about the career in general. Stated another way, the pipeline of new advisors may not be large enough to make an impact on hiring outcomes (Ezzedeen, Budworth, & Baker, 2015). Consider a typical large financial advisory firm. Assume the firm needs to hire 1,000 people to fill open positions. To maintain representation with the U.S. population, the firm would need to hire approximately 150 Black candidates. A key question is whether the firm could find this number of qualified candidates. When multiplied across the profession, there simply may not be enough people studying financial planning and advisory services at the college level to fill open positions.

There is another explanation, one that may be at the root of diversity and inclusion issues facing the financial advisory profession. The profession may be inadvertently sending cues and signals to potential new hires (i.e., college graduates and career changers) that financial advisory services are primarily designed to meet the needs of a White male clientele, with limited opportunities for those who are Black or female. This hypothesis is founded on the simple notion that people consider visual cues presented by firms operating in a sector of the marketplace when deciding to pursue a particular career. If the cues are skewed towards an image that creates cognitive dissonance, a potential new hire will shy away from the career option.

This hypothesis is supported by two theories: signaling theory and visual perception theory. Signaling theory describes how financial advisory firms (signalers) communicate information (signals) about operating procedures through one or more public platforms (e.g., an online presence) (Spence, 1973). Potential employees often check firm websites to collect information about work culture to determine if working for the firm will be a "good fit." If a firm's website(s) shows that the majority of current employees are a certain race and gender, this may signal the firm's hiring criteria. Potential employees may then believe that the firm's culture—by design or by chance—is hostile to non-White male employees. The informational value of a website comes from the idea that potential employees believe a firm's online presence is positively associated with the firm's culture where non-Whites and women will struggle to fit in. Based on signaling theory, a firm's online presence enables potential employees to obtain cues about a commitment to diversity and inclusion.

Visual perception theory also suggests that people form perceptions of a task, behavior, or entity by receiving information from the environment through the physical sense of sight (Gibson, 1966; Gregory, 1970, 1974). According to Gibson (1972), perceptions are direct sensations that imply 'what you see is what you get.' In the context of the present study, what one *sees* on firm websites tends to be White men (both as advisors and clients). Visual perception theory leads one to the following conclusion: based on what a firm presents, the firm should expect to receive exactly what is presented. In this case, by presenting images of White men, it is reasonable to expect White men to apply for positions in the profession. As noted by Gibson (1966, 1972), perceptions influence reality. Perceptions and reality can, therefore, be explained by means of the sensory environment.

While there are numerous possible reasons why the financial advisory profession has historically experienced a lack of diversity and inclusion, moving forward, it is important to accumulate data on the reasonable explanations for diversity challenges. Results from such studies can be used to help solve diversity and inclusion shortfalls in other professions as well. The current study was designed to examine dominant signals and visual environments presented by and resulting from perceptions of financial advisory firms. If potential new hires and the general public (observers) see dominant images of White males as the primary client-facing professionals in a firm (environment), it is reasonable to hypothesize that this may create the perception that companies prefer to hire primarily White male applicants. Once potential employees perceive a representative firm employee as White and male, they may come to believe this race and gender to be preferred regardless of ability. By evaluating the online cues sent by financial advisory firms it may be possible to provide one explanation as to why qualified minority applicants are often discouraged in seeking a career as a financial advisor.

Methods

Data Collection and Coding

The data collected and analyzed for this research were obtained from the publicly available websites of the largest financial advisory firms in 2016 as listed in *Financial Planning Magazine*. *Financial Planning Magazine* is a widely distributed and read publication serving employees and managers of small, mid-size, and large financial advisory firms operating in the United States. The firms in the report were listed from largest to smallest based on assets under management (AUM). The study used data from 73 of the largest firms. The choice of the firms was dictated by the availability of photographs and advisor biographical information on each firm's website. Each firm's website was viewed to acquire preselected items of information about the firm's advisory staff. Data on support staff (i.e., human resources personnel, receptionists, etc.) were not collected.

