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TPG, Advent take big steps to open the hiring funnel in private equity

Bulge-bracket private equity firms are using a variety of strategies to attract diverse talent and promote a more inclusive workforce both within and outside of their firms.

By *Sarah Pringle*

Where does a PE firm start in its quest to increase diversity? One strategy is to go beyond the typical investment bank and consultant-driven funnel in which PE firms have historically found their talent by grooming younger talent.

Take TPG. For TPG Capital, the firm's flagship private equity fund, it filled only 50 percent of its associate classes in 2018 and 2019 through the typical recruiting pipeline (such as I-banks). The other half was left open in 2019 and 2020, respectively, to recruit outside of the typical funnel.

"We feel very strongly that in order to create a diverse pipeline longer-term, you have to start early," says Anna Edwin, the global head of talent development at TPG. "When you're investing early on, you may not see for that particular cycle the immediate effects. But it's a longer-term game."

"The [traditional] funnel is not really diverse - gender, race or otherwise," John Maldonado of Advent International adds. "The funnel is skewed toward white males."

PE firms, partly due to their size, historically have not had intense in-house training programs like those of, say, JPMorgan or Goldman Sachs. But more firms like TPG and Advent are stepping up with greater investment into efforts to widen their recruitment funnels.



Anna Edwin, TPG

"We and other firms need to break the paradigm," says Maldonado, whose firm launched an internship program a few years ago, partnering with organizations including BLK Capital Management and SEO. By moving higher up in the funnel, the executive is hopeful that "someday in the future, the vast preponderance of our hires are people that we've already gotten to know - with a higher percentage of underrepresented minorities."

TPG's recruiting efforts - supported by partnerships with Girls who Invest, Access Distributed, SEO, MLT and Toigo, among others - have proven effective at the entry level in recent years. Approximately 50



John Maldonado, Advent International

percent of the firm's last two associate classes are either women or racially or ethnically diverse.

"My personal goal is: when we look back in another three to five years, that we are able to actually start to hire some of the students that we've been able to mentor and work with, even though they were at the undergrad level and not necessarily what a firm would think of as their immediate pipeline," Edwin says.

Maldonado acknowledges that interns in their program may not ultimately choose private equity as their career path after graduating college. "We don't know if this will work," he says. "The yield is still yet to be

seen, but we've got to try something, and this feels like something not everyone else is doing."

In other unique recruitment initiatives, KKR in 2019 partnered with Harlem Capital Partners, a venture capitalist whose mission is to "change the face of entrepreneurship" by investing primarily in disruptive startups founded by women and diverse entrepreneurs. Under the partnership, HCP refers underrepresented investment professional candidates and former interns to KKR for consideration in its internship and full-time hiring programs.

Harlem garnered the attention of TPG, too, which in 2019 made a strategic, minority investment in the firm, and became a limited partner in HCP Fund 1.

KKR has also closely partnered with Howard University, one of the most prestigious, historically black colleges, to identify strong, diverse talent. Its other partnerships include SEO, Toigo, Girls Who Invest, 30% Club and 30% Coalition, among others.

More than stats

As the industry faces increasing pressure to build a more diverse workforce, the stats for most firms are going to look better every year. But the work doesn't stop there, Edwin says.

"If you just do it on the recruiting front to be impressive on the stats and are not really making sure that the people you've brought into your firm want to be there and are having fantastic careers, you're kind of missing the point. Because you're never going to actually change the voices or diversify those perspectives at that senior level unless you're actually caring about people and getting them to commit to your firm for the long-term," Edwin says.

Besides a growing emphasis around initiatives that encourage retention, firms are instituting mandates to enforce better recruiting practices. At Advent, when recruiting is done laterally (for mid- or

senior-level roles), there is a global mandate requiring that in the final rounds for a new hire, at least one candidate is an individual from an underrepresented group, Maldonado says.

At the partner level, 25 percent of Advent's current workforce fall into an underrepresented group. It goes a long way, Maldonado says, "if [candidates] can look into the organization and can see someone else like them that has succeeded."

In other unique initiatives, Bain Capital signed on with Management Leadership for Tomorrow's MLT Black Equity at Work certification system - which enables employers to take a systematic, results-oriented approach in achieving black representation at every level, as well as compensation equity, an anti-racist and inclusive work environment, racially-just business practices and racial justice contributions.

PE's role in diversity outside the firm

While some private equity groups take the view that they aren't in the place to talk to portfolio companies about diversity, Maldonado says, "our view is, we can't wait; we gotta try."

Advent in late 2020 launched the Advent Leadership Academy in collaboration with Harvard Business School.

This program will offer high-performing executives from across Advent's North American portfolio the chance to participate in a tailored program designed and taught by faculty members from the world's most prestigious business school. The inaugural program will be open to women, people of color and individuals who identify as LGBTQ+, Advent says.

KKR has also emphasized diversity in the boards of directors of its portfolio companies, as well as in how those companies operate.

The firm in 2018 set a goal of having at least two directors with diverse backgrounds on the board of every company they control. To date, KKR has met this goal on every single

one of the boards of directors of companies it controls in its Americas PE business.

Likewise, TPG portfolio companies since 2017 have added more than 100 women to their boards after launching a dedicated effort to increase gender diversity across the companies it backs. The firm has since expanded the effort to include race, ethnicity and sexual orientation - and through its referral network has built a database with more than 1,500 diverse director candidates.

KKR's efforts have also been reflected in its capital markets activities including debt and equity offerings. The firm regularly makes it a point to bring minority-owned brokerage firms in as co-managers on the transactions, spreading economic opportunity, a spokesperson says.

Some firms believe private equity also has a responsibility to be publicly outspoken about its values.

"I think sometimes what happens in financial services in general is people shy away from making political statements, and what we've done is we've put our values on the table because they matter to us," Edwin says. "We want people to know that this is a place where we don't tolerate ignorance. We don't tolerate being unkind to others."

At TPG, that goes beyond typical employee policies like parental leave. "Our employees don't have to question where we stand on an issue because they can read it, they can see it, they can feel it. And hopefully that's going to make us a more attractive option to people."

TPG also believes they have responsibility to their broader ecosystem in addition to its most immediate stakeholders, Edwin explains. "I've been proud of our continued and sustainable progress when it comes to diversity, equity and inclusion, but we are very aware that there is still a lot of work to be done," she says.

Update: This report has been updated to include additional detail on TPG's board diversity efforts and partnership with Harlem.