MBS Intelligence

The case for gender diversity in private equity

Changing attitudes, old problems and how women can reshape the investor landscape

Contents

In recent years, significant attention has been paid to the number of women in senior roles in publicly listed companies. There have been efforts from various quarters in the UK, including the Hampton-Alexander Review into the gender imbalance in FTSE 350 businesses and the work of The 30% Club. The latter launched in 2010 with the goal of achieving a minimum of 30% women on FTSE 100 boards. In 2017 the figure stood at 27.7%, up from 12.5% in 2011.

As an executive search firm, we at The MBS Group take pride in playing our part in actively supporting, advising and challenging our clients – PLCs and beyond – on gender and diversity more broadly. We have a female founder and managing partner in Moira Benigson, and as a woman heading up our Fashion & Luxury and Private Equity practices, I am always conscious there is plenty to do to advance these issues.

This is particularly true of private equity, where research shows that women account for just 9% of senior roles globally. Various reasons are often presented for this low female representation – not least the invariably crude idea that private equity is an inherently macho industry or an old boys' club network that is instinctively unwelcoming of women.

There is also an argument that private equity naturally appeals to particularly 'male' skills and men's natural appetite for risk to a much greater degree than for women, and that the existing gender imbalance is not necessarily problematic.

The topic of women in private equity is now receiving more attention than ever before. Indeed in 2015, 12 women working in different private equity firms came together to form Level 20: a not-for-profit that aims to achieve the ambitious target of having women comprise 20% of senior roles in the European private equity industry by 2020. Many individual firms are also significantly increasing their efforts to boost female representation.

In this report we analyse all of the preconceptions about private equity with both quantitative and qualitative research to understand the validity of each argument, and to better gauge how the industry might move forward in the interest of all stakeholders. This includes in-depth interviews with a wide range of senior private equity industry leaders.

Our discussions examine some of the key factors behind the lack of women in private equity, including skillset, lifestyle and career development. We also look at the deeper impact of this lack of representation, including its effect on a firm's performance.

Finally, we look at what can be done to achieve higher female numbers and, crucially, what can be done to change perceptions of the private equity industry as a whole.

We hope you enjoy the report and look forward to your feedback.

Maria Gabriela Henderson
Partner and Head of Private Equity
The MBS Group

The facts and figures

In research published in October 2017, data and intelligence firm Preqin provided profile information on thousands of fund managers from all alternative asset classes. In the case of private equity alone, the study covered more than 57,000 contacts at over 7,600 global firms, excluding administration and support staff.

Overall, the research found that just 9.4% of all senior positions at private equity firms globally (including managing directors, partners and C-suite executives) are held by women. This puts women in private equity at a lower level than any other alternative asset class, including venture capital (11% in senior roles) and hedge funds (11%) - where representation is still low by other standards.

The same is true when junior employees (analysts and associates) and mid-level employees (senior associates, vice presidents, managers, directors and principals) are added to the mix. When all three tiers of seniority are included, women still only account for 17.9% of all employees in private equity firms globally, against 20.5% in venture capital, 18.6% in hedge funds and 19.1% in private debt.

When Level 20 was established in 2015, it calculated that just 5% of senior roles across Europe were held by women (albeit using Invest Europe data). The latest Preqin figures show Europe now at 9%, hinting at some degree of progress, although the figure remains way below the target of 20% that Level 20 aims to reach by 2020.

