



REAPING THE REWARDS OF RETENTION

Retaining senior women in investment roles in the Private Equity industry: an in-depth study of the challenges and solutions.

YSC
CONSULTING

LEVEL
20



FOREWORDS



**JERYL
ANDREW**
CEO, Level 20,
2016-19



**PAM
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CEO, Level 20

Level 20 conducted a survey jointly with the BVCA in 2018 to count the number of women in the UK Private Equity Industry. This survey revealed that, whilst women comprised 29% of the overall private equity workforce, they represented only 14% in investment teams. Many firms had made significant efforts to recruit more women into investment roles and there were promising results at the mid and junior level where the proportion of women in these roles was 15% and 27% respectively. However, the survey also found that only 6% of senior investment roles were held by women. Anecdotally, we heard of women leaving investment roles before reaching senior levels either moving into other areas within private equity firms or leaving the industry completely. Whilst many firms have made impressive efforts to recruit more women into junior investment roles, many Managing Partners of our Sponsor firms report that retaining these women was one of their biggest challenges.

The full benefits of diversity will not be felt across the industry if the investment function remains, particularly at a senior level, predominantly male. Level 20 therefore decided to commission this research study specifically to understand the issues women face in building careers in investment roles and what private equity firms can do to aid retention.

We would like to thank the 25 senior women from the private equity and venture capital industry who agreed to be interviewed and who generously shared their insights and experiences. We are also very grateful to YSC Consulting for undertaking this study.

We hope that the recommendations contained in this report will result in higher retention rates and ultimately the achievement of Level 20's goal.



**GEORGE
ANSON**
Chair, Level 20,
2018-20



**CHERYL
POTTER**
Chair, Level 20

It is a fact that the private equity industry lags behind the financial services world in terms of gender diversity. In the first five years of its existence, Level 20 has successfully highlighted the need to address this issue and has worked tirelessly to support women working in the industry in a variety of ways whilst promoting careers in private equity to a wider female audience.

One of the difficulties that the private equity industry faces is that it is still young, and even the largest firms are small in comparison with other financial services operations. Many are still led by their founders and have limited specialist personnel managing functions such as human resources. As the industry matures and grows this will change and I hope that the benefits that diversity brings will become increasingly obvious. Pressure to recognise this is already coming on many fronts; the investors in private equity funds, the management teams of the companies in which these funds invest, and from within their own organisations.

It is encouraging that many firms have recently been successful in recruiting an increasing number of talented women into junior investment roles. The big challenge is to ensure that these women are encouraged to stay and build their investment careers. The important piece of research which YSC has carried out for Level 20 addresses this topic, identifies the issues that women face and presents a number of potential actions that firms can take to ensure that a private equity investment career is an attractive one for women at all levels. I hope that it will lead to positive change.



ERIC PLINER
Chief Executive Officer,
YSC Consulting

As private equity continues along its extraordinary path of creating employment, managing capital, and growing economies around the world, the industry plays an ever-expanding role in addressing gender disparities in hiring, compensation, leadership appointments, and more. Doing so is not only about correcting prior unfairness or a historical lack of diversity; it is a function of the industry's evolving understanding of the benefits of engaging the best talent from across identities, backgrounds, and genders. Against a backdrop of economic uncertainty and sociopolitical discontent, there is greater imperative than ever for PE firms and portfolio companies to act now – and to avail themselves of the economic and social advantages afforded by diverse, inclusive businesses.

As a PE-backed leadership strategy consultancy, we help organisations to create the conditions that drive successful achievement of change. Whether that change is growth of an investment, expansion in uptake of a product, creating new marketplace opportunities, or something entirely different, leadership is always about change.

We are proud of partnering with Level 20 on this research, which we hope will inspire change. The candour of the women who participated in our study has the power to take private equity into a new and different future. When we create truly inclusive cultures, we signal that engagement and retention of women in PE is not merely an achievement in its own right; it becomes the platform for even further impact still to come.

With that goal in mind, we must ask ourselves: how can PE better understand the unique experiences of women of colour in the field? Of mothers and grandmothers? Of transgender, gender non-conforming, lesbian, and bisexual women? Of women of faith, women who are veterans of military service, or women over fifty? And how can the industry avail itself of the brilliant minds and experiences of women, knowing that our shared success grows with a greater variety of perspectives around our leadership tables? We look forward to asking these questions across private equity, and continuing to answer them and others together.

IF YOU ONLY READ ONE PAGE...

The vast majority of senior investment roles continue to be held by men. While historically fewer women have joined the industry, increasing numbers of hires at junior levels present an opportunity to improve representation at the top.