Biographies of advisors were also reviewed for the following information: AUM by advisor, home office location, advisor first and last name, advisor's title at the firm, whether or not the advisor was client-facing, the advisor's gender, whether or not the advisor was Black (if photo available), the advisor's academic degree and level of education, the advisor's certifications and designations (e.g., CFP, CFA, CPA, etc.), and social networks (i.e., the type of volunteer work performed by the advisor).

Once advisor data were gathered from each firm's website(s), each firm and advisor were assigned a unique identification number. Personal identifiers were removed from the dataset. Codes were assigned for each region of the country (Northeast, South, West, Midwest, and Pacific) and for advisor education (no degree, bachelors, master's, and terminal). Each advisor's information was then coded based on the region and education codes. Firms with no websites, websites with no advisor photos, and advisors with no biographies were excluded from the dataset.

Though only advisors with biographies were included in the dataset, some biographies excluded desired information. When this occurred, the advisor was still included in the study, but omitted information was coded as missing. Every advisor was assigned a region, but not every advisor was reported as having an academic degree. If no degree or school was listed in an advisor's biography, it was assumed the advisor had no degree. Race was determined by visual analysis (by the research team) of photos on each firm's website; triangulation among the research team was a prerequisite prior to race coding. The final dataset included 1,379 advisors.

Dependent Variable

The dependent variable was whether or not an advisor was client-facing (1 if individual is client-facing; 0 otherwise). The determination of client-facing status was made primarily from the context of each financial advisor's biography and secondarily by the advisor's job title.

Independent Variables

Gender (1 if individual is a female; 0 otherwise) and race (1 if individual is Black; 0 otherwise) were the primary independent variables used in this study. Differences between men and women, and Blacks and non-Blacks, were tested. Gender was determined by triangulating each advisor's biographical photograph, the advisor's first name, and pronouns from the biography. Race was assumed to be Black or non-Black based on available photographs. Black was the only race distinguished in the data.

Covariates included advisor region (Northeast = 1, South = 2, Midwest = 3, or West = 4, determined by the address of the firm's home office), education (no degree = 0, bachelor's = 1, master's = 2, or doctoral = 3), Certified Financial Planner (CFP) status (1 if individual is a CFP; 0 otherwise), Chartered Financial Analysts (CFA) status (1 if individual is a CFA; 0 otherwise), Certified Public Accountant (CPA) status (1 if individual is a CPA; 0 otherwise), number of other designations (0 to a maximum of 4), and volunteer status (1 if individual volunteers; 0 otherwise), determined by whether the advisor explicitly stated that they volunteer in their community or profession). It is important to note that education and professional designations were considered proxies for human capital, while volunteer status was considered a proxy for social capital (González-Romá, Gamboa, & Peiró, 2018). Interaction terms between gender and each covariate were also estimated.

Method of Analysis

The statistical analysis was designed to achieve two research objectives. The first objective was to determine how gender is related to the covariates included in the data, as well as how gender is directly related to the probability of being in a client-facing position without accounting for covariates. This analysis used a series of chi-square tests and gamma statistics to measure those associations. The second objective was to determine how gender is related to the probability of being in a client-facing position in the context of the covariates. This analysis used a multivariate logistic regression model Significant results were further examined using post-hoc pairwise comparisons, when appropriate. Note that although descriptive statistics are provided for race as well as gender, statistical tests were not run for race due to the very small number of Black advisors in the data set.

Results

Differences by Gender and Race

Table 1 summarizes the gender and race frequency distributions in the dataset. Out of 1,379 advisors in the dataset, 29% with known gender were women, only seven advisors (0.5% of those with known race) were Black, and only one individual was both a woman and Black. Note that statistical tests of race-related differences in advisors were hampered by the very small number and proportion of Black advisors in the dataset, although this serves to highlight the paucity of Black advisors visible to the public through website information.

