

# National Instruments:

engagement commentary

Federated Hermes SDG Engagement Equity Fund  
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**Federated  
Hermes**   
International

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## ENGAGEMENT COMMENTARY: National Instruments

### In a nutshell

National Instruments (NI) provides the integration of modular hardware and open, flexible software systems, to support organisations' evolving test and measurement needs. Their vision is to be the leader in software-defined automated test and measurement systems.

**\$6bn** 

market cap

**\$1.4bn** 

revenue

**7,000** 

employees

### Headline progress

- The company published ambitious corporate impact goals in 2021, which include attaining gender parity in their workforce and supporting under-represented or economically disadvantaged students into Science, Technology, Engineering and Mathematics (STEM) education.

### Investment case

- NI is the leading virtual instruments provider with scope to grow via both share gain and broadening its addressable market.
- 5G rollout and internet of things (IoT) roll-out supportive of growth and share.
- Quality management team with recent track record evident in strengthening strategic focus.

### Theory of change

Fewer women than men undertake advanced Science, Technology, Engineering and Mathematics (STEM) education, and those that graduate and enter related industries are more likely to have shorter careers than their male colleagues. There is a clear opportunity and need for STEM companies to help expand the pipeline of female talent into these industries and also retain and develop the skills of women already working in them. This would create a better gender balance

and support the progression of skilled women towards executive and board roles, providing the diversity that improves strategic decision making while also creating female role models.

**NI is well placed as a respected industry leader to promote its intellectual disciplines to girls and women in education and provide more enduring, promising careers to those entering or currently in the STEM industries.**

### The challenge

***Technological innovation and applications play key roles in accomplishing the SDGs. We are concerned about the lack of diversity in the STEM sectors – particularly the significantly lower headcount of women relative to men.***

As society becomes increasingly technocentric, the work of engineers will continue to shape every facet of our lives. That is why it is important for engineers to reflect the diversity of the people they're creating solutions for. However, the engineering talent pipeline hasn't diversified much in the past 20 years. In the United States, only 21% of engineering majors and 19% of computer science majors are women<sup>1</sup>, while only 22% of all science and engineering bachelor's degrees go to black, Latino, or Native American students<sup>2</sup>. Women account for just 31% of university students in STEM courses worldwide<sup>3</sup>.

It is critical to increase access to STEM education among students from groups underrepresented in the field – girls, people of colour, and economically disadvantaged students. This will not only increase innovation in the industry but will also enable companies in the industry to meet the demands of the marketplace. At the same time, it is vital that those women already in the sector are retained, supported and promoted. Too often women cite career stagnation, poor management and slow salary growth as major reasons for exiting the sector<sup>4</sup>, and 60% of respondents to the “Elephant in the Valley” survey said they have experienced sexual harassment<sup>5</sup>.

Many companies with which we engage on this topic will cite the challenge of the talent pipeline as a reason for the low levels of gender diversity in technical roles. However,

companies should avoid viewing the problem as systemic and unsolvable. Instead, we believe that companies should acknowledge the issue and commit to playing a meaningful role in redressing it.

Only **21%** of engineering majors  
and **19%** of computer science majors  
in the US are women<sup>1</sup>.



## Practice of change

Over the period of our investment, we have met with NI's management on numerous occasions to discuss issues of interest and have been encouraged by the progress made. We are particularly pleased with their now publicly stated ambitions with respect to promoting diversity both within their workforce and within education<sup>6</sup>.

### Changing the faces of engineering



#### Moonshot Goal 1

By 2030, 50% of global workforce will be women, and U.S. workforce will be 13% Black and 18% Latinx.



#### Moonshot Goal 2

By 2030, 50% of people managers globally will be women, and 40% of U.S. people managers will be people of colour.



#### Moonshot Goal 3

Each year through 2030, 87% of employees will feel a sense of belonging at NI.



#### Moonshot Goal 4

Each year through 2030, NI will advance STEM education initiatives serving underrepresented or economically disadvantaged students.



#### Moonshot Goal 5

Before 2030, employees will spend 25% of their total volunteer hours supporting STEM education initiatives.

Source: National Instruments (NI)

<sup>1</sup> The STEM Gap: Women and Girls in Science, Technology, Engineering and Math – AAUW : Empowering Women Since 1881.

