

An interview with:

Alisa Mall  
Managing Director of Investments  
The Carnegie Corporation of New York

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Suzanne West  
Senior Advisor  
The CenterCap Group

# INVESTOR PERSPECTIVES ON DIVERSITY & INCLUSION

NAREIM DIVERSITY & INCLUSION SURVEY  
INTERVIEW SERIES:  
THE CARNEGIE CORPORATION OF NEW YORK



# About the NAREIM Diversity & Inclusion Survey

For more than a decade, NAREIM has produced a Diversity & Inclusion (D&I) Survey for members. This fall, NAREIM is expanding its survey in an effort to help the entire industry become more diverse.

It's easy to talk of the lack of diversity in the real estate investment management industry. According to the NAREIM 2019 D&I report, just 16% of executive managers were women and just 6% were non-white. However, there is a bigger issue at stake, something which is succinctly articulated by Alisa Mall in the accompanying interview.

Diversity is not just about gender or ethnicity. It's also about diversity of thought and the diversity of ideas within a team. Diversity is about having, and listening to, the different voices at the table to better prepare an investment firm for managing and executing upon situations, such as those we face today.

As NAREIM, in partnership with Ferguson Partners, prepares to invite real estate investment managers to participate in its Diversity & Inclusion survey this fall, we asked institutional investors to talk about their perspectives on diversity and inclusion and how they are working with investment managers to deliver lasting change for the industry. Enjoy the conversation. Zoe Hughes, NAREIM CEO



**Alisa Mall** is the Managing Director of Investments at the Carnegie Corporation of New York, primarily responsible for the real estate and natural resources portfolios. She oversees the foundation's diversity and inclusion efforts and is responsible for inflation-linked strategies. Mall also works on absolute return strategies. Prior to joining Carnegie, she was a director in the Equity Capital Markets group at Tishman Speyer, working with institutional and private investors in connection with its real estate investment vehicles. Previously, she was an attorney at Orrick Herrington & Sutcliffe where she focused on general real estate and real estate finance. Mall is a member of the Board of Directors of JBG Smith (NYSE: JBGS). She also serves on the boards of the Pension Real Estate Association (PREA), where she serves as Vice Chair, Breakthrough New York, and the Bronfman Fellowship. She is also a member of WX New York Women Executives in Real Estate and the UJA-Federation of New York's Investment Committee. She graduated magna cum laude from Yale College with a bachelor's degree in political science and received her Juris Doctor from Stanford Law School.



**Suzanne West** is a Senior Advisor to The CenterCap Group. She is also Founder and President of Epic Advisory LLC. West draws upon her 30 years of experience across the real estate industry to provide clients with capital raising and strategic consulting services. Previously, she was involved in the formation of Belay Investment Group which invests capital on behalf of the California State Teachers' Retirement System (CalSTRS) alongside emerging managers that she helped source and mentor. Prior to Belay, she was a Co-Founder of Park Madison Partners (PMP), a New York-based real estate advisory and placement firm which she helped grow over her eight-year tenure. Since 1997, she has focused primarily on new business development, private equity capital sourcing and investor relations for both public and private real estate companies. As a member of senior management teams, she has been directly responsible for raising more than \$4.7bn of equity capital from institutional investors. She began her career as a principal investor with the \$20bn State of Connecticut Retirement Plans and Trust Funds (SCRPTF), ultimately co-managing the real estate portfolio. West received a B.S. in Finance from the University of Connecticut in 1987. She is a member of WX New York Women Executives in Real Estate and the Pension Real Estate Association (PREA). She has been a mentor with The Robert Toigo Foundation and was named one of Real Estate Forum's "Women of Influence".

# Scorecards, culture & an emotional commitment to diversity

*Alisa Mall, the real estate head of Carnegie Corporation of New York, talks about the endowment's work to improve diversity across their own portfolio, and the industry.*

*Speaking with Suzanne West, senior advisor of The CenterCap Group and former investor, Mall says it's critical for real estate investment managers to become "mentally, emotionally and financially committed to diversity" to create a culture that values diversity of thought to drive performance.*

*Mall and West explore the tactics Carnegie is employing to promote diversity among its managers, how they are being constructive not punitive and how the endowment is underwriting new and existing relationships on manager ownership and employee diversity metrics. The interview is one of a series of investor perspectives on diversity being published as part of the NAREIM Diversity & Inclusion Survey.*



*Gender: Just one component of diversity for Carnegie Corporation*

**"What Carnegie really wants to understand is a manager's commitment to valuing the diversity of opinions in their firms and how they value all their people, and in particular diverse voices."**

## **Key highlights:**

- If the senior management team all look alike, Carnegie asks: "Why is that the case, how are you thinking about it and what are you doing to change it?"
- Managers should be committed to valuing different voices and different backgrounds. Diversity is not just about the ownership of the firm, but the entire firm. If the ownership lacks diversity, do diverse professionals have a seat at the table and a voice in decision making?
- New and existing managers are scored on their diversity, comprising gender, ethnicity and background.
- Diversity isn't about penalizing managers - but to encourage and incentivize them to evolve and build a culture where diversity and diversity of thought matters.