Table 1. Summary of Advisor Gender and Race Characteristics

Trait	Number in Category	Number Non-Missing	Percent
Female	395	1361	29.0%
Black	7	1356	0.5%
Female and Black	1	1346	0.1%

Table 2 summarizes the distribution of other variables categorized by gender. Table 2 includes chi-square tests and gamma test statistics. There were statistically significant differences at the $p < 0.05$ level of significance for client-facing roles (80.0% of men and 73.5% of women were in client-facing roles), firm region (men in the sample were more likely to work in the South compared to women, while women in the sample were more likely to work in all other regions), education (women were more likely to be less educated), and CFA (men were more likely to hold the CFA certification). There were no statistically significant differences between CFP or CPA status, the number of other professional designations held, or volunteer status.

Table 2. Distributions of Study Variables within Gender

		Gender					
		Male n (%)	Female n (%)	χ^2	df	γ	P
Client-Facing	Yes	748 (80.0%)	277 (73.5%)	6.694	1		0.010
	No	187 (20.0%)	100 (26.5%)				
Firm region	Northeast	183 (18.9%)	87 (22.0%)	17.203	3		0.001
	South	311 (32.2%)	84 (21.3%)				
	Midwest	275 (28.5%)	122 (30.9%)				
	West	197 (20.4%)	102 (25.8%)				
Education	None	91 (12.2%)	56 (17.9%)			-0.113	0.049
	Bachelor's	382 (51.1%)	154 (49.2%)				
	Master's	241 (32.3%)	92 (29.4%)				
	Doctoral	33 (4.4%)	11 (3.5%)				
CFP	CFP	408 (42.3%)	173 (43.8%)	0.264	1		0.608
	No CFP	557 (57.7%)	222 (56.2%)				
CFA	CFA	172 (17.8%)	36 (9.1%)	16.358	1		< 0.001
	No CFA	794 (82.2%)	359 (90.9%)				
CPA	CPA	103 (10.7%)	38 (9.6%)	0.325	1		0.569
	No CPA	861 (89.3%)	356 (90.4%)				
Number of Other Designations	0	740 (76.6%)	310 (78.5%)			-0.058	0.392
	1	170 (17.6%)	68 (17.2%)				
	2	43 (4.5%)	14 (3.5%)				
	3	9 (0.9%)	0 (0.0%)				
	4	4 (0.4%)	3 (0.8%)				
Volunteer	Yes	262 (27.1%)	91 (23.0%)	2.434	1		0.119
	No	704 (72.9%)	304 (77.0%)				

Table 3 summarizes the distribution of other variables by race categories. Table 3 does not include statistical tests due to the small number of Black advisors in the dataset. From the percentages alone, it is possible to conclude that the majority of Black (71.5%) and non-Black (78.9%) financial advisors were client-facing. For both Black and non-Black advisors, slightly less than half were CFP certificants. No Black advisors held a CFA or CPA or another professional designation. Of the seven Black advisors in the dataset, four (57.1%) worked in the South, as opposed to 29.0% of non-Black advisors.

Table 3. Distributions of Study Variables within Race

		Race	
		Black n (%)	Non-Black n (%)
Client-Facing	Yes	5 (71.5%)	1024 (78.8%)
	No	2 (28.6%)	276 (21.2%)
Firm region	Northeast	0 (0.0%)	269 (19.9%)
	South	4 (57.1%)	391 (29.0%)
	Midwest	1 (14.3%)	394 (29.2%)
	West	2 (28.6%)	295 (21.9%)
Education	None	0 (0.0%)	149 (14.2%)
	Bachelor's	3 (75.0%)	527 (50.1%)
	Master's	1 (25.0%)	333 (31.7%)
	Doctoral	0 (0.0%)	42 (4.0%)
CFP	CFP	3 (42.9%)	575 (42.7%)
	No CFP	4 (57.1%)	773 (57.3%)
CFA	CFA	0 (0.0%)	207 (15.3%)
	No CFA	7 (100.0%)	1142 (84.7%)
CPA	CPA	0 (0.0%)	141 (10.5%)
	No CPA	7 (100.0%)	1205 (89.5%)
Number of Other Designations	0	7 (100.0%)	1041 (77.2%)
	1	0 (0.0%)	238 (17.6%)
	2	0 (0.0%)	54 (4.0%)
	3	0 (0.0%)	9 (0.7%)
	4	0 (0.0%)	7 (0.5%)
Volunteer	Yes	2 (28.6%)	346 (25.6%)
	No	5 (71.4%)	1003 (74.4%)