<sup>2</sup> <https://nces.nsf.gov/pubs/nsf19304/digest/field-of-degree-minorities>.

<sup>3</sup> “Cracking the code: girls’ and women’s education in science, technology, engineering and mathematics,” published by UNESCO in 2017.

<sup>4</sup> Women in tech: how to attract and retain top talent,” by Kim Williams. Published by Indeed blog on 6 November 2018.

<sup>5</sup> “Elephant in the Valley,” by Trae Vassallo et al. Published in 2017.

<sup>6</sup> 2030 Impact Goals and Commitments – NI.

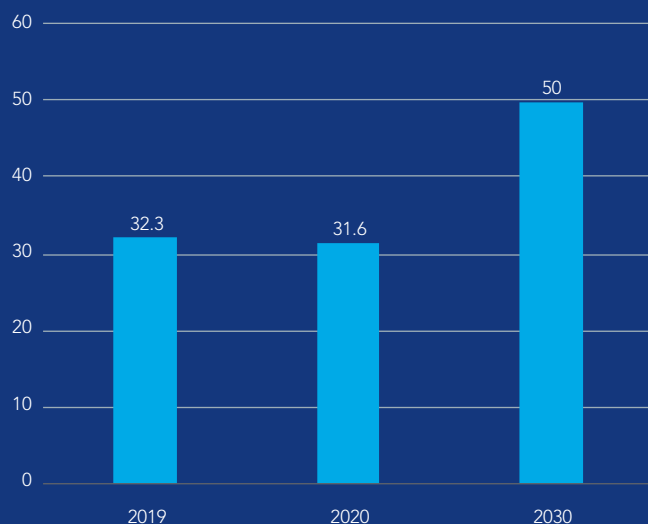


In conversation with NI, we first raised the matter of female under-representation within the technology industry back in 2018. At that juncture, we encouraged the company to recognise its ability to take a leadership role in addressing this inequity, both as it pertains to its own workforce and, more pertinently, the pipeline of talent coming through from schools and colleges. In further dialogues, we encouraged NI to set explicit workforce diversity targets – while articulating a strategy for achieving them – and disclose diversity data on the company website so that progress can be more easily tracked.

Although we found the company's activities around women and STEM strategic and detailed, the company's external reporting had been lacking in depth and failed to represent its efforts in full. While there is often merit in modesty, in this case – and given the structural challenge of gender inequity in the industry – we were keen for the company to raise the profile of its efforts. By talking more publicly about its efforts, the company, we hope, can catalyse others to embolden their own efforts in this regard. Ultimately, a collective effort is needed to break through the existing bottlenecks that are stymying progress.

- NI published an inaugural corporate impact strategy in Q1 2021. This strategy includes a series of impact goals and commitments. Recognising the issue, NI has made strong commitments to increasing diversity in its workforce with the aim to achieve a 50% female global workforce by 2030.
- Later in 2021, NI published baseline data for its own performance across a number of ESG metrics, including diversity.

#### NI – percentage of women in the workforce



Source: National Instruments (NI).

Attaining gender parity in their own workforce by 2030, while keeping employee turnover low, is a significant challenge. To that end, the company explains how there has been a sea change in how it looks for talent over this preceding 18-24 months, with the focus now on inclusion in order to ensure it is retaining the talent it is attracting.

During dialogues with company management, we have also discussed the value of increasing gender and ethnic board diversity. This representation at the top of a business lends authenticity to the company's initiatives in this area, and ensures individuals lower down in the business have role models.

After an additional woman joined the board in 2020, the board's gender diversity doubled to 25%. We have applauded this progress but continue to engage on increasing board diversity in line with our expectation of 30%.

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# 25%



#### Collective change

The lack of diversity in STEM fields, particularly in Technology and Engineering, has been well documented. The issue therefore necessitates collective effort to resolve.

