

Cambridge Judge Business School

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PRIVATE EQUITY  
CAREER PATHS AND  
PERSONALITY TRAITS:  
GENDER SIMILARITIES  
AND DIFFERENCES

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LEVEL  
20

### **Cambridge Wo+Men's Leadership Centre**

The mission of Wo+Men's Leadership Centre (WLC) at Cambridge Judge Business School is to become a hub for global thought leadership in making the changes needed to foster a gender-balanced workforce around the world. Since its inception in 2015 (as the Women's Leadership Initiative), research has been a core area of focus. The Wo+Men's Leadership Centre is quickly becoming a world-class research group within the University of Cambridge. The Centre produces cutting edge, academically rigorous and practically relevant research focused on gender issues in businesses. The aim of such research is to generate significant academic knowledge and to provide valuable guidance to organisations on new and innovative ways to unleash female leadership potential in their organisations and industries. By bringing students, corporations and policy makers more closely together we disseminate our findings and create the forums to translate ideas into practical solutions.

[www.jbs.cam.ac.uk/faculty-research/centres/women/](http://www.jbs.cam.ac.uk/faculty-research/centres/women/)

### **Level 20**

Level 20 is one of the leading voices for gender diversity in the private equity and venture capital industry. It works to encourage more women to join and to succeed in the industry. The organisation was founded in 2015 by 12 senior women working in the industry who believed that increased participation by women, especially at a senior level, will not only lead to sustaining but also to improving investment performance. With more than 1,500 individual members and 45 private equity and venture capital sponsors, the London-based not-for-profit is active in the UK and Europe. The organisation launched a committee in Germany in 2018 and plans are underway to organise more local committees in various European geographies.

Level 20 works to promote greater gender diversity through various initiatives. These include the organisation of a mentoring programme, now in its third year, which pairs middle-ranking and junior women with senior men and women; operating a range of outreach activities to promote careers in private equity and venture capital to girls and young women at various points in their career planning; running a series of events, many of an educational nature and which also provide networking opportunities; undertaking research to provide reliable data to guide its work; and the provision for its sponsor firms of best practice guidance on a range of issues which impact gender diversity. It has an active group of younger members, the Future Leaders, who are engaged in working on many of these activities.

[www.level20.org](http://www.level20.org)

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Level 20's goal is to increase the number of women working in the private equity and venture capital industry. In the course of our extensive discussions as an organisation around why so few women participate in this industry, it became clear that little was known about the career paths of both the women and the men who work in this sector. We were all able to contribute anecdotes from our own experiences, but could not find a comprehensive, academic study on this topic, possibly because it is still a relatively young industry. We therefore decided that we needed to address this deficiency in order to have reliable data to support and guide Level 20's work.

We were delighted to be able to work with Professor Sucheta Nadkarni of the Wo+Men's Leadership Centre at the University of Cambridge Judge Business School on what is the first study of its kind. The questionnaire that we used was the product of lengthy discussions between Professor Nadkarni and Level 20's Research Committee, headed by Helen Steers, to whom we are particularly indebted for leading this work. Professor Nadkarni was keen to add the psychometric profiling of personality traits to this project, which we believe has enriched the findings and made this a ground-breaking study.

The fact that many hundreds of men and women working in the industry have taken the time to complete this extensive survey is testament to the interest and importance of this topic.

I hope that you will agree that the results make interesting reading and give us much material on which to reflect as we consider how to increase gender diversity in our industry. Level 20 will be discussing these findings, together with those from the recent study on the numbers of women working in the private equity industry in the UK, and will be producing a plan of action.

**Jennifer Dunstan**  
Chair, Level 20

**Jeryl Andrew**  
CEO, Level 20

The authors would like to thank the Level 20 Research Committee members for their guidance and insights throughout the process. The research would not have been possible without their invaluable contributions and support.

**Helen Steers**, Partner and Head of European Primary Investment, Pantheon;  
Co-founder of Level 20.

**Emma Osborne**, Head of Private Equity Fund Investments, Intermediate Capital Group PLC;  
Co-founder of Level 20.

**Jeryl Andrew**, CEO, Level 20.

The authors would also like to thank Tracey Horn, Helen Maher and Cambridge Judge Business School for their feedback and support on this project.



**Professor Sucheta Nadkarni**, Sinyi Professor and Director, Wo+Men's Leadership Centre

Sucheta is the head of the Strategy & International Business subject group at Cambridge Judge Business School. She has published numerous articles in top academic journals. Sucheta previously served as the associate editor of the *Journal of Management* and is currently an associate editor of the *Academy of Management Journal*. Sucheta has received several research grants including the National Science Foundation EPSCOR grant. Sucheta has also worked on research projects and grants with organisations such as Boeing, Booz Allen Hamilton, Newton Asset Management, BNY Mellon and the 30% Club in the areas of strategic change and gender diversity in boards and senior management. Her research has been featured in global media outlets including *The New York Times*, Reuters, Forbes, CNBC, Huffington Post, *The Guardian*, *The Telegraph*, *The Irish Independent*, *The Scotsman*, *Economic Times*, *Times of India* and *Business Standard*. Sucheta holds a PhD from the University of Kansas.



**Dr Jenny Chu**, University Lecturer in Accounting and Research Director, Wo+Men's Leadership Centre

Dr Jenny Chu is a University Lecturer at Cambridge Judge Business School. Her main research interests include earnings quality and corporate governance, as well as management incentives and compensation. Her research has been published in *Management Science*, as well as covered by the popular press such as the *Financial Times*, the *New York Times*, Reuters, the *Times* (UK), and the *Wall Street Journal*. Jenny combines teaching and research with a background in investment banking and portfolio management. She worked on corporate finance and M&A transactions for technology companies at Credit Suisse in Silicon Valley. She later transitioned into a portfolio management role at the hedge fund division of Barclays Global Investors (now BlackRock). Jenny holds MBA and PhD degrees from the Haas School of Business, UC Berkeley.

**Elisa Berger**, MPhil Candidate

Elisa is an MPhil student in Innovation, Strategy and Organisation at Cambridge Judge Business School. For her MPhil dissertation she is studying how social role theory accounts for barriers which women face in rising to leadership positions. Previously she was an Economic Consultant in the San Francisco Bay Area, where she worked with large data sets to conduct econometric and financial analyses for various Fortune 500 companies. Elisa holds a BA in Economics from Middlebury College.

The objective of this study was to investigate the career trajectories of men and women working in the private equity industry, and to assess gender differences at various levels of seniority across different functional areas in the talent pipeline.

A large number of investment and non-investment professionals completed a comprehensive survey which focused on a range of different topics, including educational background, experience prior to entering the private equity sector, career path within the industry and personal circumstances. They also undertook a psychological attributes test, designed to show where they were positioned on a scale of common personality traits that were deemed relevant to the private equity industry.

The main findings from the study are insightful and will lead, we believe, to further research as we look to identify the challenges, barriers and opportunities in addressing gender imbalance in private equity.

### **Educational background**

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People in private equity investing roles tend to have similar educational backgrounds, irrespective of gender. The study revealed no major difference in quantitative education (e.g. economics, business, finance, accounting, mathematics, engineering, and the natural and medical sciences) between men and women in investment roles. It was notable that most male and female investment professionals had strong quantitative educational backgrounds.

### **Entry into private equity**

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There is a marked difference in the professional backgrounds of women and men in senior investment roles, with a much greater proportion of men coming from banking and consulting than women who came from diverse industries including academia, accountancy, consumer goods, engineering, healthcare, law, the public sector and retail. At the junior and mid-level, more investment professionals were recruited from banking and consulting roles and the gender difference was not significant.

### **Career within private equity**

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Private equity investment professionals tend to move firms infrequently. However, senior women in large firms have worked at significantly more firms than their male counterparts.