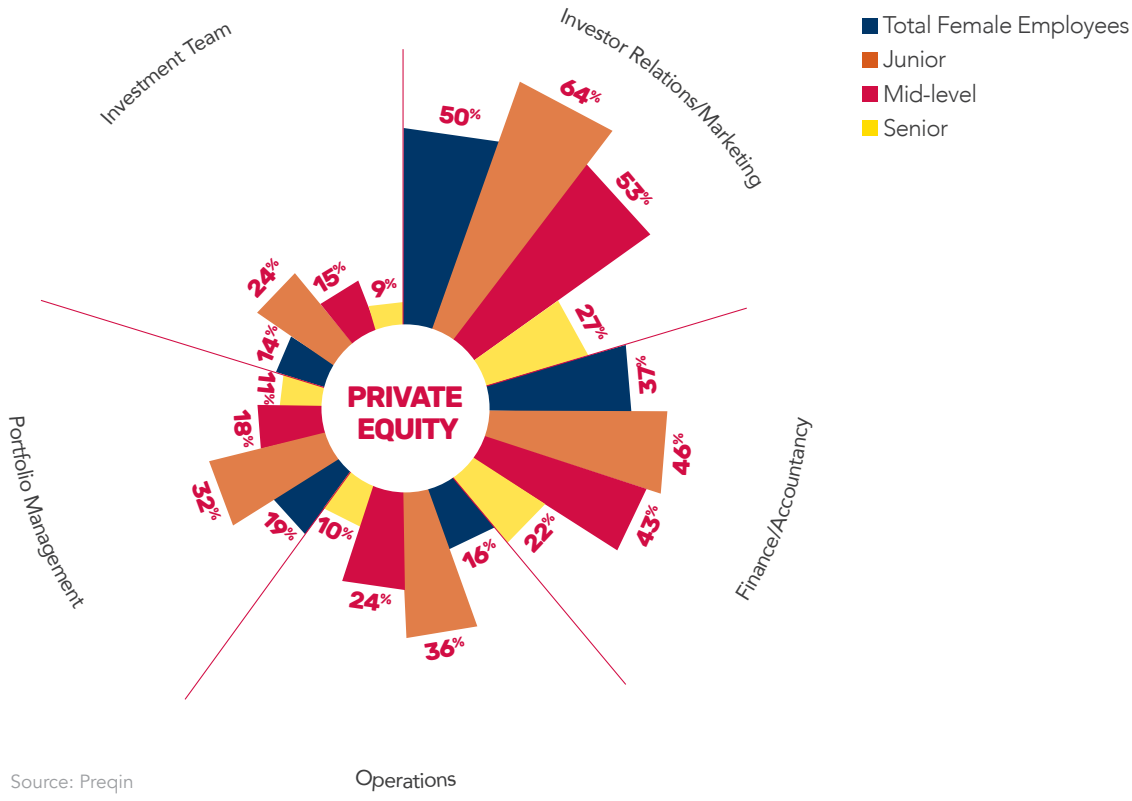
Europe is a marker for the global average. Asia has a slightly higher proportion of women in senior private equity roles at 11% - a figure pushed higher by China with 15%. Across North America the average figure is 10%.

A breakdown by country in Europe shows the UK lagging on 8% behind Sweden (9%), France (11%) and Switzerland (12%). Only 6% of senior private equity roles in the Netherlands are occupied by women, making it the worst-faring European country in the Preqin study.

These low percentages are thrown into sharp relief by the progress made in publicly listed companies in recent years. The work of initiatives such as the Hampton-Alexander Review and The 30% Club has undoubtedly had a considerable impact, pushing female representation on FTSE 100 boards to its 2017 level of 27.7%.

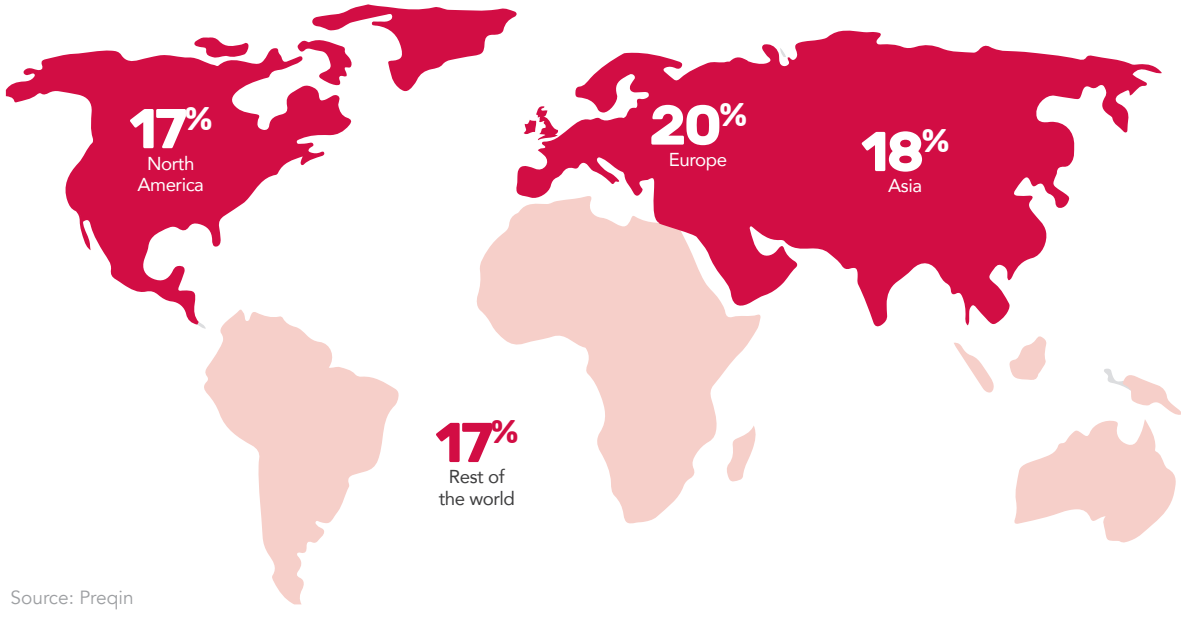
Women are significantly less represented on the executive boards that run private equity firms. According to the Preqin data, women hold just 4% of board seats across the global private equity industry.