Gender and Client-Facing Roles

A logistic regression to determine if an advisor occupied a client-facing role was conducted, with gender as the primary independent variable. The purpose of this test was to determine how women differ from men with respect to being placed in client-facing roles. Covariates included firm region, education, CFP status, CFA status, CPA status, number of other professional designations, and volunteer status, as well as interactions of each covariate with gender (n = 1008). The results of the test are provided in Table 4.

Table 4. Overall Results of Logistic Regression Model Estimating Probability of Client-Facing Role

Variable	Wald χ^2	df	p
Gender	2.234	1	0.135
Firm region	40.51	3	< 0.001**
Education Code	4.477	3	0.214
CFP	32.946	1	< 0.001**
CFA	2.08	1	0.149
CPA	0.02	1	0.888
Other Designation	0.085	1	0.771
Volunteer	3.52	1	0.061
Gender * Firm region	0.588	3	0.899
Gender * Education Code	14.479	3	0.002**
Gender * CFP	0.837	1	0.360
Gender * CFA	0.232	1	0.630
Gender * CPA	0.027	1	0.870
Gender * Other Designation	2.966	1	0.085
Gender * Volunteer	2.922	1	0.087

* = 0.05 level of significance, ** = 0.01 level of significance

As shown in Table 4, gender was not statistically significant in the model, but there was a statistically significant interaction between gender and education. Post-hoc pairwise comparisons are provided in Table 5. There was a statistically significant difference between men and women who did not have a degree, with 87% of men and 54% of women being in client-facing positions. There were no other significant differences between men and women. Figure 1 shows the probabilities of men and women being in client-facing roles by education level.

Table 5. Post-hoc Pairwise Comparisons of Males and Females within Education Levels

				95% Confidence Interval				
Education	Gender	Est. Prob.	Std. Error	Lower	Upper	Wald χ^2	df	P
No Degree						6.307	1	
	Male	0.87	0.048	0.74	0.94			0.012
No Degree								
	Female	0.54	0.120	0.32	0.75			
Bachelor's	Male	0.76	0.038	0.68	0.83	0.274	1	0.601
Bachelor's	Female	0.80	0.059	0.66	0.89			
Master's	Male	0.84	0.021	0.77	0.89	0.376	1	0.540
Master's	Female	0.80	0.058	0.66	0.89			
Doctoral	Male	0.83	0.066	0.66	0.93	2.541	1	0.111
Doctoral	Female	0.54	0.174	0.23	0.82			

