



IMPROVING GENDER DIVERSITY IN PRIVATE EQUITY

INTERVIEW WITH MANAGING DIRECTOR KATHLEEN BACON

When it comes to gender diversity in asset management, the scales have long been tilted towards men. The gap is particularly wide in private equity, where women hold just 12.6% of all senior-level roles globally.¹

HarbourVest Managing Director Kathleen Bacon has bucked the trend. Bacon joined HarbourVest in 1994, and has risen through the firm's ranks to become one of its top investors and a member of its Investment Committee, which oversees more than \$40 billion in capital commitments from institutional investors worldwide. She has been recognized by Dow Jones as one of the 100 most influential women in private equity, and is a founding member of Level 20, a London-based group of senior executives dedicated to improving gender diversity across the industry. Bacon explains some of the challenges in attracting women to private equity, what can be done to reach a better balance, and why now is the time to make gender diversity a top priority.

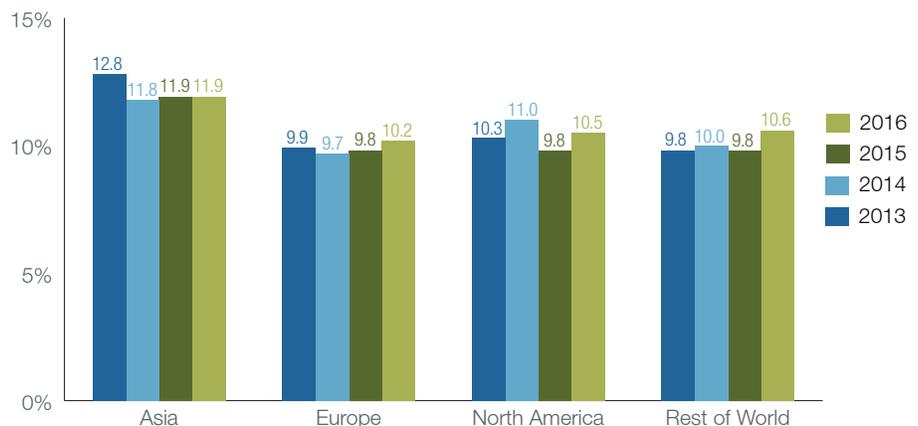
Why are there so few women working in senior private equity roles?

There are many factors, but we simply aren't doing enough as an industry to attract women to private equity – and when they do choose to build a career with us, we're not doing enough organizationally to keep them. One of our biggest hurdles is perception. When we go to college campuses to recruit talent, for example, we need to do a better job of selling what our industry is all about – using creativity and research to source the most attractive companies to invest into, and using finance, marketing, and relationship skills to fundamentally change and improve these companies. We also need to ensure that the individuals doing the recruiting reflect the diversity of that potential talent pool. So first and foremost, we need to do more to encourage women to self-select our industry. Another piece of the equation is retaining top talent. Organizations need to do a better job of instituting practices and policies that encourage a healthier work/life balance. These types of measures can go a long way toward retaining not just top female talent, but all talent.

Why is it so important for the industry to become more gender diverse?

Every business that wants to grow and succeed over the long term needs to constantly evolve to make sure it reflects the diverse world in which it operates. Right now, we're not aligned with the fact that more women today are controlling

FEMALE SENIOR EMPLOYEES AS A PROPORTION OF TOTAL BY FIRM LOCATION (2013 - 2016)



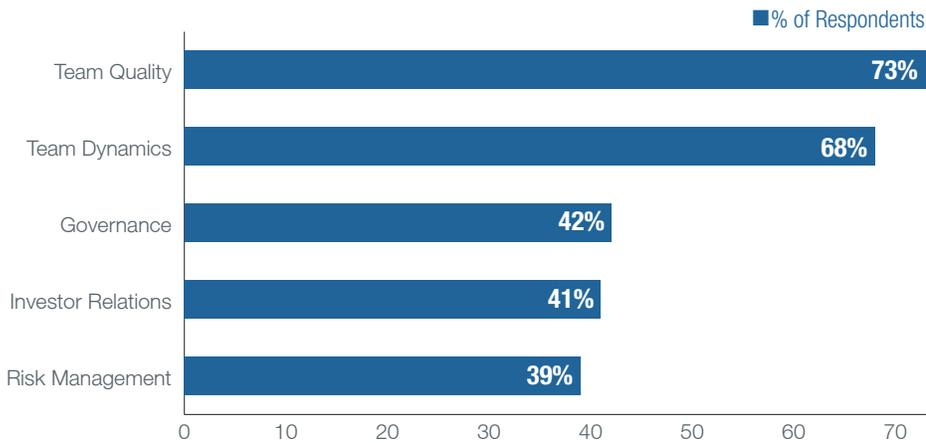
Source: Preqin, Women in Private Equity, March 2016

more of the world's wealth than ever before. They are leading businesses and making important financial and investment decisions that affect millions of people every day. If our value-add is sourcing the best investment opportunities – and we don't fully understand the needs and interests of our clients and investors – we're already at a big disadvantage.