FEMALE EMPLOYEES IN PRIVATE EQUITY AS A PROPORTION OF TOTAL EMPLOYEES BY ROLE FUNCTION AND SENIORITY



Source: Preqin

THE PROPORTION OF PRIVATE EQUITY JOBS HELD BY WOMEN AT ALL LEVELS, BY CONTINENT



Source: Preqin

The context

At the SuperReturn conference in Berlin in 2017, Advent International managing partner James Brocklebank stood before the audience to declare: "There [are] not enough women in this industry."

Private Equity News, reporting the speech, described it as a rare example of a senior male figure championing gender diversity – a sign of the issue's growing prominence within the industry. "We need more diverse backgrounds and experience coming into the industry," Brocklebank said, as he outlined how Advent was actively trying to recruit more women at associate level.

Private equity has historically had a poor reputation among the general public, in part due to the inherent distrust of financial services businesses. But this reputation is also symptomatic of the industry's association as a risk-taking, money-fuelled and 'alpha-male' culture.

THE INDUSTRY'S BATTLE TO IMPROVE ITS REPUTATION IS TAKING PLACE AGAINST A BACKDROP OF HEIGHTENED PUBLIC DEMAND FOR HIGHER STANDARDS ON GENDER RELATIONS AND DIVERSITY ACROSS ALL AREAS OF PUBLIC LIFE

A poll taken at the SuperReturn event found that more than a third of the audience agreed the image of private equity is 'poor but improving', while a further third described it as adequate. One-tenth said it was in decline.

The industry's battle to improve its reputation is taking place against a backdrop of heightened public demand for higher standards on gender relations and diversity across all areas of public life. For private equity this begins with recruitment, and the challenge of making the industry a more attractive prospect for women who may not have previously considered it a career option.

Anecdotal evidence demonstrates the extent to which female university students and graduates feel discouraged due to prevailing perceptions about the industry. Indeed for this report one woman in the industry recalled the "incredibly derogatory comments towards women" that a senior man at a firm was reported to have made during a presentation at a business school. Such perceptions also make it more difficult to attract women already working in other financial sectors.

Retention is just as important as recruitment, and it is here that private equity firms face further challenges. There is evidence of a lack of clear policies within many firms regarding diversity training and best practice. In some cases this includes inadequate support for women who wish to start families, such as the absence of a formal maternity leave policy.

One woman told us about a situation where the firm she was working for had no maternity leave policy whatsoever – precisely because it had never employed a woman who had needed it previously. Consequently, it was forced to contact another private equity firm for advice on what to do. The firm providing advice had itself been forced to design its maternity leave policy from scratch for a female partner who was pregnant.

Private equity firms that fail to put the right practices in place leave themselves open to legal challenges. In November 2016, CVC Capital Partners settled a lawsuit in the US by former managing director Lisa Lee, who had claimed she was fired after objecting to "systemic" gender bias at the firm. In a joint statement following the settlement, both sides said CVC would consult with Lee on diversity matters, including improving opportunities for women

CVC is now taking steps to improve its approach to gender diversity. This includes the hiring of former senior JP Morgan banker Cathrin Petty as its European healthcare head and partner.

ONE WOMAN TOLD US ABOUT A SITUATION WHERE THE FIRM SHE WAS WORKING FOR HAD NO MATERNITY LEAVE POLICY WHATSOEVER – PRECISELY BECAUSE IT HAD NEVER EMPLOYED A WOMAN WHO HAD NEEDED IT PREVIOUSLY

The firing in 2017 of several senior executives at Uber in the wake of an internal sexual harassment investigation also highlights the impact that the gender equality debate is now having across the business world. In society more generally, sex assault allegations made against public figures such as in Hollywood and in politics have put renewed emphasis on gender relations and women's rights.

Against a backdrop of heightened pressure and publicity, it is incumbent on private equity firms to reassess their approach to gender diversity. As a starting point, this should include looking in greater detail at the underlying factors behind the current lack of female representation across the industry.

Skillset and recruitment

Private equity firms generally do not have graduate recruitment schemes and so rarely hire directly from universities. Rather they tend to look to the consulting and banking sectors, hiring above entry level (usually with a minimum of two years' experience) for analysts and associates, and from other private equity firms for principals and partners.