Our research explores how PE and VC firms can progress and retain senior women in investment roles, drawing on the experiences and insights of 25 women from Principal to Managing Partner across different fund sizes (including 4 who have left the industry).



Firms need to look inwardly to work out how to retain diversity. You have to really dig in and see what you can change."

OUR FINDINGS REVEALED...

The industry is well-positioned to retain senior women:



Private Equity and Venture Capital continues to attract talented women and provide a rewarding experience.



Senior women are willing to break the mould and disrupt homogenous, male-influenced cultures, setting an example for junior women.



A consistent view of what drives retention emerged in our study, adding power to the case for change.



Awareness at the top is growing. 75% of our participants see their leaders as being committed to D&I.



The climate is ripe for change with Covid-19 disrupting traditional work models and an intensifying focus on ESG

But awareness and intent is yet to deliver the outcomes required...



14%

of our participants believe there is the right balance of gender representation on senior leadership teams.

Our participants identified 5 key drivers to retain senior women:

- 1 Leadership.** Self-aware, skilled leaders who prioritise team management and provide the supportive, developmental conditions for women to stay.
- 2 Culture.** Inclusive cultures that welcome differences, invite openness and create a sense of belonging.
- 3 Transparency & Fairness.** Meritocratic performance systems that recognise varied contributions, discourage self-promotion, and reward the 'how' as well as the 'what'.
- 4 Family Life Support.** Mature, tailored, and proactive efforts to help women navigate different life stages and balance personal commitments.
- 5 Supportive Working Environments.** Flexible working and structured initiatives which accelerate networks, connection, and progression for women.

The message is loud, clear, and consistent. Reaping the rewards of women reaching senior levels can only happen if the industry addresses these drivers with sustained, practical, and targeted action.



THE CHALLENGE & RESEARCH

Private Equity firms struggle to progress and retain women at senior levels, particularly in investment roles. The Women in Private Equity 2018 study¹ of 179 Private Equity firms found just:

6%

OF SENIOR
INVESTMENT
PROFESSIONALS
ARE WOMEN

Firms need to better understand the challenges women face and how to drive greater representation at the top. In response to this need, Level 20 commissioned YSC to research and answer two key questions:

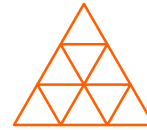


What drives the retention of senior women investment professionals in Private Equity?

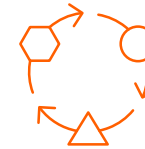


What are the most important and effective actions PE and VC firms can take to improve retention of senior women in investment roles?

WHY FOCUS ON THIS TOPIC NOW?



Rising numbers of women hired at junior levels provides a strong foundation for better gender balance at the top. Women's representation is highest at the junior level of firms with around 30% of investment positions occupied by women².



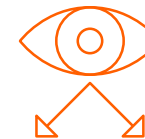
The industry is primed for change given the current climate. The Covid-19 crisis has disrupted working norms, presenting an opportunity for PE firms to adapt practices, policies and expectations. Global movements against systemic inequality provides further impetus for firms to prioritise the diversity and inclusion agenda.



Primary research on this topic is limited. This study addresses a gap in current research by focusing exclusively on women senior investment professionals (current and former) across varying PE fund sizes.



A growing body of evidence shows diversity offers a competitive advantage. Diverse investment teams have been shown to outperform non-diverse teams across sectors and asset classes globally.^{3,4}



A firm's commitment to D&I influences the career choices of younger generations. A recent YSC study on Millennials working in PE found a firm's culture, values, and commitment to ESG is a key attraction and retention tool.⁵ Firms that fail to address gender imbalance risk struggling to attract and retain younger talent.



Pressure on PE firms to improve gender balance is mounting. Firms face growing scrutiny from investors to show progress on D&I goals.⁶ As entrepreneurs and management teams become more diverse, they are likely to look for investing partners who mirror their values and commitment to diversity.⁷

WHAT WE DID

THE APPROACH



In-depth interviews exploring why women were attracted to working in Private Equity, what had made them stay or leave, and what they would recommend firms do to drive better retention of women.



Every participant completed a short online quantitative survey which collected demographic information, data on their satisfaction and intent to stay within PE and various facts about PE firms' D&I communication and initiatives.



Once interviews and surveys were completed, we analysed both data sets to identify common themes and build our final report.



The research team from YSC comprised consultants from YSC Consulting's global Private Equity team and specialists in diversity and inclusion from our global inclusive leadership practice.



