

Closing the Gender Gap in Investing

WinPE and BCG's new research shows how Indian PE/VC firms can
bridge the diversity divide

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WinPE is a pioneering not-for-profit platform established with the objective of enhancing gender diversity within investing and entrepreneurship, increasing the participation of women as investors, capital allocators, and entrepreneurs.

WinPE uses a multi-pronged strategy to achieve its objective, with an emphasis on building the ecosystem to support gender balance. WinPE's work includes supporting women investors, entrepreneurs and aspirants with resources like mentorship, allyship, networking, leadership development workshops, career bootcamps and masterclasses. Launched in Feb 2020 at the outset of the pandemic, WinPE has already organized more than 35 events that attracted approximately 4500 registrants and were polled with an average satisfaction score of 96%.

In parallel, WinPE has brought together PEVC firms and PEVC backed companies committed to achieving gender balance to form a common agenda. With these firms, WinPE pursues outcome-oriented changes to make the work environment equitable and transform the culture, practices and policies in the ecosystem. WinPE members include DFIs, large pensions, global and regional PEVC firms and leading advisors.

Foreword

Measurement is the first step to building awareness and constructive analysis of data is the starting point for finding effective solutions to challenges.

WinPE was launched in February 2020 with the vision of enhancing the participation of women in the investing and entrepreneurship ecosystems. We knew at the outset that specific data would be a critical component of our work in highlighting the extent of the challenge at hand. We also recognized that for it to be actionable, the data must be accompanied by insights into what is influencing it. Very importantly, we understood that having baseline information would be critical to identify and measure real progress.

Entrepreneurship and the private equity and venture capital industry have become an increasingly significant part of economic activity across the world, yet female representation in the alternative investment industry continues to be amongst the lowest. Members of the private equity and venture capital industry recognize this imbalance intuitively and corroborate it anecdotally. With this report, we aim to equip them with data that gives shape to the challenge and insights that offer a peek into the solutions.

The findings should not come as a surprise to most people. Despite a potential self-selection bias in the sample, the stats are not significantly better than the reported industry averages. Much work needs to be done to maintain participation of women all the way to the top of the funnel, the industry must lower its tolerance for losing talent. There are signs of progress with increasing participation of women at entry levels and several firms starting to think about creating flexible workplace policies but changing the culture requires persistence and consistency over a long term. We hope this report will offer some practicable suggestions for investing firms to consider.

On behalf of WinPE, I would like to thank BCG for their partnership in this effort. I would also like to thank the Indian Private Equity and Venture Capital Association (IVCA) and Singapore Venture Capital & Private Equity Association (SVCA) for sharing the surveys forward with their constituents. We are grateful to the men, women and teams who took the time to share data and perspectives with us. I am excited to bring this report forward and feel confident that the findings of this report will provide data-based support and deeper insights into how to bridge the gender gap in investing. Finally, what gets measured, gets delivered.

Nupur Garg
Founder WinPE

Closing the Gender Gap in Investing

WinPE and BCG's new research shows how Indian PE/VC firms can bridge the diversity divide

Diversity pays rich dividends, from access to top talent to accelerated innovation to greater resilience. Recognising the business imperative of diversity, Private Equity and Venture Capital (PE/VC) firms have stepped up their efforts to close the gender gap over the past few years. Limited Partners (LPs) have also started asking questions about diversity, with many requiring periodic reporting on DEI from General Partners (GPs).

But PE/VC firms are still behind the curve. This issue is becoming more urgent in Asian markets, where the number of companies with PE/VC funding has risen sharply and will continue to do so in the next several years. Funds that diversify—and encourage their portfolio companies to do the same—could make a real difference.

To capture this opportunity, PE/VC firms need to focus on the top of the funnel while recruiting for junior roles; explore hiring mid-to-senior women laterally from adjacent talent pools; encourage cultural acceptance of flexible work hours and hybrid working models, and account for these in performance evaluation criteria; engineer access to mentors and female role models; get men more actively involved in championing gender diversity; and track the success of interventions on a regular basis.

Some Signs of Progress

To understand how diversification efforts are progressing in India and other parts of Asia, we fielded two surveys in Q4 2021. The first comprised 36 PE/VC firms, 29 of which are based in India and seven in Southeast Asia. Eighty-one women took part in the second survey, 64 from firms in India, and the rest from firms in other parts of Asia. We also interviewed over 20 PE/VC executives, including women across levels from Associates to Partners and heads of funds, and men in leadership roles.