This focus on experience suggests that people working in private equity may come from a broad range of educational backgrounds. This is true to an extent, but the analytical nature of private equity – with its focus on valuations, yields and returns – means there is generally a preference for people with scientific and mathematical degrees.

According to the Women in Science and Engineering (Wise) campaign's analysis of higher education statistics, women accounted for 25% of all people graduating from UK universities with a core STEM (science, technology, engineering and mathematics) degree in 2016. Female representation among UK economics graduates also stands at around 25%.

Despite this, the number of female graduates going into investment banking - a primary recruitment pool for associate-level private equity - is comparatively high. It is difficult to source a single figure across the industry, but recent estimates suggest that 40% to 50% of graduates entering City firms today are women.

The problem is the higher drop-out rate among women, who are more likely than men to leave banking roles in their 20s and 30s. This is due to a number of factors, such as women leaving jobs to have children, but also concerns around ongoing sexism and discrimination against women within banking, including those who wish to start families.

In 2017 the Financial Times found that women made up just 24.4% of senior staff at 25 major international banks that were willing to share their data. Following interviews with more than 40 men and women across banks, insurers, asset managers and professional services firms in Asia, Europe and the US, the FT found that "most agreed that policies promoting gender equality had improved vastly".

However, it also noted that "many interviewees say it can still be harder for women to get promoted and to be taken seriously if they are".

UNDERGRADUATE STEM QUALIFICATIONS 2015/16

Source: Higher Education Statistical Authority (HESA)

Headhunters and the interview process

Emma Watford, partner at European private equity firm Bridgepoint, notes that diversity is now high on the agenda of most banks and that this is having a positive impact on female recruitment within banking. But while this trend should in theory strengthen the female talent pool available to private equity, Watford says there is still a clear disparity in the availability of candidates.

"We still find it easier to get male candidates than female candidates," she says. "But we do believe it's very possible to get high quality female candidates."

Private equity firms will generally use headhunters to bring in new employees, yet sources within the industry report that headhunters may fail to present a diverse shortlist of candidates – even when the firm explicitly requests a 50/50 gender split.

It is not just the case that prospective female candidates are more difficult to find. Often women with the right skillset, qualifications and experience are more reluctant than men to put themselves forward for a role in private equity. The low number of women currently working in private equity inevitably discourages other women from applying for jobs, leading to a vicious circle where low female representation becomes a self-reinforcing reality.

"If you're a woman in banking, you sometimes look at the websites of these [private equity] firms and you don't see a lot of women," notes Watford. "That can be off-putting."

Meanwhile Lisa Stone, former partner at HgCapital, suggests that women may feel more loyal to their existing employer - and less inclined to take a risk on private equity - when they are headhunted for a role.

Private equity is generally seen as more risky than many other finance roles due to the nature of the deal cycle, which requires a firm's executives to shape their working lives around particular deal flows and accept that financial rewards are dependent on the long-term performance of the fund.

"It is obviously a huge generalisation to talk about how men and women think, because there are massive divergences within those categories, but I think there is a difference in the way that women perceive risk versus men," says Stone.

Even where women put themselves forward for roles and make it through to the interview stage at a private equity firm, they may come up against conscious or unconscious biases from a predominantly male interviewing panel.

A study published in 2017 in the journal of Social Sciences found that women are given a tougher time during interviews and are interrupted more than men. Based on video analysis of 119 job interviews at two US universities, researchers found that women were questioned more by hiring panels, making them more prone to rushing through a presentation. Men were also twice as likely to interject while speaking to a woman.

Retention and work-life balance

Once women have entered the private equity industry, many firms struggle to retain them over the long-term and develop their careers to the most senior levels. This may be down to inherent biases within a male-dominated firm, but it is also often caused by work-life balance factors that are less suited to women, particularly those that may wish to have families.

There is plenty of anecdotal evidence to suggest that in the past, private equity firms have been found wanting in their approach to the work-life balance issue. This is particularly true of maternity leave provision, where in some cases pregnant women have reportedly felt compelled to hide their pregnancy from colleagues and investors for as long as possible, while others have seen their bonuses limited during their maternity leave.

MILLENNIALS ATTACH GREATER IMPORTANCE TO WORK-LIFE BALANCE, WHILE THEIR FAMILIARITY WITH TECHNOLOGY MAKES THEM MORE LIKELY TO FAVOUR REMOTE WORKING WHERE POSSIBLE

Trade magazine Real Deals also reports the concerns of one woman who, after going on maternity leave, felt she had been taken off the "partnership track" due to perceptions within the firm that she lacked the necessary commitment to her career.