**Suzanne West: There seem to be two components to think about in terms of diversity in real estate investment management. One is the diversity of ownership, which as an industry seems to be an almost insurmountable challenge when you look at the numbers. The other relates to the employment and hiring of diverse professionals. Do we need to separate those two concepts and evaluate them differently?**

**Alisa Mall:** I totally agree with you, but I actually think there's a third component to diversity, and that's demonstrating a true commitment to valuing diversity and to valuing inclusion in every meaning of the word. We understand that's not measurable, that it's intangible, but valuing diversity and being inclusive in everything you do is critical to diversity initiatives being successful.

We've spent a lot of time with our managers talking about how they think about this issue. For investors, the key is not to penalize managers for not being diverse but to encourage and incentivize them to evolve and build a culture where diversity matters. Not just diversity in terms of gender, ethnicity or sexuality. But diversity of opinions, which should make any team stronger and better situated to react to opportunities.

Say we sit down with a manager who presents their pitchbook and there is a page with a very homogeneous looking senior management team, which historically has meant men who all look very similar in terms of age and ethnicity. Well, let's talk about that. How is the manager thinking about this issue? Why does the firm look like that and what is the firm going to do to change that?

What Carnegie really wants to understand is a manager's commitment to valuing the diversity of opinions in their firms and how they value all their people, and in particular diverse voices. It comes down to asking whether firm owners are committed to cultivating and promoting a culture within their organization that really values different voices and different backgrounds?

**"Diversity is only meaningful if you value the perspectives and the people that come from more diverse backgrounds. We've been spending a lot of time on this aspect at Carnegie."**

**West:** So how do you inspire cultural change, because, you're right, this is about a cultural shift. Diversity is not just about having more women or more minorities, it's about inclusion. It's about giving them a voice and respecting their opinions. It's about incorporating their diverse perspectives into the management process. Diversity is also more than just gender and ethnicity. It's also about socioeconomic perspectives, it's about age perspectives.

**Mall:** It's about somebody that didn't go to the same university or the same school or fraternity as you.

Diversity is only meaningful if you value the perspectives and the people that come from more diverse backgrounds. We've been spending a lot of time on this aspect at Carnegie because we do have managers that we really value and they're not diverse at all. We're trying to act as a sounding board for them.

**West:** Can you share examples of the conversations you are having with your managers to help facilitate a cultural transition?

**Mall:** This is a work in progress for us, but one of the things we spend a lot of time talking about is changing hiring practices. Where do managers go to source new talent? Maybe they need to go to different places? Can we help them think through other candidate pools that could be interesting? It's about broadening minds to the concept that somebody may not have the exact background you thought you needed, but understanding that somebody with a different background could bring something equally valuable and perhaps unforeseen to the role in a really positive way.

One of our highest priorities as an endowment, beyond our primary mandate of generating the highest returns we can to fund the foundation's initiatives, is to add diversity to our portfolio. We have actually gone as far as to say we are far less likely to add a new manager to the portfolio unless there is a meaningful diversity component to their firm.

**Mall:** We, and our CIO, Kim Lew, who has really been a thought leader promoting diversity and inclusion, feel pretty strongly about that. For our existing managers, we are not saying we won't continue to re-up or support them, but we are clear this is a criteria we are including in our underwriting going forward. We evaluate all of our managers on diversity. And you definitely get credit if you are demonstrating it's something the firm values.

**West:** Can managers get credit for achieving greater diversity among the ranks if not at the ownership level?

**Mall:** Yes. We don't have a strict percentage of what it means to be diverse. We know it's a big push to get from where we are today to majority-owned diverse managers. We don't think that diversity in investing is just about firms satisfying an ownership percentage threshold. However, we do like to see a diverse person in the ownership structure. We do care about them having a seat at the table and a voice in decision-making.

Beyond ownership, we also want managers to have teams that reflect diversity at all levels of the organization. We have firms that are not diverse at the top, but they clearly have a commitment to it across their organization. They are committed to hiring the best people and recognize that as the U.S. population becomes increasingly diverse, firms employing individuals with varied backgrounds and perhaps a slightly different world view will have a competitive advantage in understanding the nuances of investible opportunities. And that's shown clearly through their hiring.