### **Personal circumstances**

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The study examined the personal circumstances of private equity professionals because family responsibilities and work-family balance are among the most significant contributors to leaks in the pipeline of female talent. We examined four key aspects of personal circumstances:

- **Relationship status:** Significantly more women in senior investment roles are single than men, and the difference is most pronounced in smaller firms.
- **Partner employment:** Significantly more women have partners who are employed, irrespective of role and seniority. Senior male investment professionals are more than twice as likely to have partners who are not employed.
- **Number of children:** Male private equity professionals tend to have more children than their female counterparts.
- **Length of parental leave:** Female senior investment professionals take more parental leave than men, but the difference is not as great as might be expected.

### **Psychological attributes**

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From this sample there appears to be a “private equity type” of psychological profile that transcends gender. A “typical” private equity person is resilient, cooperative, balanced between proactively pursuing gains and cautiously avoiding losses and is not particularly extraverted.

The results highlight that gender differences in psychological attributes found in the general population, such as women being less extraverted and more cautious than men, do not hold for private equity professionals, who seem to have a similar psychological make-up.



Private equity is a highly active form of investment into privately held companies, which involves a fund manager (a General Partner or “GP”) raising capital from institutional investors (Limited Partners or “LPs”), in order to buy equity stakes in unquoted businesses and grow them in value over a medium to long term period. Management buy-outs and buy-ins are types of private equity investment in more mature companies, whereas venture capital provides capital to early stage, innovative businesses, usually in technology-based sectors. The term “private equity” is used throughout this report to describe the industry as a whole, encompassing venture, growth, expansion capital and buy-outs/buy-ins.

The modern private equity industry is around 50 years old, although it can trace its origins back to the late 18th century when wealthy families backed private investment projects. In the post 1945 period, pioneering private equity companies such as American Research and Development Corporation (ARDC), JH Whitney and 3i plc were founded, followed by a number of firms in the late 1970s and early 1980s which have since become global industry heavyweights. In the 1990s, many banks established private equity groups, which later spun out to become independent fund managers. At the end of the last century, the technology boom spawned many early stage venture-focused GPs, followed by a substantial increase in later stage private equity firms in the mid-2000s.

The private equity industry now consists of a vast array of different types of GP, ranging from small partnerships raising modest amounts of capital for niche investment segments, through to the global institutional fund managers that are household names, and who manage substantial funds. Independent of size, the principles of investment are the same; private equity employs a hands-on, super-active long term ownership model, working in partnership with management to grow companies and create superior risk-adjusted returns. GPs provide operational expertise, strategic guidance and the benefit of their investment experience, as well as capital, and are rewarded with a share of the profits (the “carried interest” or “carry”) when their portfolio companies are sold. As such, the skills required to become a successful private equity manager include both qualitative and quantitative expertise, and are honed over time; private equity is probably one of the last “apprenticeship” businesses.

In the early years of private equity, people moved into the industry from a number of other professions such as accountancy, law, engineering, management consultancy and banking. With the notable exception of 3i plc, there were no formal graduate training schemes, and business schools did not offer private equity or venture capital courses. Over time, the industry has become institutionalised and there are now more prescribed routes into private equity; many GPs appear to target recruitment at a relatively narrow range of “feeder firms”, usually investment banks and management

consultancies. What has not changed however is the gender balance in private equity; the industry has always tended to be male-dominated, and women are still under-represented in most roles in this dynamic asset class. A recent study by Level 20 and the British Private Equity and Venture Capital Association (“BVCA”) on the numbers of women working in private equity firms with a presence in the UK (Women in Private Equity 2018, BVCA and Level 20) revealed that women represented 29% of the total workforce, 14% of investment professionals and 6% of senior investment professionals. It is therefore timely to conduct research aimed at understanding the key differences between the career trajectories of male and female private equity professionals and the individual and contextual factors affecting their career paths.

This survey of European private equity professionals was shared directly through Level 20 members as well as via industry associations including the BVCA, Invest Europe, the German Venture Capital Association (“BVK”) and the Netherlands Venture Capital Association (“NVP”).

Well established demographic and psychological scales were selected and carefully customised through close consultation with senior private equity professionals with the resulting survey having strong reliability.

The survey was split into two temporally separated questionnaires: the demographic survey, taking about 20 minutes to complete; and the psychological attributes survey, of about 10 minutes. Temporal separation avoided bias from fatigue. The surveys were completed between June and October 2017.

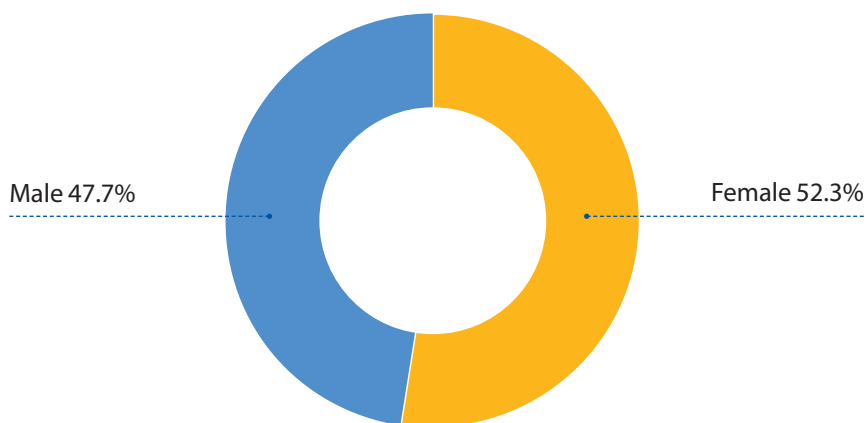
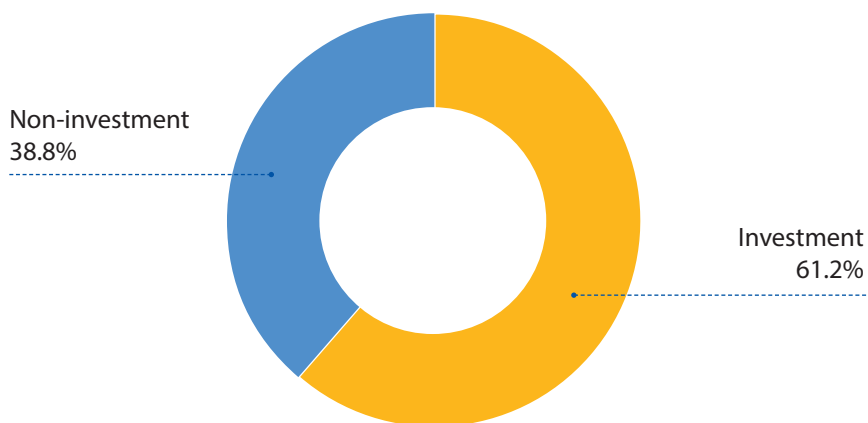
A total of 1,112 private equity professionals based in Europe responded. There were 711 completed and usable responses for both surveys in the final sample.

The final sample of 711 private equity professionals consisted of 47.7% men and 52.3% women (fig. 1a). This balance in gender was suitable for examining gender differences across a host of career, demographic, family and psychological variables. Figure 1 (a to f) shows the split of individuals by gender, functional area, seniority, firm size, GP vs. LP, and geographic location. The sample represented both investment and non-investment professionals. Investment professionals accounted for 61.2% of responses, with the balance of 38.8% from non-investment professionals, including Finance, Legal, Human Resources, Operations, Investor Relations and other support functions (fig. 1b).