There are signs, though, that attitudes are starting to shift, particularly as millennials enter the industry. This generation attaches greater importance to work-life balance regardless of gender, research has shown, while its familiarity with technology makes it more likely to favour remote working where possible.

Cheryl Potter, partner at Permira, believes that both junior and senior members of staff need to have open and honest discussions about the challenges of working in private equity in order to find scope for flexibility at certain times.

"Private equity is a full-on, demanding career and juggling that with family life, whether you're male or female, means that sometimes there are compromises that you have to make," she says.

"It could mean you will miss some of the things that your kids do that otherwise you would like to get to, and sometimes you will have to miss some work-related things because at that point your family life has to take priority. Women need to feel able to call that out within a firm because in my experience, whenever I have, people tend to understand it."

Workplace culture

Besides work-life balance, developing a positive workplace culture will be key to encouraging female progression. Although the heightened focus on gender equality and diversity policies has improved the situation somewhat, there is still plenty of evidence to suggest that women in private equity are subject to sexist and derogatory comments, unfair treatment and harassment.

A survey by Financial News of over 130 women working in the City, published in October 2017, found that 74% had endured inappropriate behaviour in the office, with a large proportion stating they had been forced to leave their job as a result.

Culture change must come from the highest level, which requires those men with a dominant presence at the top of private equity to take the lead. Often no single initiative will make a decisive difference. Rather, a firm must embrace the principles of inclusion and diversity within its core values, ensuring such commitments are regularly monitored, evaluated and discussed across the organisation.

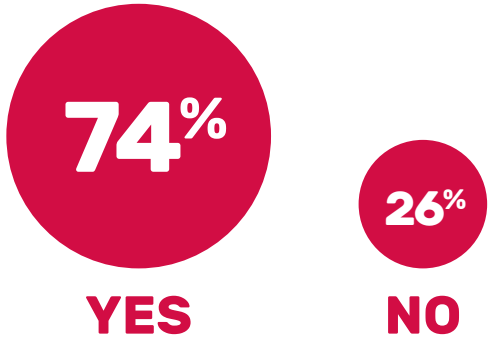
Ian Moore, partner at CBPE Capital, says building an inclusive culture is key to the firm's ability to attract and retain the best professionals. "We do not put in place specific initiatives for our female employees – instead we adopt a genuinely gender-agnostic approach in all aspects of our responsibilities as an employer," he says.

"We recognise that all employees have families and interests outside of the office, and by supporting our employees to have balanced lives we create a more positive dynamic as a team."

CBPE also supports employees that want to participate in other industry-wide initiatives for encouraging diversity. For example, Eleanor Mountain, the firm's head of investor relations, is actively involved with Level 20's campaigning activities.

CBPE has supported these activities by sponsoring a dinner for senior female industry participants where ideas and future initiatives were discussed. Moore himself also volunteers for the Level 20 mentoring programme, working with more junior, female professionals for a nine-month period to provide support and advice.

HAVE YOU ENDURED INAPPROPRIATE BEHAVIOUR IN THE OFFICE?



Source: Financial News survey of 133 women working in the City

The industry view

CHERYL POTTER
PARTNER, PERMIRA

"I would say that for the first 15 years of my career there was virtually no focus on this issue at all and it's quite interesting to me reflecting back. I genuinely felt when I came into the industry that by the time I got to this stage of my career there would be much greater representation at senior levels and the fact is there isn't.

As a consequence we do need to address the subject - we need to have it on the agenda as an industry and as individual firms and try to do something to modify the way we hire and retain women and develop them in their careers, because not doing something proactive is a triumph of hope over experience.

Europe has been throwing out talented female graduates who've been going into professions such as investment banking and consultancy for generations now and yet we are not getting anything like a representative number of women even into the industry let alone through it.

So I do think it needs to be firmly on people's agenda otherwise things won't change."

VALERIA REBULLA
MD AND HEAD OF ENTERPRISE RISK, KKR

"There are still very few female role models in private equity because obviously role models tend to be senior women – and we're now suffering from the gender imbalance that started decades ago. But there are positive signs that I can see too. Firstly, the number of senior women in the industry is rising and we are all more connected.

For example by partnering with institutions here in Europe such as Level 20, that connectivity becomes more visible, and you start to create a critical mass with all the benefits that brings.

I can also see a larger component of very talented, mid-level executives coming through. When I look within KKR, we have a number of extremely strong principal and director-level women that I'm very confident will go all the way through within the organisation. The under-representation at senior level needs to be tackled head-on, but also if you build the blocks at the junior and mid-level, then the results will start to come through."

