# Insight

## Gender diversity
## Five ways private funds are making progress

In a notoriously male-dominated industry, progress on increasing gender diversity is a slow-moving beast, ***writes Selin Bucak***. But the initiatives put in place by many private markets firms in recent years – partly due to investor demand and partly because of a realisation that diversity improves performance – seem to be finally moving the needle. At least a little. Here, *Private Equity International* highlights five steps private funds are taking to increase diversity.


### Setting targets and improving reporting

Having targets and improving reporting at the firm and portfolio level is a key first step in improving diversity. For example, The Carlyle Group has set a goal of having 30 percent diverse directors on the boards of its private equity-controlled companies within two years of ownership, and it has managed to have 56 percent of new directors from diverse backgrounds in majority-owned companies held for at least two years.

Starting in 2019, each fund and function at the buyout group has its own diversity and inclusion plan to drive action and accountability.

"We have approached diversity and inclusion from the perspective that you have to think about embedding it in everything you do. This is a part of doing business and the skill set we have asked all employees to hone," says Kara Helander, chief diversity, equity and inclusion officer at Carlyle.

Elsewhere, Partners Group has set the goal of having 25 female managing directors and partners by 2025. Any progress made towards the goal is reported in the group's corporate sustainability report.

"We rely on our colleagues across Partners Group that sit on company boards to define the board agenda and ensure diversity and inclusion has a standing place, and that KPIs are relevant," says Esther Peiner, managing director, co-head of private infrastructure in Europe.

"The second step is every six months our portfolio companies report and here the topic of specific D&I challenges will be raised and achievement against the targets being set will be measured. Third, we have our governance group and they measure diversity across boards and report back to the executive committee."


### Working with industry networks

Partnering with external organisations is also seen as beneficial, not just to improve diversity at the group level, but also to benefit the wider industry.

Maureen Leitch, vice-president of recruitment at mid-market private equity firm Riverside, highlights several advocacy groups the firm sponsors, including Streetwise, NAIC Paradigm Changers, TEAK Fellowship and Rise Up.

Many private markets firms in Europe also work with Level 20, a non-profit organisation that aims to improve gender diversity in the industry.

## 3 Changing recruitment strategies

As more firms realised over the years that they weren't getting enough female candidates through the door when recruiting, they also began adjusting their practices.

Some examples include Partners Group's summer internship programme, set up to shift the diversity count in junior intakes and financial analyst rotational programmes. Girls Who Invest, a US-based non-profit working to increase the number of female investment professionals in asset management through summer training, is among groups the firm supports.

Meanwhile, Blackstone expanded its on-campus recruitment to include historically black universities and women's colleges last year.

Carlyle also redesigned its recruiting process, Helander says, which now includes more structured interviews, with the firm providing more clarity around key competencies. In addition, all nominees for promotion to managing director take part in an assessment that includes the evaluation of their skills in inclusive leadership and management.

Globally, Riverside has been expanding its candidate pools by targeting women and minorities in non-traditional fields of study, diverse industries and mothers returning to the workplace.

## 4 Mentoring schemes and training sessions

Working with different organisations and networks can go hand in hand with running mentoring schemes and an increased focus on education. James Brocklebank, managing partner at Advent International, says: "One of the initiatives I'm particularly proud of is our ASPire (Advent Sponsorship Programme) initiative, which was designed to create opportunities for future female leaders.

"The programme was launched in 2020 and pairs our mid-to-senior deal-level females with partners of the firm who act as sponsors, not just mentors, to help them gain visibility, experience and support for career advancement. Senior-level sponsors can be fantastic advocates and really help remove roadblocks that women may face as they grow into more senior roles at our firm."

Advent also recently launched the Advent Leadership Academy in collaboration with Harvard Business School. The Academy provides 40 high-performing executives from diverse backgrounds, a large percentage of whom are female, from within the firm's North American portfolio companies the chance to participate in a tailored executive education programme designed and taught by faculty members from the prestigious business school.

Many firms have mentorship schemes and provide unconscious bias training to their own employees, but for Partners Group's head of ESG and sustainability, Carmela Mondino, it is also important to steer portfolio companies in the right direction.

"One of the best practice examples we have is a company that provides software services in the UK. Early on we realised this was an important topic and we did a lot of things, including mentorship within the company and visiting schools to try to get girls enthusiastic around the software industry, and that really helped us develop a guideline and strategy in creating awareness around the programme," Mondino says.

## 5 Tying compensation and credit facilities to diversity

The big innovation in the past few years is linking diversity or ESG targets to monetary incentives.

Earlier this year, for example, Carlyle structured a $4.1 billion revolving credit facility for its Americas corporate private equity funds that ties the price of debt directly to its goal of having 30 percent diverse directors on boards within two years of its investment. In addition, the buyout group has tied the compensation of its CEO – which was $16.4 million in 2020 – to the firm's performance on DE&I goals. Chief diversity, equity and inclusion officer Helander says this will trickle down to other employees as well.

It has also launched an incentive award for staff who have gone above and beyond to contribute to DE&I at the firm. The results are expected to be announced in August and the award will be for no more than 5 percent of employees. ■