In terms of seniority, 35% of respondents were of senior rank (Principal and above for investment professionals, and Vice President and above for non-investment professionals), whereas 65% were of middle and junior rank (Senior Associate and below for investment professionals and Director and below for non-investment professionals) (fig. 1c). About a third (34%) of respondents work for large firms (assets under management (AuM) of more than €10 billion), 66% work for mid-sized (AuM of between €1 billion and €10 billion) and small firms (less than €1 billion in AuM) (fig. 1d).

We surveyed both LPs and GPs, including venture capital and buy-out professionals. GPs accounted for 79% of the respondents, and LPs for 21% (fig. 1e). Almost two-thirds of the professionals working for LPs were either with funds-of-funds or secondaries firms, and the remainder were with other institutional investors. Amongst the GPs, 76% of professionals were from buy-out groups, 11% were venture capitalists and the remainder were from other types of firm.

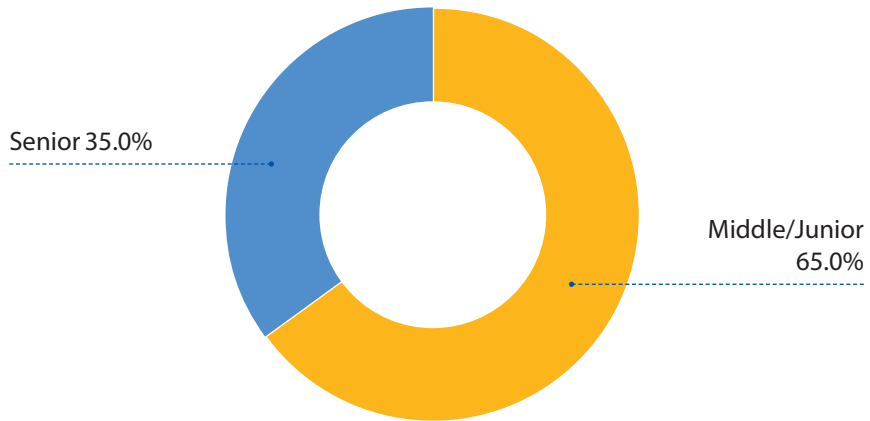
A majority of respondents were based in the UK (70%), whereas 23% were based in Europe. The remaining 7% live in the rest of the world (fig. 1f). This geographic distribution of our sample reflects a microcosm of the European private equity industry.

**Figure 1: Sample description****1a. Gender****1b. Functional area**

Functional area is self-reported between investment and non-investment (IR, Finance, Legal, HR, Operations and other support).

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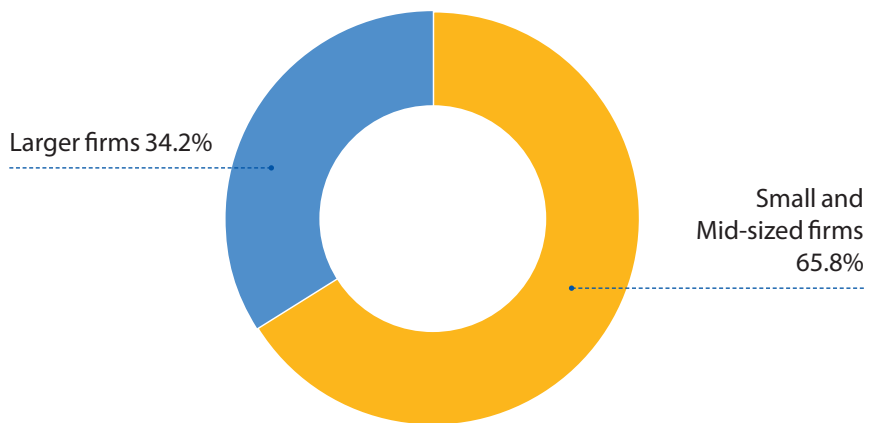
**1c. Seniority**



Senior includes Managing Partner, Senior Partner, Partner, and Principal. Middle/junior includes Director, Manager, Senior Associate, Associate, and Analyst.

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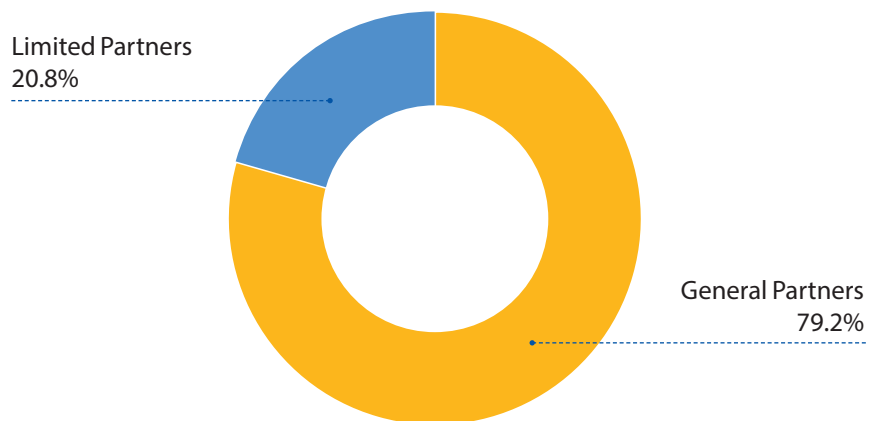
**1d. Firm size**



Larger firms (AUM > €10Bn)  
Small and Mid-sized firms (AUM < €10bn)

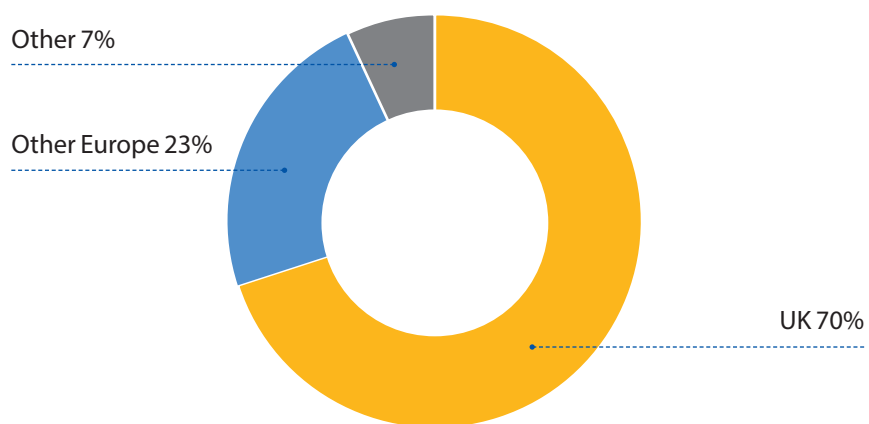
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### 1e. General Partners and Limited Partners



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### 1f. Geographic location



Other Europe encompasses Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Ireland, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland.

Other encompasses North America, Asia, the Middle East, Russia, the former Soviet Union, Africa and other.

In constructing this research we sought to understand the profile of private equity professionals from a number of angles. What is their educational background? How did they get into the industry, and what was their prior experience before joining? How have they progressed within their firms, and have they changed firms multiple times in order to further their careers? Do private equity professionals exhibit similar personality traits, and how do these differ from the general population?