ELEANOR MOUNTAIN
HEAD OF INVESTOR RELATIONS, CBPE CAPITAL

"The private equity industry covers a huge range of organisations, both from very small to very large, and from local to global businesses - not to mention the breadth of roles offered within those organisations. For those that are more aware of this diversity, I feel there is less of an image problem.

It is my belief that the image of private equity is changing. There are more and more women in senior roles, and participating in industry-wide events. We would hope that this will provide role models and mentors for the next generation of female private equity professionals.

However, women do remain underrepresented. Challenges that may still exist include possible concerns about balancing working in a demanding industry like private equity with having a family, educating women at an early stage of their career-decision making process about PE as an option, ensuring that firms are well placed to offer the flexibility and support that can retain women to senior levels and educating the industry as a whole of the benefits of a more diverse set of professionals."

EMMA WATFORD
PARTNER, BRIDGEPOINT

"I think the current dialogue on this issue from all sorts of constituents is exceptionally helpful, because it underlines the importance of the topic.

When you've got the senior leadership of the majority of the firms in our industry very focused on the topic, it means people will work harder to make sure there are paths through for women. When I joined the industry in 2005 it wasn't really a topic. Now I think there is a live debate.

We've all got a huge amount still to do, but one thing the private equity industry does well is focus and make things happen.

That said, PE is a very experienced-based industry. So it will take time for change to filter through to the highest levels of the firms.

I feel very optimistic that if we are talking about this in five or ten years' time, significant progress will have been made."

LISA STONE
FORMER PARTNER, HgCAPITAL

"I think that private equity has a big diversity issue of which women, as 50% of the population, represents the biggest gap, but other areas of diversity need to be addressed as well.

There's lots of research on effective teams and how teams perform with different constituents – and lots of evidence that shows having mixed teams is more effective. Often a woman's point of view will be different from a man's point of view – but having a different way of looking at things is incredibly valuable in any firm. The lack of that alternative perspective also perpetuates the lack of female representation in PE.

Progress is being made but it's slow. It's going to be slow because there is no magic wand that will all of a sudden create a normalised pyramid structure in a firm. Nothing is all of a sudden going to change so that instead of 0 to 5% of partners being female, 35% are, let alone 50. That's going to take years to happen – and it's only when you get more women at the senior level that you start to get that senior impact on the decision making around firms."

Why diversity matters

Various studies have highlighted the extent to which diverse workforces and higher levels of female representation can boost performance.

Research from McKinsey on this topic examined proprietary data sets for 366 public companies across a range of industries in Canada, Latin America, the UK and the US. Using metrics such as financial results and the composition of top management and boards, it found that companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective national industry medians.

Diversity covers a wide range of demographics besides gender, of course, including ethnicity, sexuality, age, religion and disability. In these areas too, there is strong evidence to suggest that a more diverse mix of people at the senior level can lead to better business results. The McKinsey research demonstrates this in the case of ethnicity, for example.

In private equity, there is a growing appreciation for the need to combine 'hard skills', such as an aptitude for mathematics, data and market analysis, with the 'soft skills' of client management and relationship building.

Historically men have been seen as more adept at the hard skills, and women at the soft skills. While this dichotomy is by itself an enormous generalisation, it does signify an awareness within many firms of the need to bring together different skillsets.

Indeed one figure working in private equity recounts how an 'alpha male' figure in their firm was regarded as an excellent deal-maker, yet simultaneously struggled to build the relationships necessary to advance his career to partner level within the firm. Another figure in the industry points out that the companies that private equity firms will seek to buy are often founder-led businesses. Such founders, who may not have much corporate experience, may not respond well to aggressive negotiating tactics.

Softer skills, such as those that a woman may bring into a firm, could therefore prove highly valuable in unlocking deal opportunities. Again this is a generalisation, but anecdotally it appears to be a strong argument in favour of greater gender diversity in general.

This reassessment of the core competencies that firms are looking to hire could also impact leadership selection within portfolio companies. Indeed if research suggests that businesses with a diverse mix of executives perform better than those without, it stands to reason that private equity firms should keep diversity top-of-mind when appointing portfolio leadership teams. A lack of diversity within private equity, and the potential biases this generates, could prevent this from happening.

COMPANIES IN THE TOP QUARTILE FOR GENDER AND ETHNIC DIVERSITY ARE MORE LIKELY TO HAVE HIGHER FINANCIAL RETURNS VERSUS THE NATIONAL INDUSTRY MEDIAN

Source: McKinsey

Case study: KKR

Positive action on gender equality can be enforced structurally within a firm. KKR, for example, set up its Inclusion and Diversity Council (IDC) in 2014 to address inclusion and diversity in all its forms. The council is comprised of seven senior executives who use the IDC as a vehicle through which they can stress the importance of diversity in all their firm-wide communications.