There are some clear positive signs. Ninety percent of women who took part in the survey said they feel safe in

voicing their opinion at their workplace, and 80% said they feel valued and heard. And representation of women has increased—the proportion of women employees in investing and operating roles at PE/VC firms surveyed grew from 16% in 2018 to 25% in 2021. Senior women we interviewed commented on the difference they are seeing on the ground: *“We have all gone through those days when you would be the only woman in the room, but now you see more women, also in different roles in the ecosystem like legal and investment banking. This is just the start; I can see progress happening”*.

PE/VC firms have made substantial progress particularly in recruiting women into entry-level Associate positions. Today approximately 40% of Associates at surveyed firms are women, which is in line with the typical talent pools from which these firms recruit. (See Exhibit 1).

The proportion of women in mid-level positions has also almost doubled, with women representing slightly over 20% of Principal roles today. Attrition, however, is significantly higher at mid-level roles than at entry-level roles (after adjusting for attrition to pursue higher education at entry-level roles).

Little to no progress has been made in women's representation at the top—while women's attrition is very low at this level, women still make up less than 15% of Partners, who are key decision-makers within PE/VC firms. Moreover, the majority of firms have no women in management roles—approximately 50% of firms surveyed have no women at Principal roles, and over 60% have no women at Partner level¹.

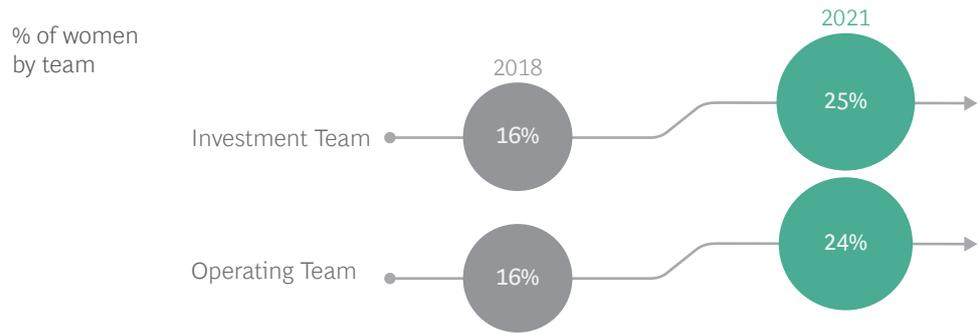
Programs That Have Helped—and Obstacles That Persist

Initiatives that PE/VC funds have put in place to promote gender diversity broadly target four areas—culture, recruitment, advancement, and leadership. Through our surveys and interviews, we sought to understand the status

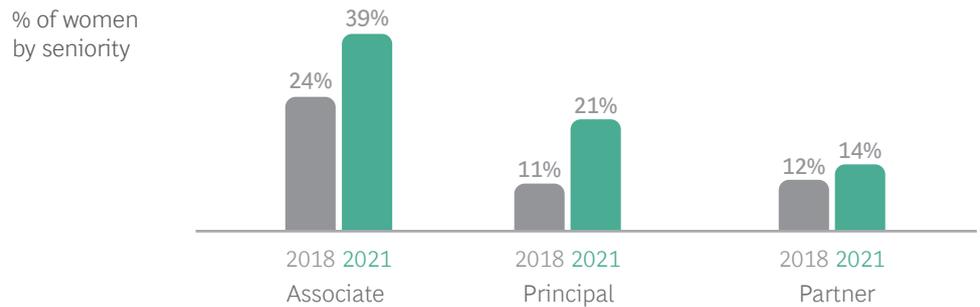
1. The survey had insufficient responses to question on whether firms track gender diversity data at portfolio companies.

Exhibit 1 - Some Signs of Progress, Yet a Long Way to Go

Representation of women has increased in both investment and operating teams...



...Gains are primarily at junior and mid-level, limited progress at senior level...



...And many firms have no women in mid-to-senior roles



Source: BCG Fund Survey (N=36).

Note: Question- What is the number of women in your PE/VC Fund, how is it split across teams and levels?

of implementation of these initiatives across funds, and which ones were considered more effective than others.