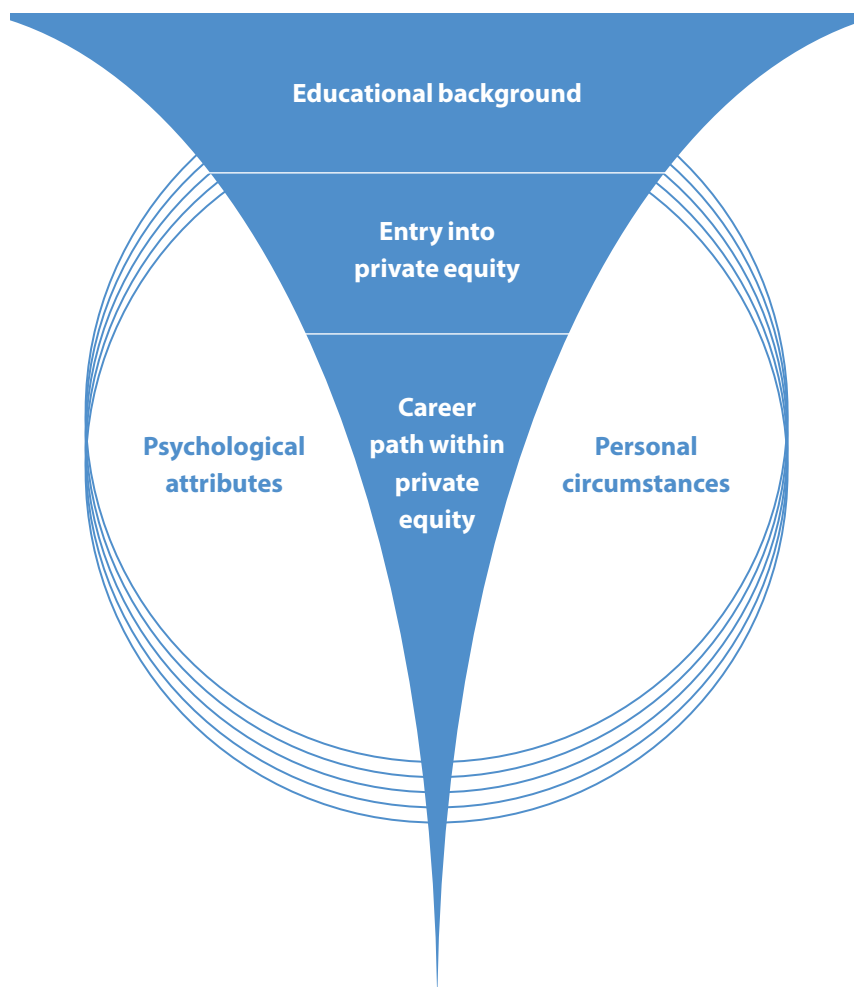
Our goal in this research was to assess gender differences systematically across various levels of the talent pipeline, through the spectrum of functional areas, and identify challenges, barriers and opportunities for career progression of people across these levels.

We reviewed existing academic research and collated feedback from senior private equity professionals to develop a series of salient questions aimed at analysing the make-up of people in private equity. Our demographic survey examined the career trajectories of male and female private equity professionals, and provides insights into educational background, entry and progression within the private equity industry, as well as family status and personal circumstances. The psychological attributes survey tested for a number of common personality traits.

Figure 2 shows the different areas examined in this research.



**Figure 2: Talent pipeline in the private equity industry**



**Educational background:** The first part of the study examines educational background. The private equity industry requires professionals to have well developed quantitative and analytical training, as well as qualitative skills such as expertise in communication and relationship-building.

**Entry into private equity:** The second part captures the route to entering the private equity industry. Most private equity professionals entered the private equity industry from a diverse pool of prior industries. We examined prior work experience before entering private equity, in terms of both type and duration of the experience.

**Career within private equity:** The third part examined the career trajectory after entering the industry. Private equity professionals follow different career paths and can face very different career challenges. We examined gender differences in the career trajectories of these professionals in a key area: mobility across firms.

**Personal circumstances:** We examined how family status, partner employment, number of children and parental leave affected the career progression of male and female private equity professionals.

**Psychological attributes:** Psychological attributes are partly determined biologically and partly developed through cumulative experiences. Research has shown that psychological attributes play a pivotal role in how managers interact in their work environment, how they lead and make decisions (Judge & Bono, 2000; Nadkarni & Chen, 2017). In particular, psychological make-up is central to career progression and success (Judge et al., 1999). Based on this large body of research, we identified psychological attributes that are particularly relevant to the private equity industry. A key question we examined was: do male and female private equity professionals differ in their psychological make-up?

### Educational background

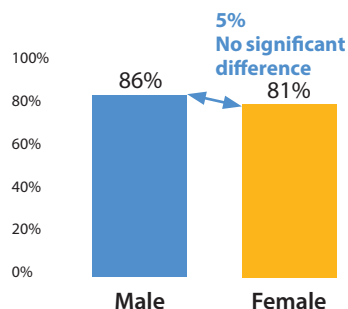
People in private equity investing roles tend to have strong quantitative educational backgrounds, regardless of gender.

The vast majority of private equity investment professionals have a quantitative educational background, which is unsurprising given the nature of investing and the requirement for numeracy. The study revealed no major differences in quantitative education (e.g. economics, business, finance, accounting, mathematics, engineering, and the natural and medical sciences) between men and women in investment roles with 86% of men and 81% of women coming from this background (fig. 3a).

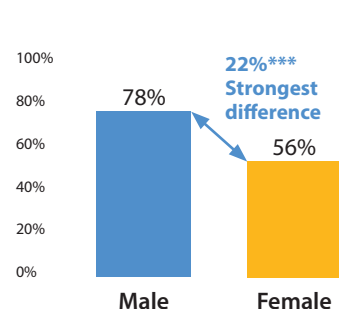
Within non-investment roles, however, the study revealed that men tended to have significantly higher levels of quantitative education than women (fig. 3b). This is likely to be explained by the differences in non-investment roles undertaken by women and men in our sample. Women were predominantly represented in areas such as investor relations (women: 68%) and HR (women: 100%). Men were predominantly represented in operations (men: 75%). Within finance, however, the split was more even (male: 48% and females: 52%).

**Figure 3: Quantitative and non-quantitative educational background of male and female private equity professionals**

#### 3a. Investment professionals



#### 3b. Non-investment professionals



### Entry into private equity

There is a marked difference in the professional backgrounds of women and men in senior investment roles, with a much greater proportion of men coming from banking and consulting than women. At the junior and mid-levels, more investment professionals were recruited from banking and consulting roles with no significant gender differences.

Three-quarters of men in senior investment roles entered the industry from banking and consulting roles, compared with less than two-thirds of senior women in investment roles (fig. 4a). In the junior and mid-level investment roles, there is less of a difference, with just six percentage points between the genders (fig. 4b). It is however interesting to note that significantly more junior and mid-level investment professionals have joined the industry from banking and consulting than their more senior colleagues (+15% for women, +7% for men). Amongst non-investment staff, there was more breadth of prior experience, but more men have joined the industry from banking or consulting (fig. 4c).

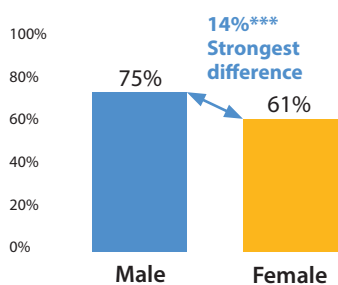
At LPs, men and women were equally likely to have joined the industry from banking or consulting, and a sizeable proportion came from other sectors (fig. 4d).

These figures appear to support the view, often stated anecdotally, that, over the years, the industry has become increasingly likely to recruit from banking and consulting. However, we note that 39% of senior female investment professionals came from outside banking and consulting, indicating it is possible to succeed in private equity from a range of different backgrounds. It is therefore possible that the benefits of diversity of thought may be diluted, regardless of the gender balance, if the industry recruits from an increasingly narrow talent pool.

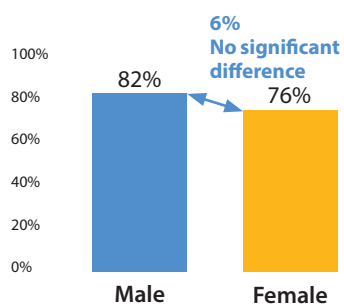
The study also looked at the number of years of experience prior to entering the industry and found there was no significant difference: women in investing roles had an average of 4.3 years of experience and men 4.0 years. For non-investment roles it was 5.8 years and 6.8 years respectively.