THE SAMPLE

21

women currently in investment roles from Principal to Managing Partner. Although small, the sample represents a significant proportion (we estimate around 25%, based on data from the Women in Private Equity 2018 report⁶) of women working at senior levels in investment roles in Europe.

>50%

of the sample have more than 9 years' experience of working in PE.

4

women who have left the industry.



The majority of the sample was UK-based with 3 from continental Europe.

OUR FINDINGS



KEY FINDINGS



WHAT DRIVES RETENTION OF SENIOR WOMEN IN INVESTMENT ROLES?

ENABLERS

BLOCKERS

DRIVER 1 LEADERSHIP

- Supportive role models
- Shifting attitudes with newer generations of leaders

- Poor behaviour and lack of people management capability
- Limited personal or collective investment in leadership development

DRIVER 2 CULTURE

- Leaders talking about personal efforts to balance work and life
- Accommodating different working preferences

- Feelings of exclusion
- Cultures less inviting of authenticity or openness

DRIVER 3 TRANSPARENCY & FAIRNESS

- Leaders shining a light on achievements, promoting substance over style
- Recognition for different types of impact

- Lack of transparency and fairness around rewards and progression
- Gender bias in performance reviews

DRIVER 4 FAMILY LIFE SUPPORT

- Supportive policies and practices, managers and mentors
- Personal experience driving empathy and positive behaviour

- Lost momentum and lack of support
- Line manager capability in managing parental leave

DRIVER 5 SUPPORTIVE WORKING ENVIRONMENTS

- Mentoring schemes
- Sponsorship
- Structured networks and peer support

- Proactive networking inhibited by gender stereotypes
- Loneliness and lack of options for informal networks



WHAT ARE THE MOST EFFECTIVE ACTIONS TO MOVE THE NEEDLE?



Clearly defining leadership and holding leaders accountable



Developing leadership capability



Authentic, top-down commitment



Increasing representation of women at all levels



Review and evolve appraisal, performance and promotion processes



Proactive, tailored planning and support for a balanced family life



Multi-faceted, structured support facilitating connection and progression

THE NUMBERS

The quantitative data collected from participants provides a baseline picture of current initiatives and perceptions across the industry:

Women are motivated to join and stay in PE, and believe they can fulfil their potential...

The most common reasons for working in PE are financial rewards and the challenge/intellectual complexity posed by the industry (both mentioned by **70%**)



40%

believe they are thriving in their current workplace

80%

are likely to continue working in PE

Only **15%** think being a woman is stopping them from achieving their potential in PE, but an additional **50%** think it does have an impact



Gender imbalance is acutely felt at the top, but leaders are committed to change...

75%

see their leaders as being committed to D&I

52% say leaders communicate about D&I



40%

think leaders have been effective in driving gender diversity (this is higher across smaller firms)



Only **14%** believe there is the right balance of gender representation on senior leadership teams

The average percentage ratio of women in SLTs is

10%

> 20%

believe D&I efforts have been successfully moving the dial on gender balance

Progress on mentoring, parental leave, and diversity targets, while flexible working and equal pay are lagging behind...

> 25%

(**6 firms**) of the firms have both flexible working and equal pay

25% (6 firms) offer equal pay, and **44%** offer flexible working (**11 firms**)



The most common D&I policies in place are on maternity, paternity and anti-discrimination & harassment

The two most commonly offered D&I initiatives are mentoring programs and stating diversity targets for hiring, promotion and retention, both offered by **37%** of the firms we interviewed (**9 firms**)

> 3

firms offer female sponsorship programs and D&I training

D&I is increasingly prioritised by firms, but actions need to back up words...

D&I is stated as a value in **50%** of the firms but stated as a priority in **60%**



ONLY 9%

Stating D&I as a value does not make firms more effective in driving gender diversity (only **9%** of firms who have D&I as a value have reported better gender diversity)

But...

Having policies in place and running initiatives does (**50%** of firms who run initiatives and have policies in place report better gender diversity)



POSITIVES TO BUILD ON

Our research reveals significant positives for firms to build on as they strive to improve retention of women. Three key themes emerged in our interviews:

1 Private Equity and Venture Capital remains a highly appealing and fulfilling career choice

One of the strongest findings in the study is Private Equity's appeal as a career choice. Our participants were effusive and consistent in their descriptions of PE as an exciting, impactful and financially attractive career. The same reasons for joining and staying in the industry were continually mentioned: the variety; intellectual stimulation; calibre of colleagues; access to management teams and Boards; and the people-centred nature of the role.

“I love the job. It's been great to see the businesses develop over the years and see the management teams coming together, and how competitive dynamics play out in the longer term.”