The IDC is then supported by an advisory group comprising 21 executives from KKR's different divisions and geographies. In this way, the advisory group serves as the execution arm of the IDC, as well as the connecting bridge between the most senior level of the firm and the different geographies, business lines and levels of seniorities.

The core areas that the IDC has focused on to date have included maternity leave and female retention. On maternity, initiatives include a childcare travel programme that allows women in senior roles to take both their baby and their nanny with them on business trips at the firm's expense until the baby turns one year old.

To boost retention, meanwhile, KKR has invested in mentoring across the firm and also made diversity planning a compulsory part of the annual strategic plan that the head of each business division must present.

Valeria Rebulla, managing director and head of Enterprise Risk at KKR, is currently co-chair of the IDC advisory group, with the role rotating on an annual basis. Commenting on the role, she states that the presence of these internal organisations, which are compelled to meet on a regular basis, has helped to institutionalise the cause of diversity across the firm.

TO BOOST RETENTION KKR HAS INVESTED IN MENTORING ACROSS THE FIRM AND ALSO MADE DIVERSITY PLANNING A COMPULSORY PART OF THE ANNUAL STRATEGIC PLAN

"When I step back, what I think makes the IDC so special is the combination of commitment from the very top on the one hand, with it being very close to the front line on the other hand," she says. "That makes it very effective."

Positive action and the way forward

There are some very positive signs that women are beginning to wield greater influence at the highest levels of private equity. If the absence of female role models is one issue holding other women back, then the promotion of Virginie Morgon to become CEO of Eurazeo is surely a hugely positive sign.

The promotion, announced in November 2017, sees Morgon succeed Patrick Sayer and move up from deputy CEO, a role she has held since 2014. Morgon, who has sat on the Eurazeo executive board for a decade, has been an inspirational figure for many years and will no doubt advance that position as the head of a firm that counts consumer brands such as Desigual, Moncler, Iberchem, Farfetch and Vestiaire Collective among its investments.

TODAY MUCH OF THE DISCUSSION AROUND FEMALE REPRESENTATION IN PRIVATE EQUITY, AND THE POSITIVE ACTIONS TAKEN TO IMPROVE IT, COMES BACK TO LEVEL 20

There are numerous other smaller firms that are led by women, too. These include the likes of Ardian, Pollen Street Capital and Karmijn Capital. In September 2017, Montse Suarez, a former investment director at B&B Investment Partners, and Anna Sweeting, an investor and a former CEO of the Linley gift brand, set up investment firm Vaultier7 with a focus on deals in the personal care, health and lifestyle sectors.

According to data published by Preqin and analysed by Real Deals in November 2017, 26 women-led private equity firms had raised $6.4bn by that point in the year, the highest level on record. However the data also showed that with 779 firms having raised $373bn globally, women-led private equity firms only accounted for 1.71% of the overall pool of capital committed to the asset class.

Today much of the discussion around female representation in private equity, and the positive actions taken to improve it, comes back to Level 20. Undoubtedly, the formation of the not-for-profit organisation in 2015 was a significant milestone for the cause of gender diversity in the industry.

Level 20's headline target is to increase the proportion of senior roles in the European private equity industry that are held by women to 20% by 2020. At present the figure hovers around 9%.

Besides this ambitious target, the organisation is significant for providing a platform around which women in the industry can organise. Its website notes that "many of Level 20's founders joined the private equity industry in the 1990s, when women were a rare species indeed" and when there were few options for these women except to meet and discuss their experiences informally.

Today Level 20 receives backing from 40 firms including Advent International, Bain Capital, Bridgepoint, Cinven, CVC Capital Partners, HgCapital, Livingbridge, KKR and TDR Capital.

It supports the cause of gender diversity in a number of ways, including hosting conferences and dinners where women in the industry can convene to discuss particular issues; by sponsoring research projects; and by running a mentoring programme for young women entering private equity.

The organisation's growth in a short space of time has been marked and impressive. In 2016 it announced the appointment of its first full-time chief executive in Jeryl Andrew, an experienced private equity professional and former partner at Advent Venture Partners. Level 20 is also expanding beyond its London base, having established a German chapter in October 2017 with the backing of over 20 senior women working in the country's private equity sector.