CULTURE

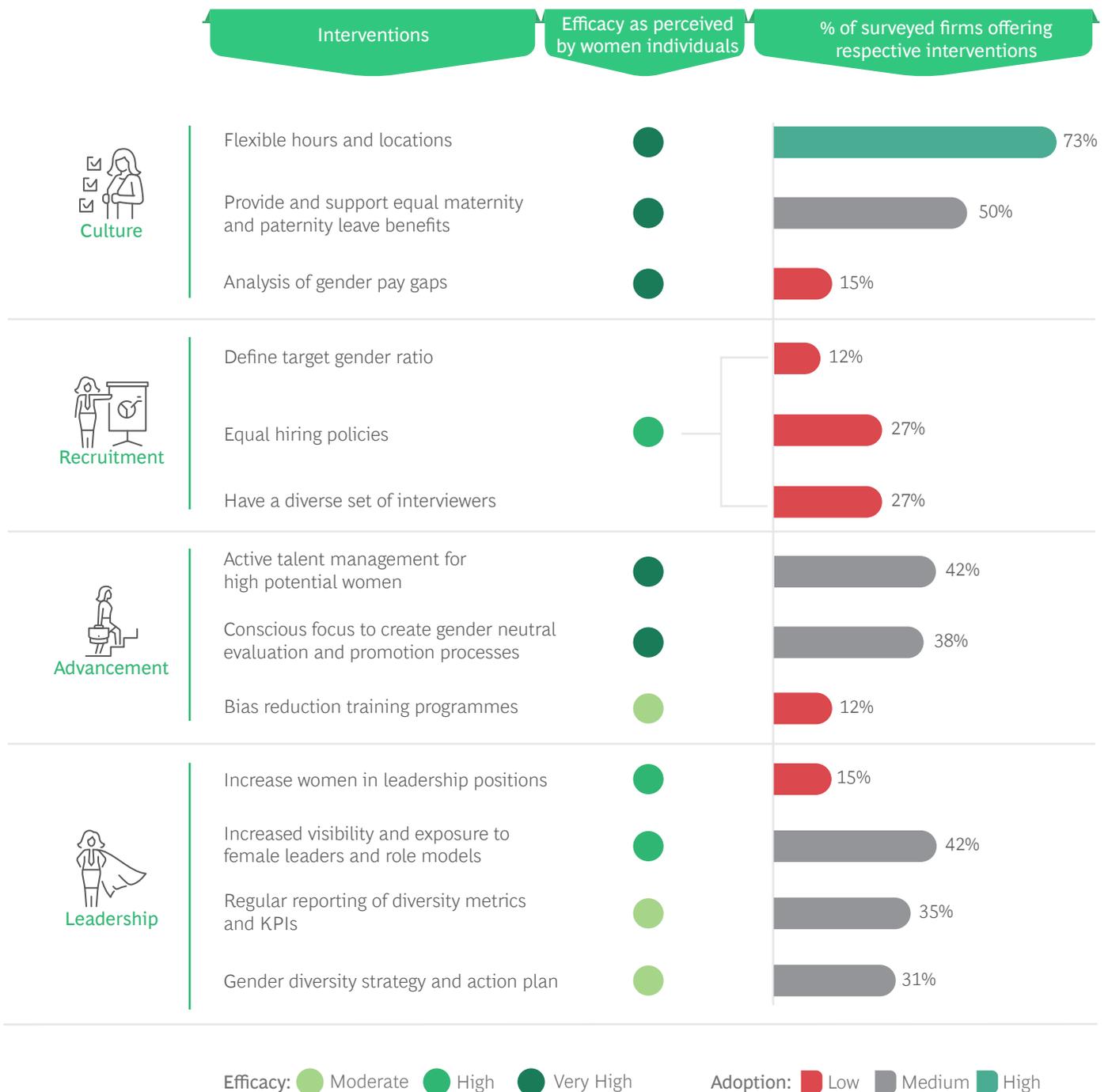
Firms' cultures are comprised of institutional policies, behaviors modeled by leadership, and day-to-day interactions among employees. Through the survey, we sought to understand the importance and existence of representative policies such as flexible working hours and locations, maternity and paternity leave, and pay gaps. Interviews provided additional colour on consistency of implementation, and on perceptions of behavior and expectations within the organisations.

Our survey showed that flexible working hours / locations and support for equal maternity / paternity benefits were rated as highly effective interventions by the women we

surveyed, and offered by over half the firms surveyed. (See Exhibit 2).