**Figure 4: Percentage of male and female investment professionals and non-investment professionals with banking and consulting backgrounds**

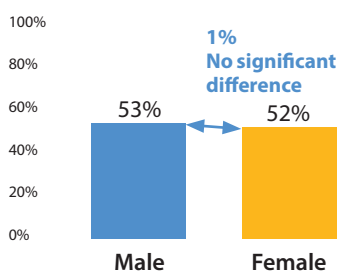
**4a. Senior investment professionals**



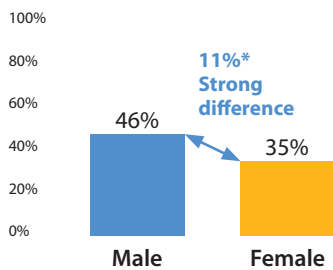
**4b. Middle/Junior investment professionals**



**4c. Senior investment professionals in LP**



**4d. Non-investment professionals**



### Career path within private equity

Private equity investment professionals tend to move firms infrequently. Senior women in large firms have worked at significantly more firms than their male counterparts

Senior women in investment roles have moved firms only marginally more than men at 0.81 prior firms versus 0.78 for male investment professionals (fig 5a). The industry's long-term remuneration structure in the form of carried interest, or "carry" is likely to be one of the main reasons for this. Carry aligns the long-term interests of investors, fund managers, and portfolio company management teams. It therefore tends to make moving firms detrimental financially.

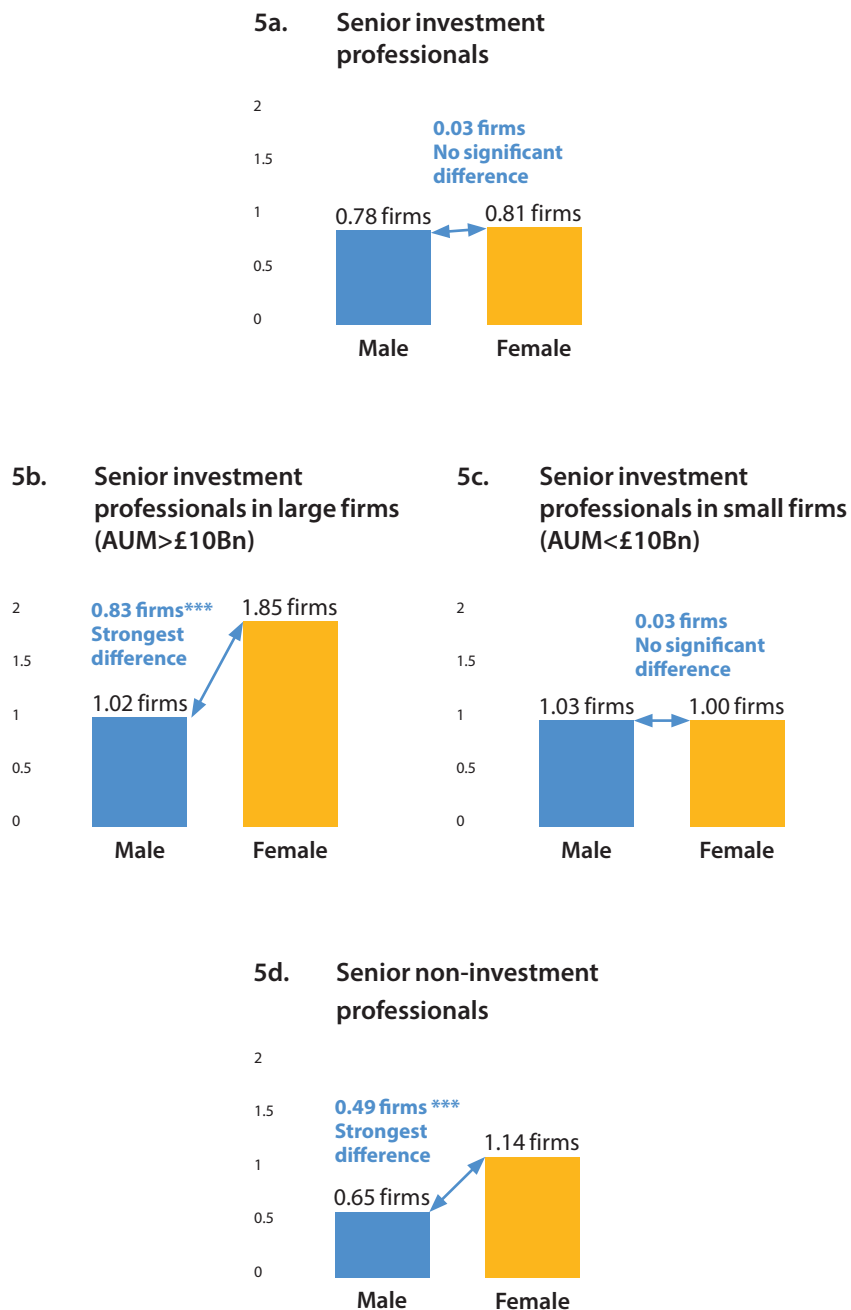
The exception is in large private equity firms (AUM > €10bn), where senior female investment professionals have worked at significantly more firms than their male counterparts (1.85 previous firms and 1.02, respectively) (fig. 5b). This is in marked contrast to smaller firms, where the difference is insignificant (women worked at 1.00 previous firms versus 1.03 for men) (fig. 5c).

There are likely to be many factors contributing to this difference. For example, it is possible that some women have needed to prove themselves in smaller firms before being considered for senior roles in large firms. Another possibility is that large firms can more easily compensate new recruits for the carry lost when leaving their prior firm and so mitigate the financial disincentive to move.

Within non-investment professionals, where carry tends to be a less significant component of overall compensation, women have moved firms substantially more than their male counterparts (1.14 prior firms for women versus 0.65 for men) (fig. 5d). This is more consistent with other professional industries, for example, research into law firms<sup>1</sup> has shown that women are more likely to be promoted by moving to another firm.

<sup>1</sup> Gorman & Kmec, 2009— Hierarchical rank and women's organizational mobility: glass ceilings in corporate law firms. *American Journal of Sociology*.

**Figure 5: Mobility across firms of male and female investment and non-investment private equity professionals**



Note: We measured mobility by the total number of firms male and female private equity investment and non-investment professionals worked in their career to reach their current position after entering the private equity industry.

### Personal circumstances

The study examined the personal circumstances of private equity professionals because family responsibilities and work-family balance are among the most significant contributors to reductions in the pipeline of female talent. We examined four key aspects of personal circumstances: relationship status, partner employment, number of children and the length of parental leave(s).

### Relationship status

Significantly more women in senior investment roles are single than men and the difference is concentrated in smaller firms.

With regards to relationship status, almost a fifth (17%) of women in senior investment roles are single<sup>2</sup>, compared with only 6% of men (fig. 6a).

This difference is confined to smaller firms in which 21% of women in senior investment positions are single, compared with only 5% of men (fig. 6b).

In larger firms the differences are not significant (women 10%, men 7%) (fig. 6c).