FIRMS ARE INCREASING THEIR INVESTMENT IN OUTREACH WORK IN ORDER TO PROMOTE THE BENEFITS OF A CAREER IN PRIVATE EQUITY AT UNIVERSITIES AND BUSINESS SCHOOLS

The ability of Level 20 to generate compelling academic research in support of its aims will also be key to the organisation's success and influence going forward. In 2017, the not-for-profit ran a major Europe-wide research project with Cambridge University Judge Business School using a range of data, including psychometric profiling, to track the background and motivations of both men and women that have embarked on careers in private equity.

Level 20 plans to publish the full results in 2018, which should offer a fascinating scientific rationale for the current gender disparity in private equity – and potential ideas for how to improve female representation going forward.

The presence of Level 20 appears to have encouraged some firms to also promote the cause of gender diversity more forcefully. This has manifested itself in a number of ways, with some firms putting more emphasis on diversity training and in particular training that highlights the unconscious biases that some male executives may hold.

Other firms are changing the way they work with headhunters too, putting more emphasis on the need for diverse candidate shortlists. In other cases, firms are increasing their investment in outreach work in order to speak to female students and graduates at universities and business schools to promote the benefits of a career in private equity.

Alleviating concerns around work-life balance and maternity leave provision are other areas where firms could take immediate action to make themselves more attractive to potential female candidates.

Conclusion

Our analysis of female representation in private equity underscores the complexity of the industry – not least its complex relationship with gender. First and foremost, it is clear there is widespread agreement among both men and women working in the industry that the situation is improving with regards to making private equity a more welcoming place for women to work.

Private equity has not been immune from the pressure for higher standards on diversity witnessed across all areas of public life in recent years. This pressure ratcheted up in 2017 with various high profile allegations of sexual abuse and harassment towards women in sectors as diverse as business, entertainment and politics.

Private equity, an industry renowned for having an 'alpha male' culture and where just 9% of senior roles across Europe are held by women, is under pressure to put its own house in order.

Yet it would be unfair to state that private equity has simply reacted to wider trends. Many firms have been proactive in addressing the gender imbalance and the treatment of women in their organisations for a number of years.

This has often entailed a holistic approach, looking at how to recruit more women into entry-level roles in the first instance, and then how to retain and progress such women into senior roles.

However, progress remains undoubtedly slow. The number of women in the industry is inching up, but at a slow rate and from a very low base.

Many women championing the cause of greater gender diversity acknowledge that slow progress will be the inevitable reality for years to come. Until there is a critical mass of female role models at the very top of private equity who can encourage more women to view it as a career option, the fundamental make-up of the industry is unlikely to shift significantly. Instead the focus for now is on building the pipeline of female talent so that in five years, and certainly in ten years, the gender split within the sector may start to right itself in a meaningful way.

There are already plenty of tangible activities underway to build and strengthen that pipeline, from outreach work and mentoring of female graduates and young women entering the industry, to measures that are more accommodating of work-life balance such as remote working allowances and improved maternity leave provision.

Ultimately cultural change will be key if both men and women are to embrace the principles of more inclusive working environments. That requires leadership and enforcement from the very top, so that diversity, equality and mutual respect are qualities embedded in the fundamental values of a firm.

The benefit, research suggests, will be more harmonious and higher performing teams, and eventually an improved approach to selecting portfolio company leadership.

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About the author

Maria Gabriela Henderson is a Partner at The MBS Group who joined to establish our dedicated Private Equity practice. She leads the company's cross-sector efforts for PE-backed businesses, managing board-level and senior functional assignments across retail, leisure and consumer products. She also leads the Fashion & Luxury practice at MBS. Maria joined from Korn/Ferry Whitehead Mann, and was previously a consultant at Skillcapital, where she specialised in building management teams for portfolio companies across Europe with a focus on consumer assets.

About The MBS Group

Founded by Moira Benigson 30 years ago, The MBS Group is the leading sector-specialist executive search firm covering all consumer-facing industries. Our clients consider us trusted advisors, partnering with them on critical leadership roles that make a difference. We work at board level and on executive positions across all functions of strategic importance to our clients.

About the Private Equity practice

MBS has a strong track record of working with mid-tier and large-cap investors and their portfolio companies, combining our knowledge with an understanding of how to sell the proposition to potential candidates, including those who are new to PE. We work at all stages of the deal cycle with a dedicated private equity team. Leveraging expertise across all consumer-facing industries, we are able to support private equity investors and their portfolio companies to build exceptional functional leadership teams.

Acknowledgements

We would like to express our sincere thanks to the senior private equity industry leaders who took time out of their busy schedules to share their thoughts on this important subject. We would also like to thank Level 20 for all of their insights and support with this project.

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