Putting these policies in place, however, is not sufficient—we observed inconsistencies in their cultural acceptance and implementation across organisations. One interviewee appreciated the flexibility she received from her firm when her husband needed to move to Europe for a job—she asked to work remotely and her firm was comfortable with her moving to Europe temporarily, it didn't impact either the type of work she was assigned or her promotion timeline. Another interviewee noted, however, *"I know there are flex policies, but candidly I don't know anyone else at my company, whether male or female, who has taken advantage of these. As I think about planning for a family, I wouldn't know who to ask for guidance on balancing my time commitment to raising children with the demands of tight deal timelines."* Another

Exhibit 2 - Many Highly Effective Initiatives have Low Adoption by Surveyed Funds



Source: BCG Women in PE/VC Survey (N=81); BCG Fund Survey (N=36).

Note: Questions- 1. Please rate the following programs on their effectiveness in improving gender diversity and inclusion in your firm (BCG Women in PE/VC survey); 2. Which of the following women-centric initiatives/programs does your firm offer (BCG Fund survey).

interviewee worried that she would be judged as less ambitious if she asked to learn more about flex policies.

Some women cited that they had felt pressure to delay maternity because they would fall behind their male peers if they took time off, while others noted they had not seen examples of women who had returned to work after maternity. Interviewees also noted that while firms across the board offered paternity leave, they had not seen many examples of their male managers and leaders taking paternity leave. These examples were perceived to be important—one woman noted: *“I really appreciate that my firm actively encourages men to take paternity leave. It is really helpful to set up male role models to ‘normalise’ pursuing an ambitious career and having a family.”*

Analysis on gender pay gaps was also ranked highly in the survey as a desired intervention, however only 15% of surveyed firms undertake analysis and transparency in this regard. As the number of women in the industry grows, masked analysis of any gender pay gaps will also become more feasible.

RECRUITMENT

Increasing focus on recruiting women via a variety of initiatives such as tracking gender ratio of the incoming cohort, equal hiring policies, and a diverse set of interviewers was perceived to be highly effective, however less than 30% of firms had put such initiatives in place.

Multiple people we interviewed said that they have trouble finding women candidates—women themselves select out of applying for PE/VC roles due to the time commitments and perceived “competitive” nature of the job. Interviewees also noted that the current lack of women in the industry is a self-perpetuating problem: *“When you don’t see as many women in the industry you tend to question whether you can be successful here and whether to even apply for these roles. And women tend to be at a disadvantage to men in terms of a network of seniors from campuses they know at these firms, so many don’t quite know where to start in terms of preparation.”*

Given the small number of hires that are made at PE/VC firms each year, both men and women at PE/VC funds cited “risk aversion” in the recruiting process—they want to make sure they hire candidates who are the best fit for the role. Firms that have seen some success in increasing the proportion of women hired say that they do not make any exceptions in terms of finding the right candidates, instead they focus on increasing the number of women at the “top of the funnel”—i.e., the number of women they interview. To achieve this, some firms ask headhunters to ensure that the slate of interviewees mirrors the gender ratio on campuses, other firms ask for a minimum number of women to be interviewed before they start interviewing men.

Some firms also leverage support from women within the organisation (whether in the same geography or in other geographies) to support and attract women applicants across roles. One VP noted, *“A male Partner requested that I coach and look out for the women that were in our interview process—we wanted to make sure that women felt supported and heard by our firm so that they would choose us over competitors.”*

ADVANCEMENT

Many women cited concerns in terms of retention and advancement—according to firms we surveyed, the top reason for attrition of women was a life event such as maternity (27%), with working hours and company culture not far behind (23%). And attrition was higher at mid-level roles, representing a real talent loss for firms that have already invested several years in the employee.

To assess firms’ focus on supporting women’s advancement, we evaluated the prevalence and perceived impact of active talent management for high potential women, focus on gender neutral evaluation and promotion processes, and formal training programs targeting unconscious bias.

Active talent management for high-potential women was cited as a highly effective intervention to retain and support advancement of women, but practiced at less than half the funds surveyed. Women repeatedly cited the importance of mentors—especially in an industry like PE/VC that has an apprenticeship-based learning model. Many mid-level and senior women noted that they were fortunate to have found the right mentors (both men and women) who had coached them as they progressed within the organization. Several interviewees also noted, however, that there were often subtle obstacles or unconscious bias that made it a bit difficult to find such mentors, *“Some of the senior men in our organisation interact more with male junior colleagues, especially in informal settings, leading to closer relationships. At times I found it difficult to integrate in these settings when I was the only woman.”*

Conscious focus to create a gender-neutral evaluation process was also perceived as a highly effective intervention, and reported at just over a third of the firms surveyed. Many interviewees found it helpful to have transparency in expectations for progression to the next role, and also clarity on how evaluation processes would account for any flexibility or leave they may have availed at various life stages. Others cited the specific importance of support at pivotal “moments of truth” such as leaving for / returning from maternity or changing roles within the organization. Women who had this transparency and clarity were more comfortable advocating for themselves, pursuing advancement and building long-term careers at their firms.