- NI has focused its giving – monetary donations, product donations, and volunteer time – on supporting STEM education initiatives serving underrepresented or economically disadvantaged students. It has already pivoted its long-term partnership with For Inspiration and Recognition of Science and Technology (FIRST) – a non-profit organisation dedicated to attracting young people to STEM fields and careers - to focus on increasing access for underrepresented and underserved students. The company has also committed to invest \$3.4m over the next four years in STEM education initiatives. Encouragingly, each regional business is establishing its own local partnerships in this effort.
- In Q1 2020, our colleagues in EOS at Federated Hermes hosted a webinar presented by Saniye Gülser Corat, the Director for Gender Equality at UNESCO, which all our technology holdings were invited to. This webinar sought to highlight why diversity is important and discuss how companies could be bolder in their ambitions.

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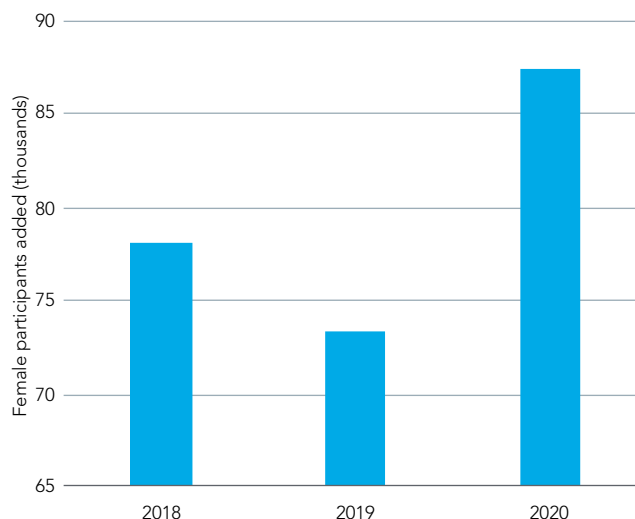


NI donates \$2 million annually<sup>7</sup> to FIRST. Research has shown that female students who participate in FIRST are 28% more likely to pursue a career in STEM<sup>8</sup>. Therefore, NI's annual contribution to FIRST will have a direct impact on attracting more female students to pursue STEM careers, thus increasing gender diversity in the STEM fields. Although the donation is not part of NI's business model, but rather philanthropic efforts, we believe that the impact is significant on gender diversity in the STEM fields and therefore justifies credit being apportioned.

FIRST reports that female students comprise 46%<sup>9</sup> of the total population of students reached in their programme. 79% of female participants in FIRST pursue STEM careers compared with 51% of female students in the general population.

We have estimated the number of females NI is responsible for adding to STEM fields as a result of their contribution to FIRST:

**Estimated total female participants added to STEM fields as a result of NI's contribution to FIRST**



Source: Federated Hermes.

<sup>7</sup> <https://www.ni.com/en-us/perspectives/taking-the-first-steps-towards-change.html>.

<sup>8</sup> [https://www.firstinspires.org/sites/default/files/uploads/resource\\_library/impact/first-longitudinal-study-findings-84-months.pdf](https://www.firstinspires.org/sites/default/files/uploads/resource_library/impact/first-longitudinal-study-findings-84-months.pdf).

<sup>9</sup> [https://www.firstinspires.org/sites/default/files/uploads/resource\\_library/impact/edi-impact-flyer.pdf](https://www.firstinspires.org/sites/default/files/uploads/resource_library/impact/edi-impact-flyer.pdf).

## Next steps

**We will continue to engage with NI on the central issue outlined in this note. We are mindful that the pandemic has had a disproportionate impact on female populations and thus progress on the company's 'moonshot' goals is harder still. Indeed, the company has acknowledged that it has seen female employees struggle during the pandemic period and while this has not translated into additional turnover yet it is likely to. In response, however, NI is hopeful that by embracing a hybrid working environment, it should offset this headwind.**

We have been very encouraged by our dialogues with the company, not least with its HR function, and look forward to continuing to support NI in its efforts, while promoting some of its practices as an exemplar.

Based on this and other engagements on gender diversity, we are encouraging all companies in our portfolio – and particularly those in the STEM fields – to formally report on the following:

- Targeted female headcount for entry, middle-management, senior-management and board positions.
- Internal promotion rates for male and female workers.
- Return-to-work rates for employees that have taken parental leave.

We also recommend that companies:

- Champion accommodating parental-leave and flexible-working policies to attract, retain and develop employees as they experience and adapt to life events.
- Establish partnerships with educational institutions to promote the career opportunities provided by STEM industries.



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