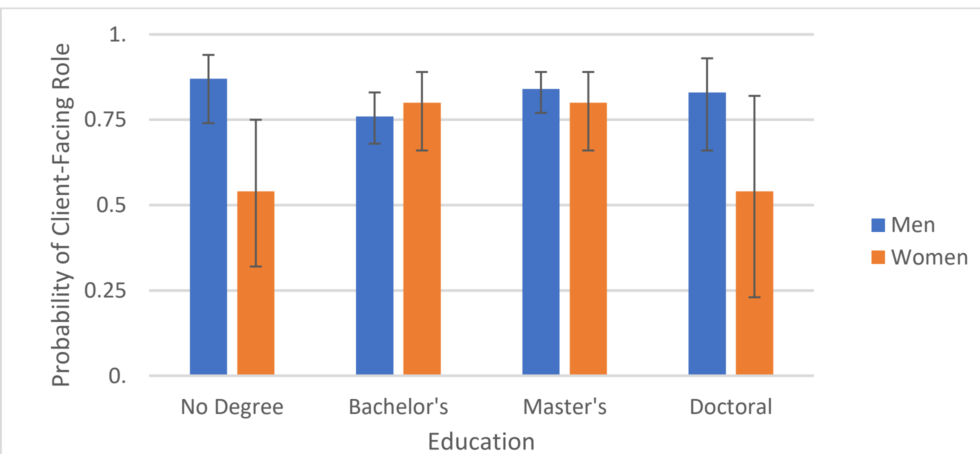

Figure 1. Probability of Client-Facing Role by Education, Men v. Women (with 95% confidence intervals)

There were also statistically significant effects associated with firm region and CFP status. Table 6 provides the proportions of client-facing advisors in each region. Advisors from the Midwest were less likely to be client-facing when compared to all other regions (58% client-facing, while other regions were 78% to 84% client-facing). Table 7 provides the proportion of client-facing advisors by CFP status. Advisors with who held the CFP certification were more likely to be client-facing (85% versus 65%).

Table 6. Model-Estimated Probability of Client-Facing Role by Firm region

Firm region	Est. Prob.	Std. Error	95% Confidence Interval Lower	95% Confidence Interval Upper	Regions with same letter not significantly different ($p < 0.05$)
Northeast	0.78	0.051	0.66	0.86	A
South	0.80	0.041	0.71	0.87	A
Midwest	0.58	0.057	0.47	0.69	B
West	0.84	0.037	0.76	0.90	A

Table 7. Model-Estimated Probability of Client-Facing Role by CFP Status

CFP	Est. Prob.	Std. Error	95% Confidence Interval Lower	95% Confidence Interval Upper
CFP	0.85	0.032	0.77	0.90
Non-CFP	0.65	0.048	0.55	0.74

Discussion

Results from the analysis illustrate that the public image, presented by financial advisory firms through public online venues, of client-facing financial advisors tends to be primarily that of a White male. Given the small percentages of women and Blacks at firms, it is possible, that potential new hires form a perception that financial advisory firms—and the larger financial advisory profession—do not value or promote a culture of diversity and inclusion. Regardless of perceptions, the results suggest certain messages or signals are being transmitted to the public. It is possible, as posited by signaling theory and visual perception theory, that Blacks and women are internalizing these images and drawing conclusions about the cultural integrity of some financial advisory firms. The most overt signal presented to someone who casually glances at the websites of the firms included in this study would be that there are very few Black advisors working in client-facing positions.

It may be that Blacks, in client-facing positions, are more prevalent in smaller firms (based on assets under management) or working as sole-practitioners. If the statistics presented by the Bureau of Labor Statistics and CFP Board are to be believed, this must be the case.

The situation among the largest financial advisory firms appears better for women when compared to Blacks. As shown in this study, there was a higher percentage of women working in client-facing positions among the firms included in the study. Even so, the rate of women's participation in the largest firms was still only around 29%, despite making up half of the general population (U.S. Census Bureau, 2017). In addition, the statistics related to education and gender are very telling. Without higher education, it appears women face barriers to career growth, while their male counterparts somehow find a way to succeed with less education.

Before moving on to this study's implications, it is important to note a few limitations associated with the study. Data were gathered using website photos. The research team evaluated each photograph. It was possible that classification of race was mis-coded in some instances due to inaccurate observations, although this was unlikely due to the coding procedure. Even if this occurred frequently, the results remain robust. This study was not focused on discovering the exact or correct number of Black financial advisors but rather what messages each firm's website was transmitting to outsiders about the rate of Black (and female) financial advisors working in client-facing positions at the firm. Also, there may have been a confounding aspect that was unmeasurable in the study. Specifically, firms with more resources may have devoted more funds to build a better online presence with greater opportunities to highlight Black and female financial advisors. Another limitation, in terms of statistical analyses, was that it was not possible to conduct a regression test due to the low number of Black financial advisors in the sample.