While not many firms offer bias reduction programmes, these were also not perceived to be sufficiently effective by themselves. Many women cited the need for leaders and peers to actively call out and address instances of bias if and when they occurred during the regular course of business.

LEADERSHIP

Over 35% of women surveyed said that the lack of leadership focus on gender diversity was a problem. *“In the PE/VC industry, the overwhelming majority of people in decision-making positions are men. Challenges that may be women-oriented are not even surfaced, and are therefore not adequately addressed. There are few people at the top who truly understand these problems.”*

Less than half of the funds surveyed proactively undertook regular reporting of diversity metrics and had formalized gender diversity action plans in place. Given the small proportion of women currently in senior leadership roles, it will be important for senior men to champion and jointly drive the gender diversity agenda within their firms.

The Way Forward

While the PE/VC industry is slowly but surely making progress in gender diversity, there are some clear initiatives that firms can implement to keep the momentum going.

Focus on the top of the funnel while recruiting for junior roles. To move the needle, PE firms need to bring in more women. Since women candidates may be harder to attract at the same rate as men, it is critical to make the additional effort to diversify the pool of candidates interviewed via specific guidance to headhunters and tapping into wider talent pools. It is also important to communicate how firms plan to support women candidates to have longer-term careers in the industry.

Recruit mid-to-senior talent laterally from related industries. To accelerate the representation of women at mid-to-senior level positions, PE/VC firms should consider hiring laterally into these roles. Since the pool of women with direct investing experience at this level is not currently very deep, funds could open their aperture more broadly to candidates from adjacent talent pools such as investment banking, consulting, corporate business development, asset management and family offices.

Move beyond instituting policies to building a culture that allows them to be utilized. Policies like equal maternity and paternity leave, used in combination with the hybrid working models that have become more widely accepted during the COVID-19 pandemic, allow

employees to continue working while sharing responsibilities at home. To encourage women to take advantage of these policies, PE/VC firms need not just institute these policies but also change their cultural acceptance. It is important for senior leaders to model the right behaviors by availing of these policies themselves when offered, and also to normalize usage of these policies by not just women and mothers but by all employees.

Re-evaluate performance evaluation criteria. Firms also need to establish performance evaluation criteria that are transparent and communicated clearly to employees. Evaluation criteria should be objective and measurable, and should thoughtfully account for flexibility or leave that women may have taken at different life stages. Ambitious employees should not have to worry that having children or tending to elderly parents will have negative career impacts and should be able to make any trade-offs with more complete information.

Engineer access to mentors and female role models. Leaders in firms should provide tailored mentorship to women—they should ask (not assume) what women employees need as they navigate various career stages, and customize their support to individual needs. It is particularly important to support women in “moments of truth” that can materially impact career trajectory, such as applying for a role in another team or returning from maternity leave. Senior women role models who actively coach and encourage junior women are also important, as many women feel they can learn from the experiences of other women who have successfully navigated long-term careers in an industry that has historically had very few women. In cases where there are few senior women in one geography, connecting women across geographies or across firms to build a larger community would be beneficial.

Get men more actively involved. The onus of improving gender diversity should not fall only on women. Men too need to champion efforts to improve gender diversity—especially since they far outnumber women in the PE/VC industry. There are many ways in which men can get involved, such as taking accountability to sponsor high potential women as they build platforms for promotion and advancement, modeling the right behaviors in day-to-day interactions, and supporting flexible work policies.

Follow up. New policies alone are insufficient for effecting real change. Firms should go beyond basic KPIs to track interventions on a regular basis—that is critical to ensure policies are impactful. We also recommend making successful implementation a key result area (KRA) for leadership.

PE/VC firms in India and South East Asia are slowly moving towards a more diverse, equitable, and inclusive workplace. By implementing the initiatives outlined here, firms can accelerate their efforts and make the industry a more attractive career destination for talented women.



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