

# KEYNOTE INTERVIEW

## Going beyond diversity targets



*Many private equity firms are working hard to attract more women, but they need to take a multi-faceted approach to retain their best female talent, say EY's Liz de Freitas and Level 20's Cheryl Potter*

Private equity is making progress in its efforts to attract more female employees, but there is still a dearth of women in senior positions. So, what does it take to attract more women to the profession? And how can firms retain female talent through their careers?

Liz de Freitas, associate partner in EY's private equity business, and Cheryl Potter, chair of non-profit gender diversity organisation Level 20, discuss why diversity in teams matters and how firms can become more inclusive.

**Q Why should PE firms strive to increase the number of women in the industry?**

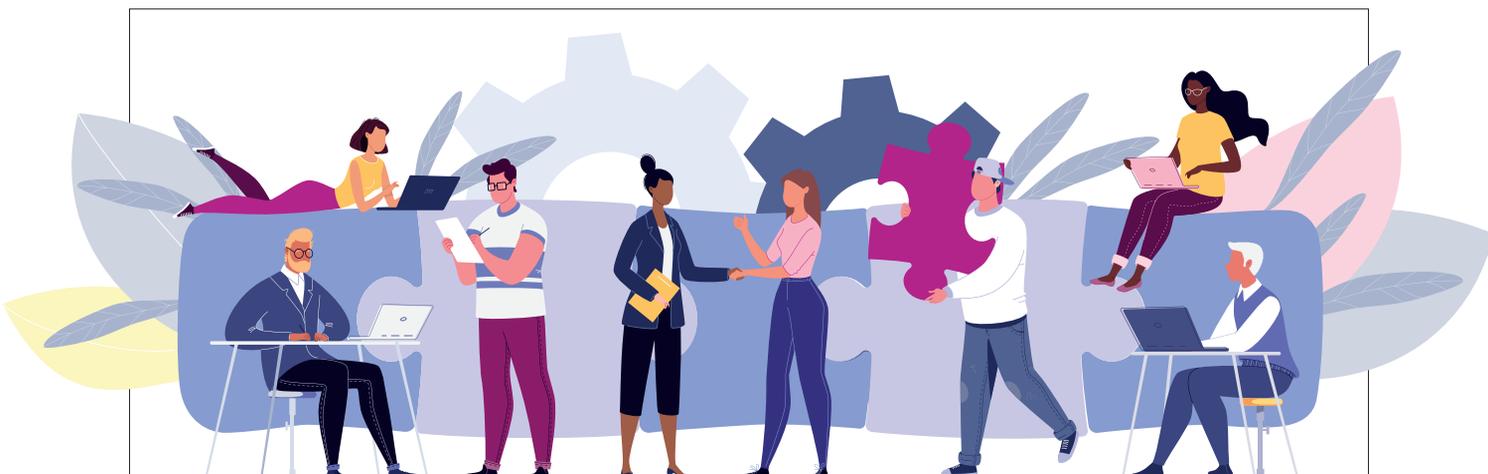
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**Cheryl Potter:** Simply put, private equity firms have two assets – capital and people. They cannot afford to turn their backs on 50 percent of the talent pool. Firms need to hire from the broadest pool possible because there is now a large body of evidence to show that diverse teams are better at making high-quality decisions, which in turn will result in better returns. That benefits the firms themselves and investors.

**Liz de Freitas:** There's plenty of

research to show that diverse teams perform better across a number of dimensions, such as creativity, problem solving and employee engagement. In addition, there are increasing external pressures to address this imbalance – for example, LP investors consider diversity levels before committing capital, which could impact fundraising.

This could be a differentiator when it comes to doing deals. As we see more female CEOs and board members, target businesses are looking closely at the composition of the teams they will be dealing with – many want to see diversity, and PE firms that do not address this effectively may well be missing out.



### Q How do you see efforts to attract and retain more women in the industry developing going forward?

**LdF:** I am hopeful that firms will create more inclusive cultures over time. Having diversity targets is clearly beneficial and will drive change, but firms will fail to achieve them if they do not modernise their cultures. Inclusion is what will make this stick. The pandemic has shown that change can happen quickly, and that businesses can still thrive while working flexibly. I'm optimistic that the industry will continue to embrace more ways of attracting and keeping women, and it will be seen as a core element of the talent strategies for successful firms.

**CP:** Covid, while having obvious negative impacts, has shifted some views and practices. Everyone now

recognises the importance of good childcare, for example, and the fact that business travel does not need to be so frequent and that will help team members with responsibilities outside of work.

I think people have also realised that working from home is doable, although it is not necessarily the easy option.

At Level 20, we will continue to undertake research, mentoring and diversity and inclusion tracking – and we have now started working across different dimensions. Our most recent tracking report – the BVCA and Level 20 *Diversity & Inclusion Survey 2021* – also includes data on ethnic and racial diversity in the industry.