Implications

Results from this study lead to one general conclusion: firms operating in the financial advisory space continue to exhibit a lack of diversity and inclusion messages in websites. Firms should consider ways to improve the representation of minorities and women in client-facing positions if, as a profession, financial advisory firms wish to increase minority and female recruitment and retention. This is true both in terms of current employees and overall commitment to diversity and inclusion at the firm and profession level. Actionable steps include highlighting diversity through feature stories or spotlights about financial advisors that are Black and/or female. Firms can also add a tab to their website titled "Diversity" that expresses a commitment to creating a supportive and inclusive culture for all employees and clientele.

Firms can (and should) also take steps outside of online platforms to encourage Black and/or female financial advisors to present at conferences, network in the name of the firm, and promote career opportunities available to those in client-facing roles. This goes back to the notion of creating networks and promoting a culture of inclusion. Television is also an effective medium to help shift cultural norms (King & Multon, 1996). For example, some large financial advisory firms have taken steps to include people of color as advisors and clients in advertisements. This visualization approach is one way to send cues that financial advisory work is something valuable regardless of socioeconomic status, cultural background, or previous financial experience. Fostering heterogeneity in real-world contexts is critical as a step in changing perceptions of the financial advisory profession.

The need to address diversity and inclusion is not unique to the work of financial advisors. When facing a lack of male teachers in K-12, Marygrove College founded the GRIOT program in 1998 to increase the number of African-American male teachers working in schools in the Detroit area and nationwide. Facing racial homogeneity in business management, the KPMG Foundation, Citi, AACSB, and GMAC started The PhD Project in 1994. The vision was to create a significantly larger talent pipeline of African-Americans, Hispanic-Americans, and Native Americans for business leadership by increasing the diversity of business school faculty who encourage, mentor, support, and enhance the preparation of tomorrow's leaders. Within ten years of the implementation of this program, the number of individuals studying for a doctorate increased from 294 to 746 (Milano, 2005). To address similar issues in the actuarial profession, the Society of Actuaries provides waivers of exam fees for underrepresented students taking actuarial exams. A recent study has shown that this has not been as impactful in terms of increasing the diversity found in the actuary field (e.g., there are other obstacles that need to be addressed simultaneously), but the action still sent a message that actuaries were serious about moving towards inclusivity (McKeown, 2014). As these examples illustrate, small steps forward to increase diversity and inclusion can have long-term effects on recruiting, hiring, and retention.

Educational programs that train financial advisors can learn from other professions that have faced diversity issues in the past. One solution to help address the shortage of qualified women and Blacks in the pipeline for positions in the financial advisory profession is to hire more women and

Blacks as faculty in the education programs that train financial advisors. Women and Black faculty can play a critical role in attracting underrepresented students and creating an inclusive classroom environment (Sánchez et al., 2017).

In addition to changes within firms, more research on the topic of diversity and inclusion in the financial field is needed. Specifically, research on the signals female and Black financial advisory students receive during their education and throughout the hiring process, and how these signals either help or hinder feelings of inclusion, are needed. In addition, more studies on the differences in opportunities for women and Blacks at large firms, compared to smaller firms, are needed. It is possible that some firms have achieved minority and female staff representation. Models of inclusion should be shared broadly to improve diversity issues across the profession.

Conclusion

While some steps have been taken to improve diversity and inclusion among those working as financial advisors, the low numbers of Black and women client-facing advisors found in this study—and similar data (e.g., BLS 2018)—make it clear that current initiatives are not enough. Financial advisory educational programs and financial advisory firms need to commit to the ideals of diversity and inclusion. This study highlights how current optics actually may be hindering progress in terms of diversity and inclusion. Financial advisory professionals and educators need to understand that improving diversity within the profession is related to championing diversity outside the profession. Diversifying the office environment can start by diversifying a firm's website. To change the reality, firms can start by changing the imagery.

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