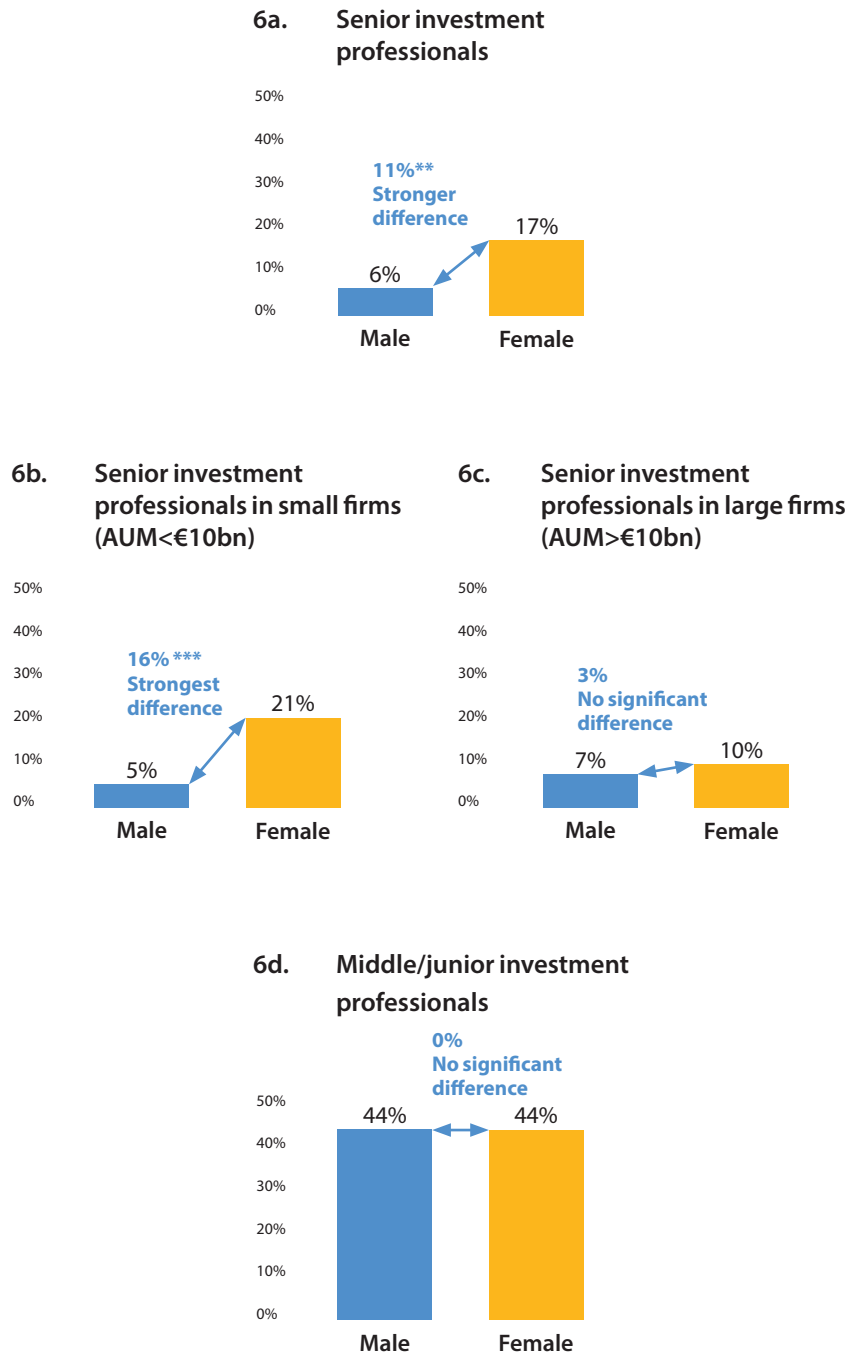
For junior and mid-level investment professionals, the study found no significant difference in the likelihood of being single (fig. 6d).

We also found no significant difference in the likelihood of being single for senior non-investment professionals.

<sup>2</sup> We exclude those who are married, in civil partnerships, co-habiting, separated, divorced or widowed from being counted as single.



**Figure 6: Percentage of single male and female investment professionals**



### Partner employment

Significantly more women have partners who are employed, irrespective of role and seniority. Senior male investment professionals are more than twice as likely to have partners who are not employed.

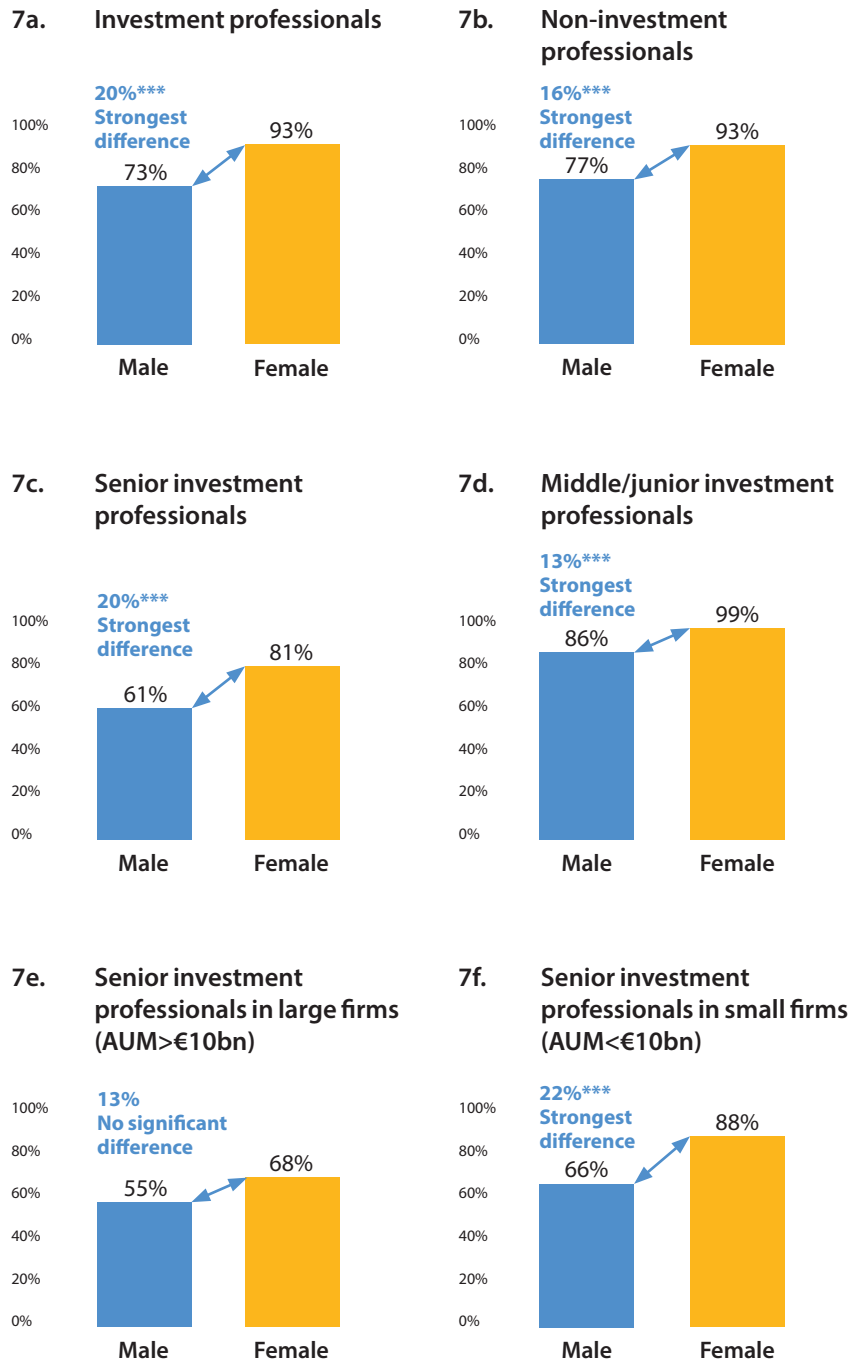
Partner employment is a key factor affecting the female talent pipeline, given the challenges of dual career families. Of the female investment professionals who have partners, 93% of those partners are employed, compared with 73% for male investment professionals (fig. 7a). The figures for non-investment professionals are very similar at 93% and 77%, respectively (fig. 7b).