“Working in PE is fascinating, exhilarating, varied, intellectually stimulating. You have a huge impact combined with decision making power.”

70% of women mentioned intellectual complexity and financial reward as the two strongest reasons for working in Private Equity.



IMPLICATION FOR FIRMS

The role of an investment professional evidently provides a rewarding, stretching and engaging experience for women. The industry is in a strong position to continue attracting women. Improving retention is not about 'throwing the baby out with the bathwater' or changing what it means to be an investment professional.

2 Senior women value and play to their different strengths, setting an example for juniors

Efforts to retain women will be enhanced when women feel comfortable and confident leveraging their strengths. Participants highlighted different strengths that they brought, for example, their empathy and people skills, which set them apart from male colleagues and underpinned their success.

“One of the reasons I was more successful than many of my male peers was that I had more EQ.”

“I think my softer skills need to be recognised as important. Before I thought there was no space for it, but now I realise I bring a real 'people-person' strength.”

Resisting pressure to 'fit in' or adapt to male-influenced norms will encourage diversity of styles and provide valuable role modelling for younger women.



IMPLICATION FOR FIRMS

Senior women are evidently confident and willing to play to their strengths, but battle against cultures that are less inviting or rewarding of different approaches. There is a need for PE firms to diversify their talent, not only in terms of gender, but in terms of strengths and styles.⁹ Broadening hiring criteria and performance expectations promotes varied attributes.

3 Strong commitment to change and alignment on solutions across our sample

Passion and commitment to change was palpable in our interviews with many participants speaking of their personal efforts to improve gender balance. There was clear energy and strong consensus, even across firm sizes, on the key issues and potential solutions.

“Change takes time. 6 years ago I was the only female investor, now we are 25%.”

80% of participants indicated they are likely to keep working in PE.



IMPLICATION FOR FIRMS

The energy and alignment behind the barriers and opportunities to retaining women bodes well for the industry. There are proactive and committed change agents across the PE landscape, but firms need to remain connected around these issues, leveraging the power of the collective. This report is the starting point to bring together different insights, experiences, and recommendations. Moving the needle on gender diversity, share best practices, and experiment with different solutions.

LEARNING FROM THE PAST

While some PE and Venture Capital firms have invested time and money to improve gender diversity at senior levels, there remains a disconnect between intentional effort and impact:

60%

OF WOMEN WE INTERVIEWED STATED THEIR FIRMS PRIORITISE DIVERSITY AND INCLUSION, BUT ONLY...

20%

BELIEVE D&I EFFORTS HAVE SUCCESSFULLY MOVED THE DIAL ON GENDER BALANCE.

To support efforts in future, it is worth examining the traps that firms can fall into when attempting to improve representation of women, and the learnings gained from mistakes.

TRAPS

Policies without top-down support fall flat

Private Equity firms have entrenched ways of working and expectations that are difficult to change. As PE firms typically hire at junior levels and promote from within, there is greater cultural conformity and reinforcement of existing norms. Leaders must be the ones who orchestrate, lead, and model the changes required.

Initiatives that attempt to get women to be like men

In our interviews, many women talked of initiatives focused on assertiveness, presence, and 'being heard', with the subtle insinuation they needed to act more like men to succeed. These kinds of 'training' had the opposite effect than intended, suggesting women need to 'fix themselves' and change their behaviour.

Tokenistic, hollow or 'copy-cat' efforts

Often referred to as 'window dressing', these refer to activities that are more signalling than substance, ad-hoc initiatives that are not backed up by genuine interest, effort or understanding.

Strategic HR not prioritised

While human capital is increasingly seen by PE firms as a value driver for portfolio companies¹⁰, internal HR varies in size, sophistication, and strategic importance across firms. The strategic value of HR cannot be unlocked without focus, sponsorship at the top, and clear alignment between a firm's objectives and its people agenda. Cultural and leadership challenges which threaten the retention of senior women will be difficult to address if strategic HR is not prioritised.

LEARNINGS

Policy change falls flat without visible and consistent endorsement by the firm's leadership.