Beyond demographics, there's also a strong business case to be made for increased diversity...

Absolutely. Many studies have shown that diversity among investment teams and senior decision-makers results in better, more well-informed decisions, and coincides with improved investment performance.² Success in business isn't just about mastering numbers and data; it's also about being able to read people's emotions and motives, and understanding what makes them tick. So having different perspectives is critical. Increased

LP VIEWS ON THE AREAS WITHIN A GP THAT WOULD BENEFIT FROM GENDER DIVERSITY



Source: Collier Capital Global Barometer, Winter 2014

diversity also provides firms access to a broader pool of female talent and female-managed capital, and can lead to a more respectful, productive working environment. Importantly, LPs agree that gender diversity brings benefits. Nearly 60% believe PE firms would benefit generally from having more gender-diverse teams, with more than two-thirds saying team quality and dynamics would be improved as a result.³

HarbourVest has a long history of hiring and promoting women to serve in senior roles. Can you point to any best practices that stand out?

I'm proud of our track record in this area, and excited about what we can do going forward to make diversity even more top of mind. I was fortunate to join a meritocratic firm whose senior leaders made gender diversity a priority from the start, and who were always willing to advocate on behalf of myself and other women when performance justified promotions. This mindset has been in place since HarbourVest's inception more than 30 years ago, and is reflected in the composition of our staff today. Nine of our 36 managing directors (25%) are women, and females hold 24% of our senior positions globally.

Our strong belief that diversity drives returns is further reflected in our recent acquisition of HarbourVest Horizon, which specializes in sourcing and investing in diverse and emerging managers. Through December 2015, one-third of the funds Horizon was invested in had one or more female partners. Backed by a strong historical track record, the team currently manages more than \$1.9 billion in capital.

¹ Preqin, *Women in Private Equity*, March 2016

² Credit Suisse, *Women's Positive Impact on Corporate Performance*, September 2014
<https://www.credit-suisse.com/articles/news-and-expertise/2014/09/en/womens-impact-on-corporate-performance-letting-the-data-speak.html>

³ World Economic Forum, *Women in Private Equity: The Limited Partner Perspective*, Briefing Note, March 2016
http://www.colliercapital/uploaded/documents/Publications/2014/Collier_Capital_Global_Barometer_-_Winter_2014.pdf

For additional legal and regulatory information please refer to www.harbourvest.com/important-legal-disclosures.

What other things can firms do to encourage more women to choose private equity as a career?

There needs to be more of an emphasis on active recruitment and internship programs, which allow candidates to “test drive” the industry and can ultimately lead to fulfilling, long-term careers. Organizationally and culturally, firms should develop internal female mentoring networks, so young women have role models to lean on for advice and guidance. And as I mentioned before, take a look at your policies to make sure they support the recruitment and retention of talented women. Blackstone recently extended its maternity leave from 12 weeks to 16 weeks – a small gesture that should make a big difference.

Last, there needs to be a cultural acceptance around allowing people the flexibility to tend to both their work and personal lives. Private equity can be a grueling business. When a deal is on, you need to be all in. But there are also moments when that intensity is lower, and just an appreciation that it's okay to leave the office at 5, or to do board calls from home, would be a step in the right direction.



Can you tell us about your involvement with Level 20, and what the group is trying to achieve?

Sure. Level 20 is a group of senior, female PE professionals who believe strongly that we can leverage our experiences and join forces with other industry leaders to attract, nurture, and promote more women in private equity. Our members represent both LPs and general partners, and work for leading firms like Bain, JPMorgan, and Pantheon. Since the problem is particularly acute in Europe, we're focusing initially on working with European private equity leaders to drive greater gender diversity, both for the benefit of the industry and for the good diversity brings to any community. Our goal is to have women account for 20% of the senior roles in the industry by 2020.