In further examining female investment professionals who are not single, we found that the percentage with employed partners falls from 99% at the junior and mid-levels to 81% at the senior level. For men this difference in having partners who are employed is even more pronounced, falling from 86% for junior and mid-level male investment professionals to 61% for senior male investment professionals (figs. 7c & d).

Among senior investment professionals with partners, twice as many men have a non-working partner at 39% compared with the women at 19%. This difference is more pronounced in the smaller firms where only 12% of senior women with partners have non-working partners compared with 32% at larger firms (figs. 7e & f).

Further, taking into account the lower percentage of single male senior investment professionals, 2.3 times more non-single men have a non-working partner than their female peers. In small firms the difference is 3.4 times.

**Figure 7: Percentage of male and female private equity professionals who have partners employed full time**



## Number of children

Male private equity professionals tend to have more children than their female counterparts.

In senior investment roles, men have 2.1 children on average, compared to 1.4 children for women in comparable roles (fig. 8a). More than a third of women (34%) in senior investment roles have no children, while just 13% of men in similar roles are childless.

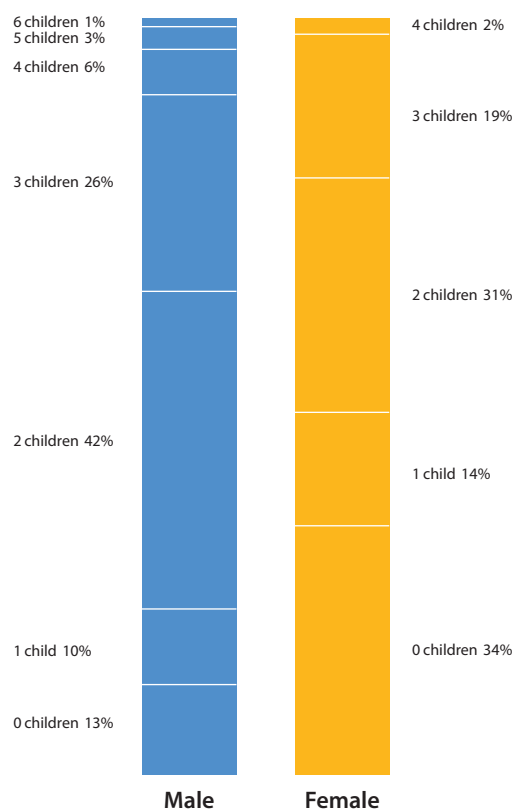
As with a number of observations in the study, the difference is more pronounced in smaller firms. Men in smaller firms have 75% more children on average (2.1 children versus 1.2 for women) whereas in large firms the difference is only 22% (2.2 and 1.8 respectively) (figs. 8b & c).

Figure 8d shows the distribution of male and female investment professionals in our sample by number of children.

**Figure 8: Number of children of male and female senior investment professionals**



**8d. Distribution of male and female senior investment professionals by number of children**



### Parental leave

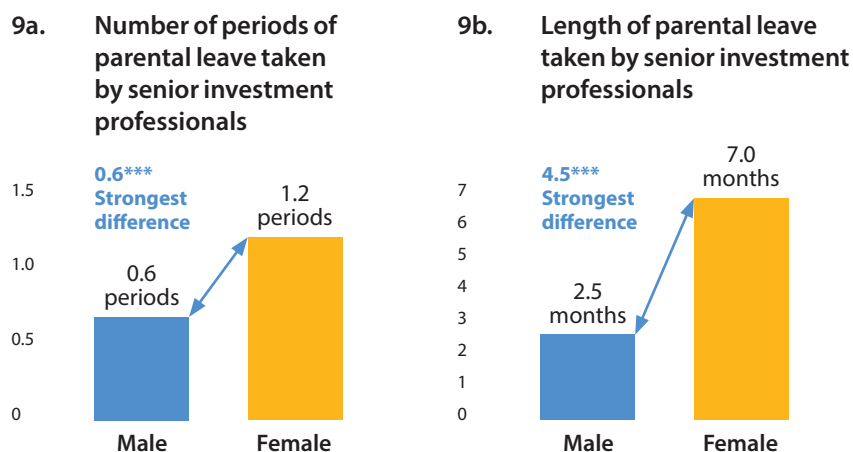
Female senior investment professionals take more parental leave than men, but the difference is not as great as might be expected.

Women in senior investing roles take twice as many periods of parental leave as their male counterparts (1.2 and 0.6, on average, respectively) (fig. 9a). They also tend to take longer for each leave, with the average total amount of parental leave taken by women amounting to 6.8 months, compared with a total of 2.3 months reported by senior investment males (fig. 9b).

It is perhaps surprising that the difference between total male and female leave is not even greater, but the figures partly reflect the higher number of children senior men have as well as a gradually growing acceptance of paternity leave.

We also note that parental leave for either gender represents an immaterial amount of time away from work in the context of a whole career in private equity of perhaps 30 or more years. Given the low propensity to move firms, noted above, this may be more relevant for private equity, with its unique remuneration structure, than for most other industries.

**Figure 9: Periods and length of parental leave taken by male and female senior investment professionals**



### Psychological attributes

There appears to be a “private equity type” with a psychological profile that transcends gender.

A “typical” private equity person is:

- resilient and co-operative.
- balanced between proactively pursuing gains and cautiously avoiding losses.
- not particularly extraverted.

Psychological attributes determine how we interact with our work environments and make decisions and can therefore influence career choices and progression. Many studies of the general population have identified significant differences between genders across a wide range of traits. We were therefore surprised to find no statistically significant gender differences across a range of psychological attributes in our sample.

The study tested the so-called “Big Five”<sup>3</sup> personality traits together with a further eight attributes selected as being particularly relevant to private equity. The graph (fig. 10) below summarises the findings across the 13 psychological attributes and highlights the almost identical profiles of the women and men in our sample.

In addition to the lack of gender differences, it is notable that the profile of a typical private equity person is quite balanced and not extreme on any of the traits. This was consistent throughout the study with the results reflecting the sample population as whole rather than the averaging effect of extreme scores.

In the general population women are considered to be held back in their careers by certain tendencies such as lack of assertiveness, emotional instability, risk-aversity and excessive agreeableness. It is therefore notable to find no such gender differences in the private equity talent pipeline. The detailed findings in relation to psychological attributes are outlined further below.

<sup>3</sup>The Big Five personality traits are the best accepted and most commonly used model of personality in academic psychology. The Big Five come from the statistical study of responses to personality items. Using a technique called factor analysis researchers can look at the responses of people to hundreds of personality items and ask the question “what is the best way to summarise an individual?”. This has been done with many samples from all over the world and the general result is that, while there seem to be unlimited personality variables, five stand out from the pack in terms of explaining a lot of a person’s answers to questions about their personality: extraversion, neuroticism, agreeableness, conscientiousness and openness to experience. We used the Big-Five Factor Markers from the International Personality Item Pool, developed by Goldberg (1992).

### **The “Big Five” personality traits**

Our study first covered the five core traits which are widely regarded as fundamental in determining personality and predicting behaviours, including risk-taking and leadership styles.<sup>4</sup> The findings across these five traits are summarised below and shown in figure 10.

#### **Extraversion: *Private equity professionals are not particularly extraverted.***

Extraversion is the degree to which an individual is outgoing, sociable and assertive. Research has shown that men are more extraverted than women, particularly in relation to the assertiveness aspect.

Counter to these previous findings, we found no differences among male and female private equity professionals' extraversion (men 2.7, women 2.9). Perhaps surprisingly both male and female private equity professionals in our sample tended to be relatively low on extraversion (lower than 3 on a 5-point scale).