**West:** Carnegie is doing a great job of encouraging managers and providing them with ideas of where they can go for hiring, but how do you, as an investor, help them overcome selection bias that may be inherently affecting their interview process? We all know very senior people who are only able to engage with people that can match them on their level, or have the same background or similar interests. If that's the person with the final say, how do they deal with somebody from a different socioeconomic background, and with whom they can't connect. Essentially, how do we help shift the conversation away from expecting a candidate to connect with us, to how we can connect on the diverse candidate's level?

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**"For us, it's about getting managers to be mentally, emotionally and financially committed to diversity, such that they're willing to step out of their comfort zone."**

**Mall:** I think that's a big challenge, but you don't want to put anybody in a situation where they're not going to be successful because there isn't a commitment to a diverse culture in the firm.

For us, it's about getting managers to be mentally, emotionally and financially committed to diversity, such that they're willing to step out of their comfort zone, to try to connect with somebody who maybe they wouldn't naturally, and to adapt their culture so that that person can be successful.

The PREA Foundation partnered with Sponsors for Educational Opportunity (SEO) to place students in summer internships in the real estate industry last summer. When surveyed at the end of the summer, about 85% of interns said that they would want to return to the place they worked, but 15% said they wouldn't. When we asked why, they said: "There was nobody in senior management that looked like me." It wasn't a culture they felt welcome or comfortable in.

It's this combination of addressing the selection bias and the unconscious biases that we all have, and then also pushing yourself and challenging yourself on the bias front. But it's about asking, in your day-to-day, what is your firm's culture going to be on the issue of diversity? It's something we think about internally as well. Our CIO pushes our team to examine our own biases and think about how we, as an investment team, can actively try to mitigate them in our decision-making processes. We want to encourage our managers to do the same.

**West:** In other words, we need to think about it from the third leg of the stool – that is, if you fix the culture, the other benefits will come naturally. People will be attracted to and ascend through the organization because, culturally, it's more embracing. And because of that culture, hiring will be a more inclusive process.

As we all sit here, living through the Covid-19 pandemic and crisis, I wonder whether we can predict, or indeed measure, whether diversity will improve the outcomes and performance of managers?

**Mall:** It's so early, it's hard to say right now. But let me give you an example.

## **"There has to be a different evaluative process [for large and small firms] and a recognition that a small firm faces different challenges."**

**Mall:** We have a manager who went public, and the CEO sent out an email updating investors on the impact of Covid. This is a firm that has a very diverse senior organization. It was a very long email, and he opened it by talking about how his team was doing and how for people with young kids or elderly parents, this time was really hard and how they were shifting their entire life to manage their professional and personal lives amidst a crisis.

It was one of the most thoughtful emails I received as the pandemic broke. I don't know if that group will fare better during this crisis, but I certainly think that attitude – that culture – engenders loyalty among your employees.

**West:** Is there a metric to measure the impact of culture then?

**Mall:** Turnover could be one metric. I do think that as more and more investors start to look to diversity and inclusion, firms that have embraced diversity will be rewarded, probably more disproportionately, especially if it's a firm that already has pretty good performance. It just makes it that much more appealing to LPs and investment committees.

**West:** But it's harder to move the needle on diversity when you're a small and lean firm. Do we need different grading criteria for larger versus smaller firms?

**Mall:** I think any thoughtful investor acknowledges that a large GP has far greater ability to promote diversity within their firm, as well as be effective on other issues related to ESG, than a small shop of five people. You cannot compare a small, lean firm's resources with a big firm's. There has to be a different evaluative process and a recognition that a small firm faces different challenges.

**West:** I wonder whether it would be reasonable for investors to ask managers to add more diverse employees onto the investment committee as non-voting members? Alisa, do you also have a sense of where investors are getting the pressure from in terms of the focus on diversity? Is it organic, from the boards of public plans? Is it investor peer pressure?

**Mall:** At Carnegie, a lot of it is coming from within our investment team and the larger foundation. We have a very diverse organization at all levels, including at the board, and I think it's consistent with the values of the foundation. I don't work for a public plan, but my sense is that public pension boards care about diversity, and rightly so, because of their constituency, their representation of their retirees. And more investors are starting to ask about this and raise it. Maybe we are myopic because we care deeply about and are focused on diversity, but I do know that as investors start talking more about why it is important, why it matters, and how it can improve investment outcomes, managers are taking action. ■



## ABOUT NAREIM

NAREIM is the industry association dedicated to the business of real estate investment management. Founded in 1990, NAREIM today represents real estate investment management firms with combined assets under management of more than \$1 trillion. For 30 years, NAREIM has been the home of real estate investment management business strategy benchmarking and best practices, where investment managers learn and share intelligence on business and organizational practices and performance.

For more information, contact Zoe Hughes, CEO, NAREIM at [zhughes@nareim.org](mailto:zhughes@nareim.org) or visit [www.nareim.org](http://www.nareim.org).