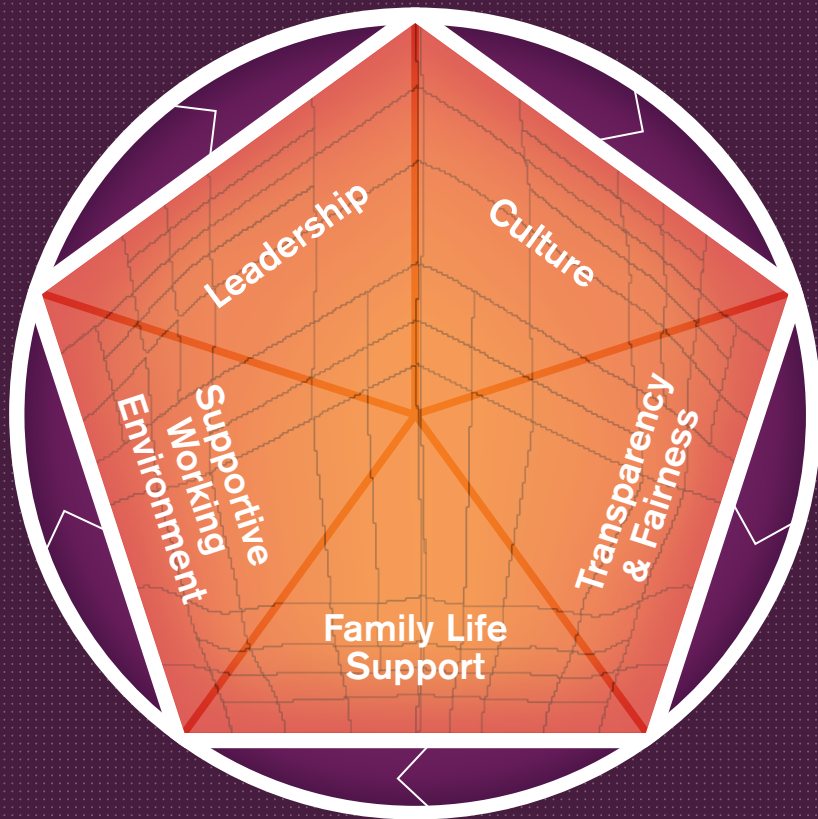
Improving gender balance at senior levels relies on cultures that embrace and encourage differences. People need to feel comfortable being themselves, surfacing their character, and playing to their unique strengths.

Efforts to change require authentic commitment, starting from the top. Leaders need to articulate why improving diversity matters, role model the right behaviours, and match words with action.

The effectiveness of a firm's people strategy relies on consistent prioritisation, committed resource, and accountability sitting within the leadership team.

THE 5 DRIVERS OF RETENTION

Our interviews revealed 5 clear themes that drive the retention of senior women in investment roles:



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GUIDING PRINCIPLES:

- **There's no such thing as a 'quick win'.** Whilst some may be easier to execute than others, the idea of a 'quick win' risks leading to 'tick box' actions and initiatives rather than a sustained commitment.
- **A focus on systemic change.** There are different vehicles for change here, but they are all inter-related – one cannot happen in isolation to the others, and while some may be more pressing than others, they need to be tackled holistically. Change must happen at a systemic level.
- **There is no 'one size fits all'.** We recognise that different firms are in different places, influenced by firm size, culture, personal connection to the issues and a range of other factors. Broad-brush initiatives can overlook the subtle, nuanced differences between employees. The '5 Drivers' provide scope to pinpoint where to initially prioritise and begin the journey without losing sight of other factors.
- **Tackling D&I issues is a continuous journey.** The model is deliberately cyclical rather than linear to illustrate that there is no 'perfect' or end goal, rather change is constant and requires ongoing focus.

ABOUT LEVEL 20

Level 20 is a not-for-profit organisation founded in 2015 with the purpose of improving gender diversity in the private equity industry.

It aims to inspire women to join and succeed in the industry and helps firms to attract and retain female talent, such that women will hold 20% of senior positions. Its work is focused on five key initiatives: mentoring and development; networking and events; outreach; research and advocacy. It has an executive team based in London supported by many volunteers, including committees outside the UK across 11 European countries. Level 20 has financial support from over 65 GP and LP firms, including growth capital, buyout and global alternative asset managers, other firms connected with the industry and generous pro bono support from a number of service providers.

WWW.LEVEL20.ORG



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ABOUT YSC CONSULTING

We are a global, professionally independent leadership consultancy with a dedicated Private Equity practice.

Better leadership and execution is key to transforming asset value, particularly in a competitive deal-making environment. Creating value in Private Equity is about enabling the right people, teams and partnerships to drive change in service of accelerating performance.

YSC Consulting's Private Equity practice works with clients at the organisational, team and individual levels to accelerate time to performance through the intentional design of the leadership strategy. We help by:

- Identifying critical roles
- Getting the right talent in those roles
- Accelerating team and organisational performance

Using a combination of rigour and relationship capital, YSC ensures PE clients have the right leadership strategy in place through every stage of the investment period – from diligence to exit, and across the portfolio.

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