#### **Openness to experience: *Private equity professionals are moderately low on openness to experience.***

Openness to experience is the degree to which an individual is intellectually curious, creative and prefers novelty and variety. Men have been found to have greater openness to experience than women.

Both men and women in our sample were moderately low on openness to experience (men 2.8, female 3.0). This is not surprising since private equity tends to be more fact-based and analytical rather than creative.

#### **Conscientiousness: *Both men and women in private equity are balanced between a focus on goal achievement and remaining flexible.***

Conscientiousness is the degree to which an individual is organised, dependable, achievement-oriented and planned rather than spontaneous. Research has shown that women tend to be more conscientious than men.

Contrary to prior research, the scores were identical for men and women in our sample (both 3.0) indicating moderate conscientiousness. This result was surprising as we were expecting a more highly task-oriented result. It is clear that private equity professionals are goal oriented but not so much so that there is not also room for flexibility.

<sup>4</sup>Costa & McCrae, 1998; Golderberg, 1992; Judge & Bono, 2000; Herrmann & Nadkarni, 2014; Nadkarni & Herrmann 2010

<sup>5</sup>Costa et al., 2003

<sup>6</sup>Schmidt et al., 2008

<sup>7</sup>Schmidt et al., 2008

<sup>8</sup>Costa et al., 2003; Schmidt et al., 2008



**Agreeableness: *Private equity professionals are moderately cooperative.***

Agreeableness is the degree to which an individual is compassionate, empathetic and cooperative. Agreeable people tend to be good team players but can sometimes pay more attention to relationships than to tasks which can be detrimental to career progression. Research indicates that women tend to score higher on agreeableness than men.

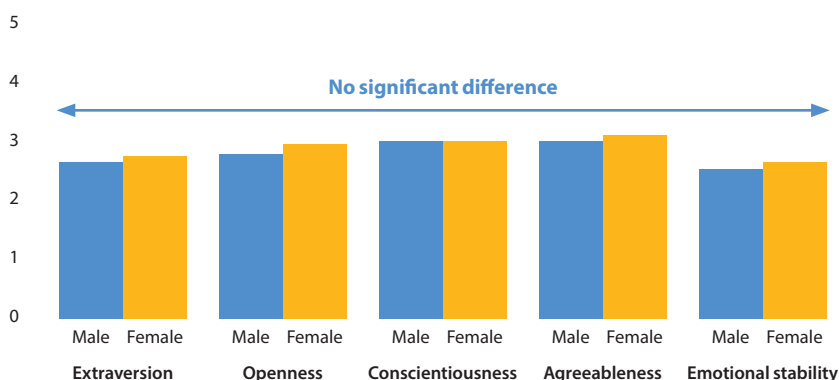
In contrast with prior research we found no gender differences in agreeableness in our sample (men 3.1, women 3.2). Both men and women in private equity are moderately agreeable, perhaps reflecting the requirement to work in teams in many different situations in the context of a transaction: with colleagues within the firm, with portfolio company management teams, with finance providers and with advisers.

**Emotional stability: *Private equity professionals have a tendency to be wary and self-critical.***

Emotional stability represents the degree to which an individual is calm and composed, and their ability to deal with stress. Lower scores indicate pessimism and anxiety. Research has shown that women tend to score lower on emotional stability than men.<sup>9</sup>

Our study found that both men and women working in private equity were moderately low on emotional stability (men 2.6, women 2.7), which at first glance was somewhat surprising. However, given the challenging environment that private equity professionals work in, where they are constantly being judged and appraised, the stereotype of the “paranoid over-achiever” is possibly an accurate one.

**Figure 10: Big five personal traits of male and female private equity professionals**



<sup>9</sup> Costa et al., 2003; Schmidt et al., 2008

### Additional traits tested

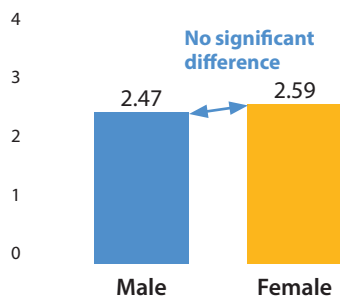
As the “Big Five” personality traits revealed no gender differences, we examined a range of additional traits considered relevant to private equity and in which prior research has identified gender differences in the general population. Again, we found no significant gender differences, but the results provide insights as to the characteristics of a typical private equity person.

### Resilience – *The private equity industry appears to attract and retain relatively resilient people.*

The ability to bounce-back from adversity is highly relevant in private equity given the challenging and ever-changing market place. Previous research has shown that women in general are more resilient than men, especially in the face of adversity and crises.<sup>10</sup>

Contrary to previous research, we found no significant difference in resilience between men and women (both 2.5). Male and female private equity professionals appear to be moderately high in resilience (greater than 2 on a 4 point scale) (fig. 11).

**Figure 11: Resilience of male and female private equity professionals**



### Promotion and prevention focus – *Private equity professionals tend to be balanced between proactively pursuing gains and cautiously avoiding losses.*

Promotion focus is the tendency to take risks and pursue one’s goals for gain. Prevention focus is the tendency to be cautious and focus on avoiding losses. Previous research suggests that men are generally more promotion-focused and risk-taking than women, whereas women are more risk-averse and focus on avoiding losses.<sup>11</sup>

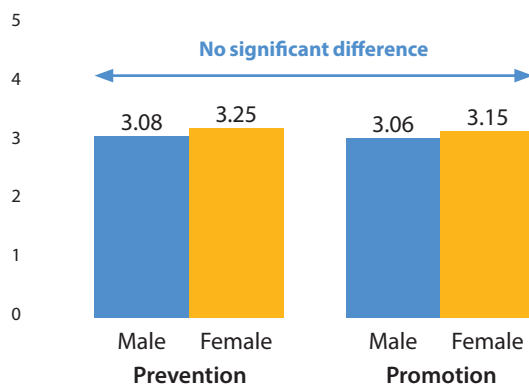
<sup>10</sup> Zarulli et al., 2018

<sup>11</sup> Byrnes et al. 1999; Ayala & Manzano, 2014

Once again, we found no significant differences between women and men in either promotion focus (female: 3.0, male: 3.1) or prevention focus (female: 3.0, male: 3.1) in our sample. Both male and female private equity professionals seem to be moderate on promotion as well as prevention focus with scores close to 3.0 (on a 5 point scale) (fig. 12).

**Figure 12: Prevention and promotion focus of male and female private equity professionals**

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The objective of this study was to provide Level 20 with reliable information on the career paths of men and women in the private equity and venture capital industry. For the first time we have an authoritative piece of work to help guide our future initiatives. With clear data on the educational and prior career background of those working in the industry we can look to develop ways to attract more women into the industry and focus our efforts to promote careers in the industry to a wider group of young women with the aim of improving gender diversity.

The insights we have gathered on career progression, family status and personal circumstances will inform how we set about helping firms retain and develop female members of their teams. We are developing guidance on a range of topics that have a bearing on improving gender diversity and we will seek to support the industry in ensuring that those who wish to stay within the industry are given help to do so. Fundamental to this is the workplace culture and Level 20 encourages all firms to develop a culture that welcomes and promotes gender diversity.

The inclusion of the personality traits tests in this study gives us a much better understanding of the psychometric profiles of private equity professionals, both men and women. We will be reflecting on how we can use this to expand the pool of suitable candidates and to understand what steps might be encouraged to improve diversity more generally.

The completion of the first piece of academic research of this type is prompting much thought around what other work needs to be done to improve our understanding of the people who work in this industry. We will therefore be looking to augment this with other academic studies on complementary topics. We have also recently completed a project, with the BVCA, to gather actual numbers of women participating in the industry, which will be regularly updated. All the information gathered from these different initiatives will form the basis of Level 20's ongoing work which will be detailed in a plan of action to be published shortly.







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