We would also like to create “get back into private equity” returner programmes that would help experienced women return to the industry when they are ready. There is a great untapped talent pool out there.

We are increasingly seeing our own corporate and PE clients specifically requesting diverse teams that align with their values. There is also a shift in attitude among younger employees. By 2025, Generation Z will make up a sizeable proportion of the workforce and they are demanding more inclusive work environments.

### Q Where would you say the industry is today in terms of gender diversity?

**CP:** Private equity is beginning to make progress, although it has come from a low base. The proportion of female investment professionals in firms

*“PE firms need to challenge their ideas of what great leadership looks like”*

**LIZ DE FREITAS**  
EY

is growing – in 2020, 20 percent of investment team members were female, up from 14 percent in 2018, according to the British Private Equity & Venture Capital Association and Level 20's *Diversity & Inclusion Survey 2021*. The fact that 10 percent of senior investment professionals are female shows there is still work to be done, although that is up from just 6 percent in 2018. Also encouraging is the decline in the proportion of all-male firms from 28 percent in 2018 to 12 percent in 2020.

**LdF:** I agree, and we've seen an acceleration over the past year or so as covid-19 has brought into focus many

issues that were not necessarily openly discussed in the past. There has been a much greater openness about working flexibly – ie, what it means at a practical level and what the challenges are. It is as though we have had a decade's worth of change in just the last 12 months.

### Q What are the key issues affecting this?

**CP:** Part of the issue is that it hasn't been on the agenda for a long time. It was put on the agenda by initiatives such as the establishment of Level 20, the 30% Club and the Hampton Alexander Review so that gender diversity has become a top priority for all sorts of organisations.

At the same time, society is now talking about diversity – it has become part of the vernacular. Yet private equity is an apprenticeship business. It can be very hard to make successful lateral hires into investing roles, so you cannot create female senior investment professionals overnight. You must acknowledge this and make sure you are bringing in more women at junior levels and then creating an environment in which they can be successful. Part of the issue here is that there are so few female role models in private equity and that can make it hard for women to make it to the highest levels.

One of the issues historically is that it has been hard for all-male teams to hire women, but that is clearly starting to change, and it will be interesting to see how these women progress. It fills me with hope for the future as you must be particularly compelling to attract your first female team member.

**LdF:** I think the issue also stems from preconceptions of what it takes to be a successful leader. We have conducted research into people's perceptions of what successful leaders of today look like, versus the capabilities needed for leaders in the future world of work. It showed a clear disconnect – the key takeaway was that, as the world of work

continues to change, what got us here today won't get us there in future. We need to think differently. It requires a shift away from specific 'diversity initiatives' and a move towards adjusting cultures to be more inclusive.

### Q Is this culture change underway in the industry today?

**CP:** It is starting to change. We are now seeing less of the thinking that women need to be trained to have more gravitas and more acceptance that instead it is management that needs to be trained to listen to different voices. It is one thing to have diversity targets; it is quite another to create organisations where everyone can thrive. Diversity is being invited to the party; inclusion is being invited to dance. Women shouldn't just have a seat at the table, they actually need to be heard to be able to make a difference.

**LdF:** There is certainly growing leadership recognition that greater diversity helps firms run in a different way. Yet there is still a big issue with 'pinch points' during women's careers, such as having a family, and there need to be more practical solutions in place to help work through these challenges.

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**CHERYL POTTER**  
Level 20

### Q What practical steps can the industry take to progress further?

**CP:** There are plenty of steps the industry and individual firms can take. Last year, we conducted research with YSC Consulting that looked at how to retain women in private equity through interviews with 25 senior female executives.

It found five characteristics that firms need if they are to hold on to female talent: inclusive leadership that prioritises team management and development; an inclusive culture that creates a sense of belonging; transparency and fairness through meritocratic systems so that everyone knows what it takes, for example, to become partner in the firm; support for family life through the pinch points Liz mentioned earlier through clear conversations about how firms can and can't accommodate flexibility; and supportive working environments that recognise people have lives outside their careers.

**LdF:** Private equity firms tend to consist of relatively small teams and can therefore benefit from learning what works in other organisations. We have 300,000 people at EY and so we are able to test different approaches to see what works. One initiative we found to be very powerful, for example, has been reverse mentoring. Through this, leaders have seen their management styles through the eyes of the junior levels, helping them to understand which behaviours are supportive, and which are not.

PE firms need to challenge their ideas of what great leadership looks like. Some leaders are in a role because they are great deal doers, but that does not necessarily make them leaders capable of fostering inclusiveness. If a leader cannot create a welcoming and diverse culture then firms which are making efforts to hire, train and develop women, will not be able to hold onto them. A costly mistake. ■